Berger Paints Nigeria Plc

Annual Report - 31 December 2015

Contents

Corporate Information

Board of Directors:	Oladimeji Alo, PhD	-	Chairman
	Abi Allison Ayida	-	Non - Executive Director
	Chief Musa Danjuma	-	Non - Executive Director
	Nelson C. Nweke	-	Non - Executive & Independent Director
	Oluwole O. Abegunde	-	Non - Executive Director
	Sanjay Datwani (British)	-	Non - Executive Director
	Engr. Patrick Nnamdi Buruche	-	Non - Executive Director
	Adekunle Olowokande	-	Non - Executive Director
	Raj S. Mangtani (Indian)	-	Non - Executive Director
	Tor Nygard (Norwegian)	-	Managing Director (Disengaged: 31 January 2015)
	Jatin Madan	-	Acting Managing Director (From 1 February 2015 to 9 March 2015)
	Peter Folikwe	-	Managing Director (Appointed: 10 March 2015)

Company Secretary/Legal Advisor
Pheola Caulcrick & Co. (Resigned: 30 June 2015)
Oluseun Oluwole (Appointed: (Appointed: 1 July 2015)

Registered Office:
102, Oba Akran Avenue,
Ikeja, Industrial Estate
P.M.B. 21052, Ikeja, Lagos.
Tel: +234(01)2805167, 28095169
Mobile: +234(01)2805167, 28095169
0700BERGERPAINTS [0700237437724687]
Email: customercare@bergerpaintnig.com
Website: www.bpnplc.com

Registration Number: RC: 1837

FRC Registration Number: FRC/2012/0000000000295

Registrars:
Meristem Registrars Limited
213, Herbert Macaulay Way, Adekunle, Yaba, Lagos.
P.O. Box 51585, Falomo, Ikoyi, Lagos
Tel: 8920491, 8920492, 01-2809250-3
Email: info@meristemregistrars.com
Website: www.meristemregistrars.com

Independent Auditors:
KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island, Lagos
Tel: +234-1-2694660-4

Major Bankers:

Guaranty Trust Bank Plc	Skye Bank Plc
Heritage Bank Limited	Zenith Bank Plc
First City Monument Bank Plc	UBA Plc

Financial Highlights

In thousands of naira

	2015	2014	%
Revenue	3,022,264	3,082,930	(2)
Gross profit	1,378,568	1,346,870	2
Operating profit	470,720	266,217	77
Profit before income tax	565,212	249,258	127
Profit	330,316	148,808	122
Share capital	144,912	144,912	-
Total equity	2,587,330	2,459,830	5
Data per 50k share			
Basic earnings per share (kobo)	114	51	124
Declared dividend*	75	70	7
Net assets	9	8	13
Dividend per 50k share in respect of current year results only			
Dividend proposed (kobo)**	75	75	-
Stock Exchange Information			
Stock exchange quotation at 31 December in Naira per share	10	9	11
Market capitalization at 31 December (₦'millions)	2,898	2,608	11

*Declared dividend represents the dividend proposed for the preceding year but declared during the current year.

**The directors propose a dividend of 75 kobo (2014: 75 kobo) per share on the issued share capital of 289,823,447 (2014: 289,823,447) ordinary shares of 50k each, subject to the approval by the shareholders at the Annual General Meeting.

Directors' report

For the year ended 31 December 2015

The Directors are pleased to present to the distinguished members this Annual Report together with the Audited Financial Statements of the Company for the year ended 31 December 2015.

1. **Legal status**

   The Company was incorporated in Nigeria as a Private Limited Liability Company on 9 January 1959 and was converted to a public limited liability company in 1973. The Company's shares were quoted on The Nigerian Stock Exchange with effect from 14 March 1974.

   Its former subsidiary company, Robbialac Nigeria Limited, was incorporated in Nigeria as a Private Limited Liability Company in June 1997 and commenced business in October 1997. Robbialac Nigeria Limited was voluntarily wound up effective 18 December 2013.

   Another subsidiary, Lewis Berger Paints Ghana Limited, was incorporated in Ghana with effect from 22 October 2013 as a private limited liability company but has not commenced business.

2. **Principal activities**

   The principal activities of the Company remained the manufacturing and marketing of paints and allied products. The Company also hold an investment property.

3. **Operating results**

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

In thousands of naira	2015	2014
Revenue	3,022,264	3,082,930
Results from operating activities	470,720	266,217
Profit before income tax	565,212	249,258
Profit for the year	330,316	148,808
Total comprehensive income for the year	344,868	181,834

4. **Dividend**

   The directors are pleased to recommend to shareholders the payment of a dividend of ₦217,367,585, that is, 75 kobo per share for the 2015 financial year subject to the approval of the Annual General Meeting (2014: ₦217,367,585, that is, 75 kobo per share). The dividend is payable less withholding tax to all members whose names appear in the Register of Members as at the close of business on Tuesday, May 3, 2016

5. **Board of directors**

   (i) **List of directors**

   The list of the current directors of the Company is as published in the Annual Report.

   (ii) Directors retiring by rotation

   The directors retiring by rotation in accordance with the Company's Memorandum and Articles of Association are:

   A. Chief Musa Danjuma
   B. Mr. Oluwole Abegunde
   C. Mr. Adekunle Olowokande

   Who, being eligible, offer themselves for re-election

(iii) Board Meetings and Record of Directors' Attendance at Meetings

The Board met 6 times in 2015. In compliance with 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 exhibited for inspection at the meeting. It is summarized hereunder:

S/N	Name	January 22	March 10	April 21	July 21	October 20	December 15
1	Dr. Oladimeji Alo	Present	Present	Present	Present	Present	Present
2	Mr. Abi Ayida	Present	Present	Present	Present	Present	Present
3	Chief Musa Danjuma	Present	Present	Present	Present	Present	Present
4	Mr. Nelson Nweke	Present	Present	Apology	Present	Apology	Present
5	Mr. Oluwole Abegunde	Present	Apology	Apology	Present	Present	Apology
6	Mr. Raj Mangtani	Present	Apology	Apology	Apology	Present	Apology
7	Mr. Adekunle Olowokande	Present	Present	Present	Present	Present	Present
8	Engr. Patrick Buruche	Present	Present	Present	Present	Present	Present
9	Mr. Sanjay Datwani	Present	Apology	Present	Present	Apology	Present
10	Mr. Peter Folikwe	N/A	N/A	Present	Present	Present	Present
11	Mr. Tor Nygard	Present	N/A	N/A	N/A	N/A	N/A
12	Mr. Jatin Madan	N/A	Present	N/A	N/A	N/A	N/A

(iii) Composition of the Board

During the year under review, the company was managed by a Board of ten Directors consisting of nine Non-Executive Directors (which included the Chairman) and one Executive Director.

(vi) Directors' interest in shares as at 31 December 2015

The interests of each Director in the shares of the company as recorded in the Register of Members and/or notified by the Directors for the purpose of section 275 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004, and disclosed in accordance with the Listing Rules of Nigerian Stock Exchange are as follows:

S/N	Name	Direct holdings	
		31-Dec-15	31-Dec-14
1	Dr. Oladimeji Alo	1,900,000	1,500,000
2	Mr. Abi Ayida	625,601	625,601
3	Chief Musa Danjuma	3,442,372	3,442,372
4	Mr. Nelson Nweke	234,320	234,320
5	Mr. Oluwole Abegunde	Nil	Nil
6	Mr. Raj Mangtani	Nil	Nil
7	Mr. Adekunle Olowokande	197,965	197,965
8	Engr. Patrick Buruche	133,606	56,900
9	Mr. Sanjay Datwani	Nil	Nil
10	Mr. Peter Folikwe	Nil	Nil

(vii) Directors' interest in contracts

• Dr. Oladimeji Alo, the Chairman through Excel Professional Services Limited provided human capital services.

• Mr. Raj Mangtani, a Non-Executive Director through Emychem Nigeria Limited supplied raw materials.

• Mr. Oluwole Abegunde, a Non-Executive Director through Meristem Registrars Limited acted as registrars.

6. **Property, plant and equipment**

Information relating to changes in property, plant and equipment is disclosed in Note 11 to the financial statements. In the opinion of the directors, the fair value of the Company's properties is not substantially less than the value shown in the Financial Statements.

7. **Corporate governance report**

Berger Paints is committed to adherence to highest ethical standards and best practices. The Board is actively involved in the running of the Company. The Directors are involved among other things, in keeping proper accounting records which disclose with reasonable accuracy and transparency at any time, the financial status of the Company and ensure that the accounts comply with the relevant provisions of the laws.

The Board is also responsible for safeguarding the assets of the Company by taking reasonable steps for the prevention of and detection of fraud and other irregularities. To this end, the Company has a Code of Ethics subscribed to by all Board Members, Audit Committee members, staff, consultants and people who do business with the Company.

The Board encourages whistle blowing and all reported cases are investigated while the whistle blower is protected. Our whistle blowing policy is displayed throughout our premises. Berger Paints Nigeria Plc. conducts its business with integrity and diligence and with total consideration for the interest of the shareholders and other stakeholders.

8. **Board committees**

In conformity with the Code of Best Practices in Corporate Governance, the Finance & General Purpose Committee, Establishment, Remuneration & Governance Committee and Strategy & Risk Management Committee were in operation as at December 2015. Whenever it was necessary in the year under review, the Board also worked through ad hoc committees with well articulated guidelines and terms of reference.

Record of 2015 Committee attendance

Finance & General Purposes Committee

Name	**Jan. 13**	**Mar. 10**	**July 15**	**Oct. 15**	**Dec. 10**
Mr. Abi Ayida	Present	Present	Present	Present	Present
Chief Musa Danjuma	Present	Apology	Present	Apology	Present
Mr. Oluwole Abegunde	Apology	Present	Present	Present	Present
Mr. Nelson Nweke	Present	Present	Present	Present	Present
Mr. Adekunle Olowokande	Present	Present	Present	Present	Present
Mr. Peter Folikwe	N/A	N/A	Present	Present	Present

Establishment Remuneration & Governance Committee

Name	**Jan 13**	**April 14**	**July 15**	**Dec. 9**
Mr. Nelson Nweke	Present	Present	Present	Present
Mr. Adekunle Olowokande	Present	Present	Present	Present
Mr. Raj Mangtani	Apology	Apology	Apology	Present
Engr. Patrick Buruche	Present	Present	Present	Present
Mr. Peter Folikwe	N/A	Present	Present	Present

Strategy & Risk Management Committee

Name	Jan. 13	Dec. 10
Chief Musa Danjuma	Present	Present
Mr. Raj Mangtani	Apology	Present
Engr. Patrick Buruche	Present	Present
Mr. Abi Ayida	Present	Present
Mr. Oluwole Abegunde	Apology	Apology
Mr. Peter Folikwe	N/A	Present

Factory Upgrade Committee

Name	Feb. 13	April 1	June 10	July 17	Oct. 16	Dec. 3
Dr. Oladimeji Alo	Present	Present	Present	Present	Present	Present
Mr. Abi Ayida	Present	Present	Present	Present	Present	Present
Mr. Adekunle Olowokande	Present	Present	Present	Present	Present	Present
Mr. Raj Mangtani	Present	Present	Present	Apology	Present	Present
Mr. Peter Folikwe	N/A	N/A	Present	Present	Present	Present

9. **Audit committee**

In accordance with the provisions of section 359(4) Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004, the Audit Committee comprises three Non-Executive Directors and three shareholders' representatives. The Committee, in the conduct of its affairs as stipulated in Section 359 (6) of Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004, reviews the overall risk management and control systems, financial reporting procedures and standards of business conduct of the company. In the performance of their duties, the members have access to both the outsourced Internal Auditors and the External Auditors. The Committee met 4 times in 2015 as indicated below.

S/N	Name	March 6	May 12	October 19	December 9
1	Mr. Chibuzor Eke	Present	Present	Present	Present
2	Hon. Anthony Odebiyi	Present	Present	Present	Present
3	Mrs. Mary Shofolahan	Present	Present	Present	Present
4	Mr. Abi Ayida	Present	Present	Retired	Retired
5	Chief Musa Danjuma	Apology	Apology	Apology	Apology
6	Mr. Nelson Nweke	Apology	Apology	Present	Present
7	Mr. Adekunle Olowokande	N/A	N/A	Present	Present

10. **Donations and gifts**

Donations made to charitable societies and other organizations during the year are stated below:

Beneficiary	Purpose	Place	Amount (₦)
Christian Friends Society	Cash donation to Christian Friends society	Oba Akinjobi Way, GRA, Ikeja, Lagos	25,000
Ikeja Golf Club	Cash donation to Ikeja Golf Club for corporate challenge cup	Works Road, GRA, Ikeja	200,000
Est. Surveyor & Valuer	Cash donation to Estate Surveyors and Valuers for book launch	12, Elephant Cement Way, Alausa Ikeja	50,000

Diocese Of Ekiti West.	Cash donation to Diocese of Ekiti West	Ijero-Ekiti, Ekiti State	50,000
Entomological Society	Cash donation to Entomological Society	Unilag, Akoka, Lagos	68,250
			393,250

The Company in compliance with Section 38 (2) of the Companies & Allied Matters Act CAP C.20, Laws of the Federation of Nigeria, 2004, did not make any donations to any political party, political association or for any political purpose in the year under review.

11. **Respect for law**

Berger Paints Nigeria Plc ensures that its existence and operations remain within the Law. The Company's employees are required to comply and respect the Laws and Regulations of Nigeria. The company being a listed company strives to comply with post-listing requirements of the Nigerian Stock Exchange and the Rules and Regulations of the Securities and Exchange Commission including the Code of Corporate Governance.

12. **Role in larger society**

Berger Paints Nigeria Plc remains undisputedly, a leading paints manufacturer in this country, and as an integral part of the Nigerian Society, the company plays numerous roles. Apart from being a major employer of labour, Berger Paints Nigeria Plc is a supplier, a customer, a partner and also a willing and uncompromising taxpayer. In doing all these, the company impacts on the society in no small way. The Company's relationship with the shareholders and stakeholders is cordial and objective.

13. **Integrity**

The Company strives to maintain a very high standard of integrity in its business and policies. Accordingly, we condemn and do not give, receive directly or otherwise any bribes or gratifications or obtain improper advantages for any business or financial gains. It is our policy to avoid anything that will impact negatively on our operations.

14. **Quality policy and innovation**

Berger Paints Nigeria Plc remains a forward-looking organization, which places premium on quality products. The Company is committed to developing and improving quality through the use of identified processes, which are constantly managed and monitored to meet, approved international and local standards. These carefully monitored processes make it imperative that only high quality paints are produced and marketed by the Company. In recognition of the above and more, the Company was awarded the latest International Standard Certification (ISO 9001-2008).

15. **Post balance sheet events**

There are no significant post balance sheet events which have not been provided for or disclosed in these financial statements.

16. **Risk management policy**

The objectives of the company's risk management policy are;

- Maximise the benefit from new opportunities, challenges and initiatives
- Avoid damage to our reputation
- Take appropriate risk for appropriate return while improving shareholders' value
- Prioritise effectively between different risks
- Demonstrate good corporate governance by managing our risks effectively

17. **Safety and environmental policy**

The safety of our employees is a priority. The Company has taken every precaution to provide a safe workplace. There is a zero tolerance policy for workplace violence. Our entire manufacturing operations and installations are regularly certified by both state and federal regulatory agencies. Accidents are investigated, documented and corrective actions put in place to forestall future occurrences. The Company has developed a number of policies to promote safety and minimize accidents in the workplace. Such policies include the "*No Smoking Policy*", Violence in the Workplace Prevention Policy and Workplace Safety Rules.

The Company ensures the safety of members of staff, contractors and visitors by:

- Ensuring that plant equipment are adequately maintained to prevent accidents.
- Using engineering methods to control hazards inherent in our operations.
- Providing personal protective equipment and enforcing its usage.
- Ensuring that safe work procedures are followed.
- Ensuring that jobs are awarded only to contractors with laudable safety performance.
- Ensuring that our working environment is clean, tidy and conducive.
- Implementing an effective Emergency Management Program so as to minimize adverse impact on human and the environment, in case emergencies.
- Continuously training employees to create safety consciousness.

The Company also complies with all relevant environmental laws and regulations. We strive to minimize or eliminate environmental impacts associated with our activities by:

- The use of modern technology and expertise to reduce environmental pollution
- Conservation of energy and water in a cost effective manner
- The proper disposal or recycle of waste.
- The assessment of the adverse impact of our raw materials or new products on both humans and the environment

Environmental Assessment

Part of the fulfillment of our environmental friendliness policy is to conduct a periodic Environmental Audit to monitor the Significant Environmental Aspects associated with our operation and put in place control measures that will minimize or eliminate their adverse impact on the environment and the community as a

18. **Company's distributors and trade partners**

The company has numerous outsourced business operators and distributors all over the country who have contributed to the turnover and to whom the company remains grateful. The major distributors and trade partners include but are not limited to the following:

S/N	State / City	Area address	Business name	Phone
1	ABA	Kemjika Filling Station, Abia State	Agba Akin Enterprise	0803 721 7402
2	ABUJA	11, Behind Barnex Plaza, F.C.T. Abuja.	Khafadez Resources Ltd	0703 172 0041
3	AKURE	135, Oba Adesida Road, Akure, Ondo State	FFB Ventures	0803 348 8691
4	BENIN	134, Murtala Mohammed Way, Benin City, Edo State.	Tesan Technical	0803 503 0263
5	CALABAR	14, Murtala Mohammed Way, Calabar.	Great Ajfc Nig. Ltd	0803 306 1825
6	IBADAN	1, Azeez Aina Street, Off Ring Road, Ibadan, Oyo State.	Arigbamu Ogo Oluwa	0703 172 0043
7	Ilorin	No 4 Ifelodun Street, Off Asa Dam Road, Offa Garage. Ilorin	Everstplus Limited	0703 172 0077
8	Jos	Opposite Pirelli tyres, Joys, Plateau State	Splendid TSY Nig Ltd	0703 172 0046
9	Kaduna	1440, Kachia Road, Kaduna, Kaduna State.	De-Joescon Enterprise	0703 172 0045
10	Kano	4, Ajasa Street, Off Civic Centre Road, Kano State.	Aikawa General Merchants	0810 216 4852
11	Lagos - Yaba	4, Ojuelegba Road, Yaba	Blessing & Wisdom	0703 172 0048
12	Maiduguri	105, Baga Road, Maiduguri, Borno State.	Kawu Tijjani & Sons Ltd	0810 216 4858
13	Onitsha	Akwa Road, Onitsha, Anambra State.	Amor Dei West Africa	0803 313 8220
14	Port Harcourt	70, Trans Amadi Estate	Parttracker Ltd	0703 172 0047
15	Warri	111, Warri-Effurun Road, Warri, Delta State.	Tesan Technical	0803 503 0263
16	Uyo	No 51,Ikot Ekpene Road	Sal-Aadis Global Resources	0806 526 0072
17	Owerri	No. 61/52. Nbaise Road, Owerri Municipal		0706 057 2720
18	Ekiti	MBM Ajitadidun Estate, Along Adebayo Road. Ado Ekiti	Fomkab Ventures	0806 887 3214

19	Ibeju/Epe	KM 30, Lagos Epe Expressway Casia Estate, Abijo GRA	Ladii Ventures	
20	Lekki/Ajah	KM 16, Lekki Epe Expressway Agungi/Osapa Bus Stop	Spinetti Mulitglobal	0809 655 5115
21	Minna	SM3, Ahamadu Bahago Plaza, Tunga, Minna	Khafadez Resources Ltd	0703 172 0041
22	Lagos- Ikeja	102, Oba Akran Avenue, Ikeja Industrial Estate	Sowerscreed Ventures	0803 303 0157

19. **Suppliers**

The bulk of overseas purchases of raw materials are made from Lewis Berger International Suppliers Limited, while regular purchases are made from the following local suppliers:

- Emychem Nigeria Limited
- Nycil Limited
- Chizzy Nigeria Ltd
- Trisa Nigeria Limited
- Avon Crowncaps Containers Plc.
- Nagode Nigeria Limited
- Robinson Ventures Nigeria Limited
- Regatta Nigeria Limited
- Metoxide Nigeria Ltd
- Wahum Packaging Limited

20. **Employment of the physically challenged**

Berger Paints Nigeria Plc has a continuing commitment to providing employment for people with physical challenges who are able to work. It is therefore the policy of the company to consider applications for employment from physically challenged persons.

21. **Managing diversity and employee development**

The Company's policy on managing diversity recognizes that there are differences among employees and that these differences, if properly managed, make for efficiency and effectiveness. We believe that harnessing these differences create a productive environment in which everyone feels valued, their talents fully utilized and organizational goals met. We have also created the necessary enabling environment where new and expansive patterns of thinking are nurtured as a way of developing our employees as agents of change.

Our employee development policy and the management trainee scheme are examples of a commitment to continuous development of the skills and abilities of employees in order to maximize their contribution.

22. **Health & Wellbeing**

Berger Paints Nigeria Plc has a comprehensive health policy that covers not only members of staff but also their dependants. We have an in-house clinic manned by qualified medical personnel. In compliance with the requirements of the National Health Insurance Act, our employees are given the opportunity to choose a health provider nearest to their residence for health related matters outside the workplace. Our health policy is fully funded by the company under a comprehensive plan with approved Health Management Organisations (HMO).

We also have a company policy on HIV/AIDS that encourages interaction with employees diagnosed with HIV. The purpose of our HIV/AIDS policy is to reassure employees that AIDS is not spread through casual contact during normal work practices and to reduce unrealistic fears about contacting the virus at the work place. The Company conducts regular health and wellness talks for employees.

23. **Employment equity, gender policies and other human resource policies**
Berger Paints Nigeria Plc is an equal opportunity employer. We do not permit direct or indirect discrimination against any employee on the grounds of ethnicity, nationality, gender, sexual orientation, disability, religion, marital status or age. The Company encourages equal opportunity as a HR policy.
In dealing with human issues in the Company, we encourage equity, fair play, learning, quality of life, ethical operations among others. Partnership, representation and dialogue are encouraged through staff associations.

24. **Pension**
The Company is fully compliant with the provisions of the revised Pension Reform Act, 2015. Berger Paints staff enjoy highly subsidized meals served in a hygienically maintained canteen. The Company believes that productivity springs from a healthy mind in a healthy body.

25. **Other Welfare Packages**
Berger Paints staff enjoy highly subsidized meals served in a hygienically maintained canteen. The company believes that productivity springs from a healthy mind in a healthy body.

26. **Independent 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 independent auditors to the Company.

27. **Compliance with regulatory requirements**
The Company in the year under review did not contravene the rules of any of the regulatory authorities and did not receive any warning or sanction.

28. **Responsibility for Accuracy of Information**
The directors of Berger Paints Nigeria Plc pursuant to Article 2.2.4 of the Amended Listing Rules 2015 of the Nigerian Stock Exchange accept responsibility for the accuracy of the information contained in this report.

BY ORDER OF THE BOARD

Oluseun Oluwole
Company Secretary
29 March 2016
FRC/2013/NBA/00000000856

Statement of Directors' Responsibilities in Relation to the Financial Statements

For the year ended 31 December 2015

The directors accept responsibility for the preparation of the annual financial statements set out on pages 15 to 60 that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

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:

Oladimeji Alo (FRC/2013/CIPMN/00000004115)	Peter Folikwe (FRC/2015/IMN/0000012628)
Chairman	Managing Director
29 March 2016	29 March 2016

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KPMG Tower
Bishop Aboyade Cole Street
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INDEPENDENT AUDITOR'S REPORT

To the Members of **Berger Paints Nigeria Plc**

Report on the Financial Statements

We have audited the accompanying financial statements of **Berger Paints Nigeria Plc** ("the Company"), which comprise the statement of financial position as at 31 December 2015 and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 15 to 60.

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 International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011, 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 about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of **Berger Paints Nigeria Plc** ("the Company") as at 31 December 2015 and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

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 statement of financial position and the statement of profit or loss and other comprehensive income are in agreement with the books of account.

Signed:

Oluwatoyin A. Gbagi, FCA
FRC/2012/ICAN/00000000565
For: KPMG Professional Services
Chartered Accountants
29 March 2016
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A0964526

Statement of Financial Position

As at 31 December
In thousands of naira

	Notes	2015	2014
Assets			
Property, plant and equipment	11	1,046,326	878,958
Investment property	12	509,157	534,156
Available-for-sale investments	13	172,119	151,331
Total non-current assets		1,727,602	1,564,445
Inventories	14	459,526	523,921
Trade and other receivables	15	266,060	480,049
Deposit for imports	16	70,995	524,236
Prepayments and advances	17	770,946	125,616
Cash and cash equivalents	18	600,741	421,878
Total current assets		2,168,268	2,075,700
Total assets		**3,895,870**	**3,640,145**
Equity			
Share capital	19(a)	144,912	144,912
Share premium	19(b)	635,074	635,074
Fair value reserve	19(c)	54,188	39,636
Retained earnings		1,753,156	1,640,208
Total equity		2,587,330	2,459,830
Liabilities			
Retirement benefit obligations	25(b(i))	-	216,810
Loans and borrowings	22	89,185	121,491
Deferred tax liabilities	9(e)	75,652	25,483
Total non-current liabilities		164,837	363,784
Retirement benefit obligations	25(b(i))	182,140	-
Loans and borrowings	22	3,767	11,481
Current tax liabilities	9(d)	219,629	108,210
Trade and other payables	20	447,539	401,484
Deferred income	21	20,060	69,416
Dividend payable	24	270,568	225,940
Total current liabilities		1,143,703	816,531
Total liabilities		1,308,540	1,180,315
Total equity and liabilities		**3,895,870**	**3,640,145**

Approved by the Board of Directors on 29 March 2016 and signed on its behalf by:

-- Oladimeji Alo (FRC/2013/CIPMN/00000004115)
- Chairman

-- Peter Folikwe (FRC/2015/IMN/0000012628)
- Managing Director

-- Kola Ajayi (FRC/2014/ICAN/00000010205)
- Chief Finance Officer

The accompanying notes on pages 19 to 60 form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

In thousands of naira

	Notes	2015	2014
Revenue	4	3,022,264	3,082,930
Cost of sales	7(b)	(1,643,696)	(1,736,060)
Gross profit		1,378,568	1,346,870
Curtailment gain on retirement benefit obligations	25(b(i))	60,180	-
Other income	5	95,065	79,021
Selling and distribution expenses	7(b)	(380,345)	(221,445)
Administrative expenses	7(b)	(682,748)	(938,229)
Operating profit		470,720	266,217
Finance income	6	144,004	61,774
Finance costs	6	(49,512)	(78,733)
Net finance income		94,492	(16,959)
Profit before taxation		565,212	249,258
Income tax expense	9(a)	(234,896)	(100,450)
Profit for the year		330,316	148,808
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation	25(b)	-	31,330
Related tax	9(b)	-	(9,399)
		-	21,931
Items that are or may be reclassified to profit or loss			
Available-for-sale financial assets - net change in fair value	13	20,788	15,850
Related tax	9(b)	(6,236)	(4,755)
		14,552	11,095
Other comprehensive income for the year		14,552	33,026
Total comprehensive income		**344,868**	**181,834**
Earnings per share:			
Basic earnings per share (kobo)	10	114	51

The accompanying notes on pages 19 to 60 form an integral part of these financial statements.

Statement of changes in equity
Attributable to equity owners of the company

For the year ended 31 December 2014

In thousands of naira

	Note	Share capital	Share premium	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2015		**144,912**	**635,074**	**39,636**	**1,640,208**	**2,459,830**
Comprehensive income for the year						
Profit for the year		-	-	-	330,316	330,316
Other Comprehensive income	9(b)	-	-	14,552	-	14,552
Total comprehensive income for the year		-	-	14,552	330,316	344,868
Transactions with owners, recorded directly in equity						
Dividend paid	24	-	-	-	(217,368)	(217,368)
Total transactions with owners		-	-	-	(217,368)	(217,368)
Balance at 31 December 2015		**144,912**	**635,074**	**54,188**	**1,753,156**	**2,587,330**
Balance at 1 January 2014		**144,912**	**635,074**	**30,283**	**1,665,988**	**2,476,257**
Comprehensive income for the year						
Profit for the year		-	-	-	148,808	148,808
Other Comprehensive income	9(b)	-	-	11,095	21,931	33,026
Reclassification of net gains previously recognised in OCI	19(c)	-	-	(1,742)	-	(1,742)
Total comprehensive income for the year		-	-	9,353	170,739	180,092
Transactions with owners, recorded directly in equity						
Dividend paid	24	-	-	-	(202,876)	(202,876)
Unclaimed dividend (statute barred)	24	-	-	-	6,357	6,357
Total transactions with owners		-	-	-	(196,519)	(196,519)
Balance at 31 December 2014		**144,912**	**635,074**	**39,636**	**1,640,208**	**2,459,830**

The accompanying notes on pages 19 to 60 form an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December

In thousands of naira

	Note	2015	2014
Cash flows from operating activities			
Profit for the year		330,316	148,808
Adjustments for:			
- Depreciation	11(a) & 12	117,958	126,594
- Finance income	6	(144,004)	(61,774)
- Finance cost	6	49,512	78,733
- (Gain) / loss on sale of property, plants and equipment	7(a)	(51,044)	4,923
- Capital work-in-progress written-off	11	349	8,829
- Service cost on defined benefit obligation	25(b(i))	29,739	29,465
- Curtailment gain on retirement benefit obligations	25(b(i))	(60,180)	-
- Tax expense		234,896	100,450
		507,542	436,028
Changes in:			
- Inventory		64,395	(11,717)
- Trade and other receivables	15(c)	209,741	(197,695)
- Deposit for imports		453,241	(524,236)
- Prepayments and advances		(645,330)	(38,306)
- Trade and other payables	20(b)	46,055	(50,102)
- Deferred income		(49,356)	(9,140)
Cash used in generated from operating activities		586,288	(395,168)
Retirement benefits paid	25(b(i))	(36,357)	(9,494)
Tax paid	9(d)	(35,151)	(57,674)
Net cash used in operating activities		514,780	(462,336)
Cash flows from investing activities			
Purchase of property plant and equipment	11(g)	(267,590)	(113,235)
Proceeds from sale of property, plants and equipment		57,958	6,370
Finance income	6	46,455	60,033
Proceeds from disposal of available-for-sale investments	13	-	16,259
Net cash (used in) / generated from investing activities		(163,177)	(30,573)
Cash flows from financing activities			
Repayment of borrowings		-	(54,907)
Dividend paid	24	(172,740)	(168,683)
Net cash (used in) / from financing activities		(172,740)	(223,590)
Net (decrease) / increase in cash and cash equivalents		178,863	(716,499)
Cash and cash equivalents at 1 January		421,878	1,138,377
Cash and cash equivalents at 31 December	18	600,741	421,878

The accompanying notes on pages 19 to 60.form an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2014

Notes to the Financial Statements

For the year ended 31 December 2015

1 Reporting Entity

Berger Paints Nigeria Plc ("the Company") was incorporated in Nigeria as a private limited company in 1959 and was converted to a public liability company in 1973. Its registered office address is at 102, Oba Akran Avenue, Ikeja Industrial Estate, Ikeja, Lagos. The Company is listed on the Nigerian Stock Exchange.

The principal activities of the Company continue to be the manufacturing, sale and distribution of paints and allied products throughout the country.

2 Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB). The financial statements were authorised for issue by the Board of Directors on 29 March 2016.

(b) Basis of measurement

The financial statements have been prepared on historical cost basis except for the following:
- available-for- sale financial assets measured at fair value.
- the present value of defined benefit obligation relating to the unfunded defined benefit scheme

(c) Functional and presentation currency

These financial statements are presented in Naira, which is the Company’s functional currency. All financial information presented in Naira has been rounded to the nearest thousand except where otherwise indicated.

(d) Use of estimates and judgment

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

Note 3(O) and 28 –	Leases: whether an arrangement contains a lease
Note 3(K) and 4 –	Recognition and measurement of revenue from rendering of services.

Information about assumptions and estimation uncertainties that have most significant effects on the amounts recognised in the financial statements is included in the following notes;

Note 3(I) and 25 –	Measurement of defined benefit obligation: key actuarial assumptions
Note 3(G) and 29 –	Recognition and measure of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
Note 2(e) and 27 –	Determination of fair values
Note 3(F) and 15 –	Impairment test: key assumptions underlying recoverable amounts,

(e) Measurement of fair values

A number of the Company's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1	–	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as derived from prices).
Level 3	–	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 28 – Financial risk management and financial instruments.

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

A. Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in Naira at the actual exchange rates as of the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the dates of the transaction. Foreign currency differences are generally recognised in profit or loss .

B. Financial instruments

i. Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Subsequent to initial recognition, non-derivative financial assets are measured as described below:

<u>Loans and receivables</u>

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise other receivables and cash & cash equivalents.

<u>Available-for-sale financial assets</u>

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed equities held by the Company that are traded in an active market are classified as AFS. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

<u>Cash and cash equivalents</u>

Cash and cash equivalents comprise cash in hand, cash balances with banks, and short term investments with maturities of three months or less from the date of acquisition, which are subject to an insignificant risk of change in value.

ii. Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has the following non-derivative financial liabilities: Trade & other payables and loans and borrowings. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities, for which the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date, are classified as non-current liabilities.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously

C. Capital and other reserves

i. Share capital

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded as share premium. All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time time to time and are entitled to one vote per share at general meetings of the Company. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

ii. Share premium

When the company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares is transferred to the share premium account. Any transaction costs associated with the share issues are deducted from share premium account, net of any related income tax benefits. The use of the share premium account is governed by S.120 (3) of the Companies and Allied Matters Act (CAMA).

iii. Retained earnings

Retained earnings represents the Company’s accumulated earnings since its inception, less any distributions to shareholders, and net of any prior period adjustments. A negative amount of retained earnings is reported as deficit or accumulated deficit.

iv. Fair value reserve

Fair value reserve comprises the cumulative net change in available-for-sale financial assets until the assets are derecognized or impaired.

D. Property, plant and equipment

i. **Recognition and measurement**

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

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

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

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

ii. **Subsequent costs**

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

iii. **Derecognition**

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on derecognition or disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net in profit or loss in the statement of comprehensive income.

iv. **Depreciation**

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

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

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

• Buildings	–	20 years
• Plants and machinery	–	5 - 12 years
• Motor vehicles	–	3 - 6 years
• Furniture and equipment	–	8 years
• Computer equipment	–	2 years

Leasehold land is depreciated over the lease period

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.

E. Investment property

i. **Recognition and measurement**

An investment property is either land or a building or part of a building held by the Company to earn rentals or for capital appreciation or both.

Investment property is initially measured at cost, including transaction costs. Such cost does not include start-up costs, abnormal waste, or initial operating losses incurred before the investment property achieves the planned level of occupancy.

The cost model is applied in accounting for investment property, ie the investment property is recorded at cost less any accumulated depreciation and impairment losses.

ii. **Subsequent costs**

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

iii. **Depreciation**

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of the investment property which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

• Buildings	–	20 years
• Leasehold land	–	99 years

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

iii. **Depreciation**

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

iii. **Transfers**

Transfers to, or from, investment property are made when there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease to another party, for a transfer from inventories to investment property.

Transfers to, or from, investment property does not change the carrying amount of the property transferred, and they do not change the cost of the property for measurement or disclosure purposes.

F. Impairment

i. Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

For equity instrument classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. Where such evidence exists, the cumulative gain or loss that has been previously recognised in OCI and transferred to equity is removed from equity (through OCI) and recognised in profit or loss. Reversals of impairment of equity instruments are not recognised in the profit or loss. Subsequent increases in the fair value of equity instruments after impairment are recognised directly in OCI.

For debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets above. Reversals of impairment of debt instruments are recognised in the profit or loss.

ii. Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").
An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

G. Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, an entity discloses the contingent asset.

H. Provisions

A provision is recognised, 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

I. Employee benefits

i. Defined contribution plan

A defined contribution plan is a post-employment benefit plan (pension fund) under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for all employees. The Company and its employees contribute a minimum of 10% and 8% of the employees annual insurable earnings (basic, housing and transport allowances) respectively to the scheme. Employee contributions to the scheme are funded through payroll deductions while the Company's contributions are charged to profit and loss.

ii. Defined benefit gratuity scheme

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit gratuity scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years and that benefit is discounted to determine its present value.

In determining the liability for employee benefits under the defined benefit scheme, consideration is given to future increases in salary rates and the Company's experience with staff turnover. The calculation is performed using the Projected Unit Credit method.

The recognised liability is determined by an independent actuarial valuation every year using the projected unit credit method. HR Nigeria Limited (FRC/NAS/00000000738) was engaged as the independent acuary in the current and prior years. Actuarial gains and losses arising from differences between the actual and expected outcome in the valuation of the obligation are recognized fully in Other Comprehensive Income (OCI). The effect of any curtailment is also charged in full in profit or loss immediately the curtailment occurs. Although the scheme is not funded, the Company ensures that adequate arrangements are in place to meet its obligations under the scheme.

ii. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided in profit or loss.

A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

iii. Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

J. Inventory

Inventory is measured at the lower of cost and net realisable value. The cost of inventory includes expenditure incurred in acquiring the inventory, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The basis of costing is as follows:

Raw materials, non-returnable packaging	–	purchase cost on a weighted average basis including transportation and applicable clearing charges.
Finished products and products-in-process	–	weighted average cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of conversion and selling expenses.

K. Revenue

(i) Sale of goods

Revenue from the sale of goods in the course of ordinary activities represents sale of paints and allied products and is measured at the fair value of the consideration received or receivable, net of value added tax, sales returns, trade discounts and volume rebates.

Revenue is recognized when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(ii) Rendering of service - supply and apply services contract

Supply and apply services contract revenue recognised results from rendering painting services for customers. These services are rendered based on specifically negotiated contracts with the customers.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

If the outcome of a service can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

(iii) Investment property rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognised as other income.

L. Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income and reclassification of net gains previously recognised in OCI. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest cost on defined benefit obligation, interest expense on financial liabilities and impairment losses recognised on financial assets (other than trade receivables). Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

M. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
Deferred tax is recognised in profit or loss account except to the extent that it relates to a transaction that is recognised directly in equity. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the amount will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

N. Earnings per share

The Company 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 Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held (if any). Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held (if any), for the effects of all dilutive potential ordinary shares.

O. Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

(ii) Lease assets

Assets held by the Company under leases which transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognised in the Company's statement of financial position.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

P. Statement of cashflows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, and other non-cash items, have been eliminated for the purpose of preparing the statement. Dividened paid to ordinary shareholders are included in financing activities while finance income received is included in investing activities.

Q. Operating Segment

An operating segment is a distinguishable component of the Company that earns revenue and incurs expenditure from providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), and which is subject to risks and returns that are different from those of other segments.

The Company's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Company's internal reporting structure.

All operating segments' operating results are reviewed regularly by the Management Committee, which is considered to be the chief operating decision maker for the Company, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's Management Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

R. Dividends

Dividend payable is recognised as a liability in the period in which they are declared and the shareholders right to receive payment has been established.

Dividends which remained unclaimed for a period exceeding twelve (12) years from the date of declaration and which are no longer actionable by shareholders in accordance with section 385 of the Companies and Allied Matters Act of Nigeria are written back to retained earnings.

S. Prepayments and advances

Prepayments and advances are non-financial assets which result when payments are made in advance of the receipt of goods or services. They are recognized when the Company expects to receive future economic benefits equivalent to the value of the prepayment. The receipt or consumption of the goods or services results in a reduction in the prepayment and a corresponding increase in expenses (assets) for that reporting period.

T. Deposit for imports

Deposit for imports non-financial assets which result when letters of credit are opened with the bank for the importation of plant and machinery. They are recognized when the Company expects to receive future economic benefits equivalent to the value of the deposit made.

U. Investment in subsidiary

Subsidiaries are entities controlled by the Company. Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position. Where the recoverable amount of the investment is less than the carrying amount, an impairment is recognized in profit or loss. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognized in profit or loss.

V. Related party transactions

For the purposes of this financial statements, a party is considered to be related to the Company if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company.

(ii) the Company and the party are subject to common control

(iii) the party is an associate of the Company or a joint venture in which the Company is a venture.

(iv) the party is a member of key management personnel of the Company or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals.

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post – employment benefit plan, which is for the benefit of employees of the Company or of any entity that is a related party of the Company.

(vii) close family members of an individual are those family members who may be expected to influence, or be influenced by that individual in their dealings with the entity.

W. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after1 January 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below:

– Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to of the order of notes, OCI of equity accounted investees and subtotals presented in thestatement of financial position and statement of profit or loss and other comprehensive income.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

– IFRS 15 – *Revenue from contracts with customers*

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

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

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

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

– IFRS 9 - *Financial Instruments*

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

This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortisedcost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Company.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoptionis permitted.

– IFRS 16 **-** *Leases*

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i,e, the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases* , and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for the lessee and lessor.

X. New currently effective requirement

New IFRS standards and amendments to existing standards to existing standards that become effective for annual periods commencing on or after 1 January 2015 have been applied in preparing the financial statements resulting in additional disclosures but had not significant impact on the measurement of the Company's assets and liabilities. The new IFRS standard and amendments to existing standards is as follows:

Defined Benefit Plans: Employee Contributions (Amendments to IAS19) **-** *this became effective on 30 June 2015.*

4 Revenue

(a) Revenue for the year comprises:

In thousands of naira	2015	2014
Paints and allied products	2,628,692	2,815,421
Contract revenue	327,822	203,371
Investment property rental income	65,750	64,138
Total revenue	3,022,264	3,082,930

(b) Revenue from paints and allied products for the year comprises:

In thousands of naira	2015	2014
Local (Nigeria)	3,022,264	2,883,846
Exports	-	199,084
Total revenue	3,022,264	3,082,930

Nigeria is the Company's primary geographical segment as all sales in the current year (2014: 94%) were made in the country.

5 Other income

Other income comprises:

In thousands of naira	2015	2014
Sale of empty drums	3,132	3,036
Sale of empty scrap	10,222	-
Rental income on property subleases	21,742	75,986
Profit from disposal of property, plants and equipment	51,044	-
Insurance claims received	5,883	-
Sale of diesel oil	3,042	-
	95,065	79,022

6 Finance income and finance cost

Recognized in profit or loss:

In thousands of naira	2015	2014
Interest income on bank deposits	46,455	60,032
Exchange gain	40,145	-
Reclassification of net gains previously recognised in OCI (Note 19(c))	-	1,742
Unwinding of discount on financial liabilities measured at amortised cost	57,404	-
Finance income	144,004	61,774
Interest expense on short term borrowings	(219)	(268)
Interest cost on defined benefit obligation	(32,128)	(28,343)
Interest expense on financial liabilities measured at amortised costs	(17,165)	(50,122)
Finance cost	(49,512)	(78,733)
Net finance income recognised in profit or loss	94,492	(16,959)

7 Profit before tax

(a) Profit before tax is stated after charging/(crediting):

In thousands of naira	Note	2015	2014
Directors' remuneration	8(iv)	31,670	50,883
Depreciation	11(a) & 12	117,958	126,594
Personnel expenses	8(i)	626,259	486,874
Auditor's remuneration	7(c)	16,500	16,500
Loss on disposal of property, plant and equipment		-	4,923
Profit on disposal of property, plant and equipment		(51,044)	-

(b) Analysis of expenses by nature

In thousands of naira	2015	2014
Directors emoluments	31,670	50,883
Personnel expenses	626,259	486,874
Training expenses	9,283	11,168
Repairs and maintenance	57,162	40,427
Office and corporate expenses	33,086	77,798
License and permits	10,132	7,527
Utilities	26,399	18,711
Insurance	16,139	11,006
Travel, transport and accommodation	73,123	121,107
Rent expenses	25,223	20,492
Subsription and donation	10,711	12,762
Depreciation	117,958	126,594
Printing and stationery	5,770	13,409
Legal and professional fees	84,404	76,912
Auditor's remuneration (Note 7(c))	16,500	16,500
Provision for doubtful debts	8,898	40,997
Bank charges	7,339	15,598
Advertisement and publicity	113,072	59,835
Loss on disposal of property, plants and equipment	-	4,923
Raw materials and consumables	1,342,621	1,542,498
Supply and apply services contract expenses	91,040	139,713
	2,706,789	2,895,734
Summarised as follows;		
Cost of sales	1,643,696	1,736,060
Selling and distribution expenses	380,345	221,445
Administrative expenses	682,748	938,229
	2,706,789	2,895,734

(c) Auditor's remuneration comprise the following:

In thousands of naira	2015	2014
Audit fees	15,000	15,000
Other non-audit fees	1,500	1,500
	16,500	16,500

8 Personnel expenses

(i) Personnel expenses during the year comprises:

In thousands of naira	2015	2014
Salaries, wages and allowances	565,313	450,067
Provision for gratuity - service cost	29,739	29,465
Contribution to compulsory pension fund scheme	31,207	7,342
	626,259	486,874

(ii) Number of employees of the Company as at year end, whose duties were wholly or mainly discharged in Nigeria, received annual remuneration (excluding pension contributions and certain benefits) in the following ranges:

			2015	2014
₦		₦	Number	Number
1	-	500,000	202	108
500,001	-	1,000,000	5	87
1,000,001	-	1,500,001	2	12
1,500,001	-	2,000,001	1	19
2,000,001	-	3,000,001	-	1
3,000,001	and	above	-	1
			210	228

(iii) The number of persons employed as at year end are:

	2015	2014
	Number	Number
Production	48	48
Sales and marketing	47	49
Finance	25	34
Administration	13	13
Maintenance	11	11
Corporate	7	8
Procurement	3	5
Distribution	24	32
I.T.	3	2
Technical	17	16
Raw materials	12	10
	210	228

(iv) Remuneration (excluding pension contributions) paid to directors of the Company and charged to the profit or loss are as follows:

In thousands of naira

	2015	2014
Fees paid to non-executive directors	5,575	2,450
Salaries	26,095	20,318
Severance fees paid to retired directors	-	28,115
	31,670	50,883

The directors' remuneration shown above includes:
In thousands of naira

	2015	2014
Chairman	300	350
Highest paid director	9,500	8,000

Other directors received emoluments in the following ranges:

			2015	2014
₦		₦	Number	Number
Nil	-	1,000,000	7	7
4,000,001	-	8,000,000	1	1
			8	8

9 Taxation

a) The tax charge for the year has been computed after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes, and comprises:

In thousands of naira	2015	2014
Current tax expense:		
Company income tax	143,849	101,842
Tertiary education tax	11,962	9,669
	155,811	111,511
Back duty assessment	35,152	0
Charge for the year	190,963	111,511
Deferred tax expense:		
Origination and reversal of temporary differences (Note 9 (e))	43,933	(11,061)
	43,933	(11,061)
Income tax expense	**234,896**	**100,450**

The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

b) Amounts recognised in other comprehensive income:

In thousands of naira	2015			2014		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Actuarial gains on staff retirement benefit plan	-	-	-	31,330	(9,399)	21,931
Fair value change on AFS financial assets	20,788	(6,236)	14,552	15,850	(4,755)	11,095
	20,788	(6,236)	14,552	47,180	(14,154)	33,026

c) Reconciliation of effective tax rate:

In thousands of naira

	%	2015	%	2014
Profit for the year		330,316		148,808
Taxation		234,896		100,450
Profit before income tax		565,212		249,258
Income tax using the Company’s domestic rate of 30%	30	169,564	30	74,777
Tax effect of:				
- Non-deductible expenses	18	99,902	27	68,504
- Tax exempt income	(8)	(46,106)	(4)	(8,777)
- Tax incentives	(6)	(35,578)	(18)	(43,723)
- Other income related taxes	2	11,962	4	9,669
- Back duty assessment	6	35,152	0	-
Tax expense	42	234,896	40	100,450

d) The movement on the tax payable account during the year was as follows:

In thousands of naira

	2015	2014
Balance, beginning of the year	108,210	74,506
Current year charge	190,963	111,511
Cash payments	(35,151)	(57,674)
WHT credit notes utilised	-	(14,619)
	264,022	113,724
Offset of current tax assets against current tax liabilities	(44,393)	(5,514)
Balance, end of the year	219,629	108,210

e) Movement in deferred tax balances
In thousands of naira

	Balance at 1 January	Recognised in profit or loss	Recognised in Other comprehensive income	Balance at 31 December: Net	Balance at 31 December: Deferred tax assets	Balance at 31 December: Deferred tax liabilities
2015						
Property, plant and equipment	93,568	27,843	-	121,411	-	121,411
Provisions	(109,218)	16,090	-	(93,128)	(93,128)	-
Acturial (gains)/losses on staff retirement benefit plan	31,501	-	-	31,501	-	31,501
Available-for-sale financial assets - net change in fair value	9,632	-	6,236	15,868	-	15,868
Net tax (assets) liabilities	25,483	43,933	6,236	75,652	(93,128)	168,780
2014						
Property, plant and equipment	84,865	8,703	-	93,568	-	93,568
Provisions	(89,454)	(19,764)	-	(109,218)	(109,218)	-
Acturial (gains)/losses on staff retirement benefit plan	22,101	-	9,399	31,501	-	31,501
Available-for-sale financial assets - net change in fair value	4,877	-	4,755	9,632	-	9,632
Net tax (assets) liabilities	22,389	(11,061)	14,154	25,483	(109,218)	134,701

10 Earnings and declared dividend per share

(a) **Basic earnings per share**

Basic earnings per share of 159 kobo (2014: 51 kobo) is based on the profit for the year of ₦459 million (2014: ₦149 million) and on 289,823,447 (2014: 289,823,447) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the year calculated as follows;

	2015	2014
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 January	289,823,447	289,823,447
Effect of ordinary shares issued during the year	-	-
Weighted average number of ordinary shares at 31 December	289,823,447	289,823,447

Basic earnings per share is the same as diluted earnings per share.

(c) **Dividend declared per share**

Dividend declared per share of 75 kobo (2014: 75 kobo) is based on total declared dividend of ₦217 million (2014: ₦217 million) on 289,823,447 (2014: 289,823,447) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the year.

11 Property Plant and equipment

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

In thousands of naira

	Leasedhold Land	Building	Plant and Machinery	Office furniture and fittings	Motor Vehicles	Computer Equipment	Capital work--in-progress	TOTAL
Cost								
Balance at 1 January 2014	496,650	372,740	270,760	50,857	258,847	125,888	10,069	1,585,811
Additions	-	-	30,852	2,915	75,951	7,282	7,350	124,350
Write off	-	-	-	-	-	-	(8,829)	(8,829)
Disposals	-	-	(3,237)	(64)	(41,278)	-	-	(44,579)
Balance at 31 December 2014	496,650	372,740	298,375	53,708	293,520	133,170	8,590	1,656,753
Balance at 1 January 2015	496,650	372,740	298,375	53,708	293,520	133,170	8,590	1,656,753
Additions	-	-	52,797	1,031	30,395	2,022	181,345	267,590
Write off	-	-	-	-	-	-	(349)	(349)
Disposals	-	-	(1,365)	(2,348)	(44,090)	(931)	-	(48,734)
Balance at 31 December 2015	496,650	372,740	349,807	52,391	279,825	134,261	189,586	1,875,260
Accumulated depreciation								
Balance at 1 January 2014	78,045	147,171	154,485	32,331	180,719	116,751	-	709,502
Charge for the year	10,005	18,537	17,011	4,289	43,072	8,665	-	101,579
Disposals	-	-	(3,237)	(64)	(29,985)	-	-	(33,286)
Balance at 31 December 2014	88,050	165,708	168,259	36,556	193,806	125,416	-	777,795
Balance at 1 January 2015	88,050	165,708	168,259	36,556	193,806	125,416	-	777,795
Charge for the year	9,933	18,637	18,888	3,973	36,016	5,512	-	92,959
Disposals	-	-	(367)	(847)	(39,675)	(931)	-	(41,820)
Balance at 31 December 2015	97,983	184,345	186,780	39,682	190,147	129,997	-	828,934
Carrying amounts								
At 31 December 2014	408,600	207,032	130,116	17,152	99,714	7,754	8,590	878,958
At 31 December 2015	398,667	188,395	163,027	12,709	89,678	4,264	189,586	1,046,326

(c) **Assets pledged as security**

No asset of the company was pledged as security for loan as at 31 December 2015 (2014: Nil)

(c) **Impairment of property, plant and equipment**

There are no indicators of impairment as at year end. Thus, the directors are of the opinion that allowance for impairment is not required. No impairment loss is recognised for the year (2014: Nil).

(d) **Capital commitments**

Capital expenditure commitments at the year end authorised by the Board of Directors comprise:

In thousands on naira	2015	2014
Approved and contracted	337,166	613,487
Approved but not contracted	202,000	387,568
	539,166	1,001,055

(e) **Property, plant and equipment under construction**

Expenditure on capital work in progress during the year is analysed as follows:

In thousands on naira	2015	2014
Plant and machinery	189,586	8,589
	189,586	8,589

(f) **Assets held on finance lease**

The leasehold land is held under finance lease arrangements for a minimum lease term of 99 years. The lease amounts were fully paid at the inception of the lease. The classification of the lease of land as a finance lease is on the basis that the lease transfers substantially all of the risks and rewards incidental to ownership of the land to the Company.

(g) **Additions in statement of cash flows**

In thousands on naira	2015	2014
Additions (Note 11(a))	267,590	124,350
Accrued additions to PPE	-	(11,115)
	267,590	113,235

12 Investment property

The movement on these accounts was as follows:

In thousands of naira

	2015	2014
Cost		
Balance at 1 January	604,468	604,468
Balance at 31 December	604,468	604,468
Accumulated depreciation		
Balance at 1 January	70,312	45,297
Charge for the year	24,999	25,015
Balance at 31 December	95,311	70,312
Carrying amounts	509,157	534,156

Investment property comprises the Company's land and building at Abuja (hereinafter referred to as Berger Paints Plaza). The Company completed and commissioned the Berger Paints Plaza in November 2013. The Plaza is made up of 50 units of trade shops and offices available for commercial rent. The property has been leased to third parties and is managed on behalf of the Company by Gauge Construction Servicing Limited (GCS).

Each of the leases contains an initial non-cancellable period of one (1) year. No contingent rents are charged.

13 Available-for-sale investments

This comprises the following:

In thousands of naira	2015	2014
Equity	148	131
Treasury bills	129,129	88,114
Money market instruments	42,842	63,086
	172,119	151,331

The movement on this account during the year was as follows:

Balance at 1 January	151,331	151,740
Disposal of invesments	-	(16,259)
Fair value change on investments	20,788	15,850
Balance at 31 December	172,119	151,331

14 Inventories

In thousands of naira	2015	2014
Raw materials	271,990	225,360
Work-in-progress	9,142	19,821
Finished goods	192,062	298,074
Engineering spares	13,399	12,940
Consumables	5,207	-
	491,800	556,195
Impairment allowance	(32,274)	(32,274)
	459,526	523,921

The value of raw and packaging materials, changes in finished products and products in process consumed during the year and recognised in cost of sales amounted to ₦1.53billion (2014:₦1.49 billion).

15 Trade and other receivables

(a)

In thousands of naira	2015	2014
Trade receivables	264,260	492,984
Staff debtors	10,705	18,266
Accrued income	2,604	1,694
Deposit with company registrar	105,434	79,264
Other receivables	11,343	7,229
Gross trade and other receivables	394,346	599,437
Impairment allowance	(128,286)	(119,388)
	266,060	480,049

The Company's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 27.

(b) The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

In thousands of naira	2015	2014
Balance at 1 January	119,388	78,391
Impairment loss recognised	8,898	48,735
Amounts recovered during the year	-	(7,738)
Balance at 31 December	128,286	119,388

(c) Reconciliation of changes in trade and other receivables included in statement of cash flows

	2015	2014
Movement in trade and other receivables	213,989	(177,562)
WHT credit notes utilised (Note 9(d))	-	(14,619)
Offset of current tax assets against current tax liabilities (Note 9(d))	(44,393)	(5,514)
Net loss on foreign exchange transactions (Note 6)	40,145	-
Changes in trade and other payables per statement of cash flows	209,741	(197,695)

16 Deposit for imports

This represent amounts deposited with banks to fund letters of credit. These letters of credit are meant to finance the importation of an automated production line.

17 Prepayments and advances

In thousands of naira	2015	2014
Prepaid rent	3,788	20,017
Advance payment to suppliers*	683,459	61,930
WHT Recoverable	16,846	25,067
Deposit for clearing charges	63,773	-
Other advances	3,080	18,603
	770,946	125,617

*This represent advances made to the suppliers of the automated production line.

18 Cash and cash equivalents

In thousands of naira	2015	2014
Cash on hand	1,657	2,032
Balance with banks	196,633	106,867
Short term deposits with banks	402,451	312,979
	600,741	421,878

Included in cash and cash equivalents are short term bank deposits with maturities from thirty (30) days to three (3) months. The carrying amount of this deposit includes the accrued interest as at year end.

19 Capital and reserves

(a) Ordinary shares as at 31 December

In thousands of naira	2015	2014
Authorised 800,000,000 ordinary shares of 50k each	400,000	400,000
Issued and fully paid ordinary shares of 50k each		
At 1 January	144,912	144,912
At 31 December	144,912	144,912

(b) Share premium

In thousands of naira	2015	2014
At 1 January	635,074	635,074
At 31 December	635,074	635,074

(c) Fair value reserve

In thousands of naira	2015	2014
At 1 January	39,636	30,283
Transferred on disposal of AFS investments	-	(1,742)
Fair value change on AFS investments	20,788	15,850
Related tax on gains on AFS investments (Note 9(b))	(6,236)	(4,755)
At 31 December	54,188	39,636

20 Trade and other payables

In thousands of naira	2015	2014
(a) Trade payables	218,567	203,394
Customer deposits for paints	76,969	62,196
Accruals	141,814	115,624
Other payables	10,189	20,270
	447,539	401,484

The Company's exposure to liquidity risks related to trade and other payables is disclosed in Note 27

(b) Reconciliation of changes in trade and other payables included in statement of cash flows

	2015	2014
Movement in trade and other payable	46,055	(33,699)
Retirement benefits payable (Note 26(b))	-	(5,288)
Accrued additions to PPE (Note 11(g))	-	(11,115)
Changes in trade and other payables per statement of cash flows	46,055	(50,102)

21 Deferred income

Deferred income represents advance rent received.

22 Loans and borrowings

	2015	2014
Financing arrangement	89,185	126,032
Short term borrowings	3,767	6,940
	92,952	132,972
Current	3,767	11,481
Non-current	89,185	121,491
	92,952	132,972

a) **Financing arrangement**

In March 2012, Berger Paints Nigeria Plc ("the Company) engaged the services of Gauge Construction Servicing Limited ("the Contractor) in respect of Abuja property (Land). The services contracted include the construction, development and management of the Berger Paints Plaza as specified in the Memorandum of Understanding (MoU).

The consideration for the development funding and the services provided by the Contractor was 50% of all rents collected in respect of the property for a period of 12 years. The consideration paid was deemed to be the full and final satisfaction of all fees and money due to the contractor in respect of the arrangement.

b) **Short term borrowings**

These represent ex-staff members' entitlements which were converted to loans at an interest rate of 4%. The loans are inclusive of the accrued interest at the end of the reporting period.

23 Dividends

The following dividends were declared and paid by the Company for the year.

	Per share (kobo)	2015 N'000	Per share (kobo)	2014 N'000
Dividend	75	217,368	70	202,876

This represents the dividend proposed for the preceding year, but declared in the current year

After the respective reporting date, the following dividends were proposed by the board of directors. The dividends have not been recognised as liabilities and there are no tax consequences.

	2015 ₦'000	2014 ₦'000
Naira per qualifying ordinary shares	217,368	217,368

24 Dividend payable

In thousands of naira	2015	2014
At 1 January	225,940	198,103
Declared dividend	217,368	202,876
Transferred to retained earnings	-	(6,356)
Payments	(172,740)	(168,683)
At 31 December	270,568	225,940

25 Employee benefits

(a) Defined Contribution Plan

The employees of the Company are members of a state arranged pension scheme (Pension Reform Act, 2014) which is managed by several private sector service providers. The Company is required to contribute 10% of the employee annual insurable earnings (basic, housing and transport allowances) to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss of ₦31 million (2014: ₦7.3 million) represents contributions to the plan by the Company.

Pension payable

In thousands of naira	2015	2014
Obligation at 1 January	6,924	258
Charge for the year	31,207	7,342
Payments	(30,396)	(676)
Obligation at 31 December	7,735	6,924

(b) <u>Defined Benefit Plan</u>

The Company operates an unfunded defined benefit gratuity scheme for its employees. Under the plans, the employees are entitled to retirement benefits varying between 5 weeks and 10 weeks of final salary on attainment of a retirement age of 50 years and 55 years for females and males respectively.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out in 2015 by HR Nigeria Limited (FRC/NAS/00000000738). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At a board meeting held on 16 December 2015, the directors approved the discontinuance of the gratuity scheme effective 31 December 2015. The decision to discontinue the gratuity scheme has been communicated to the employees. Employees accrued benefits were determined for services rendered up to 31 December 2015 and will be settled in 2016.

The reported liability in respect of the gratuity scheme is not an on-going liability but a discontinuance liability. Thus demographic and financial assumptions are not applicable (N/A). Also the reported liability, as determined by the actuary expert, has been recorded as a part of current liabilities in the statement of financial position.

The amount included in the statement of financial position arising from the Company's obligations in respect of the retirement benefit is as follows:

In thousands of naira	2015	2014
Present value of unfunded gratuity obligation	182,140	216,810

(i) Movement in the present value of the defined benefit obligation

The following table shows a reconciliation from the opening balances to the closing balances for the present value of the defined benefit liability and its components.

In thousands of naira	2015	2014
Balance at 1 January	216,810	205,114
Included in profit or loss		
Service cost	29,739	29,465
Interest on obligation	32,128	28,343
Curtailment gain	(60,180)	0
	1,687	57,808
Included in Other Comprehensive Income		
Actuarial losses/(gains) arising from:		
- change in assumption	-	(19,646)
- change in experience	-	(11,684)
	-	(31,330)
Others		
Benefits paid	(36,357)	(9,494)
Benefits payable	-	(5,288)
	(36,357)	(14,782)
Balance at 31 December	182,140	216,810

(ii) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2015	2014
Discount rate (p.a)	N/A	15%
Expected rate(s) of salary increases (p.a)	N/A	12%
Inflation rate per annum	N/A	9%
Weighted average duration of the plan (years)	N/A	10%

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK. This has been rated down by one year to more accurately reflect mortality in Nigeria.

The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows.

Sample Age	Number of deaths in year of age out of 10,000 lives	
	2015	2014
25	N/A	7
30	N/A	7
35	N/A	9
40	N/A	14
45	N/A	26

Withdrawal from service age band	Rate	
	2015	2014
to 30	N/A	2.5%
31-39	N/A	1.5%
40-45	N/A	1.0%
46-55	N/A	0.0%

(iii) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Defined benefit obligation	
Effect in thousands of naira	Increase	Decrease
31 December 2015		
Discount rate (1% movement)	182,140	182,140
Expected rate(s) of salary increases (1% movement)	182,140	182,140
Future mortality (1% movement)	182,140	182,140
31 December 2014		
Discount rate (1% movement)	236,456	199,569
Expected rate(s) of salary increases (1% movement)	237,883	198,098
Future mortality (1% movement)	216,820	216,802

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

26 Related Parties

Related parties include the Company's shareholders, directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Company. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

A. Transactions with key management personnel

i) Key management personnel compensation

Key management personnel compensation comprised the following:

In thousands of naira	2015	2014
Short-term benefits	207,027	107,226
Post employment benefits	7,240	5,603
Termination benefits	7,111	28,115
	221,378	140,944

ii) Loans to management staff

There were no unsecured loans advanced to management staff during the year (2014: Nil). At 31 December 2015, the balance outstanding was "nil" (2014: Nil) and is included in Trade and other receivables.

iii) Key management personnel transactions

Directors of the Company control 2% of the voting shares of the Company. A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Company during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows.

In thousands of naira	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
Transaction	2015	2014	2015	2014
Supply of raw materials*	209,516	216,412	38,132	29,905
Recruitment services**	6,773	-	-	-
Registrar's fees***	3,400	3,400	-	-

***** The Company bought various raw materials from Emychem Nigeria Limited. The Managing Director of the company is Mr. Raj Mangtani, and he is also a non-executive director on the board of Berger Paints Nigeria Plc. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

****** The Company engaged the services of Excel Professional Services Limited for the recruitment of certain management staff during the year. The Managing Director of the company is Dr. Oladimeji Alo, and he is also the chairman of the board of directors of Berger Paints Nigeria Plc. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

******* Meristem Registrars Limited acts as the Registrars for the Company during the year. The Group Managing Director of the company is Mr. Oluwole Abegunde, and he is also a non-executive director on the board of Berger Paints Nigeria Plc.

B. Other related party transactions

The Company incorporated a subsidiary in Ghana, Lewis Berger Ghana Limited, on 23 October 2013. As at 31 December 2014, the subsidiary had not commenced operations. The Company has not prepared consolidated financial statements on the account of materiality.

27 Financial instruments – Fair values and risk management

(a) Classification of financial instruments and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2015	**Carrying Amount**		**Fair value**		
In thousands of naira	**Loans and receivables**	**Available-for-sale**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value					
Available-for-sale Investments					
- Equity	-	148	-	148	-
- Treasury bills	-	129,129	129,129	-	-
- Money market instruments	-	42,842	-	42,842	-
Financial assets not measured at fair value					
Trade and other receivables	249,214	-	-	-	-
Cash and bank balances	600,741	-	-	-	-
	849,955	172,119	129,129	42,990	-
Financial liabilities not measured at fair value					
Loans and borrowings	92,952	-		75,581	-
Trade and other payables	354,147	-	-	-	-
Dividend payable	270,568	-	-	-	-
	717,667	-	-	75,581	-
31 December 2014					
Financial assets measured at fair value					
Available-for-sale Investments					
- Equity	-	131	-	131	-
- Treasury bills	-	88,114	88,114	-	-
- Money market instruments	-	63,086	-	63,086	-
Financial assets not measured at fair value					
Trade and other receivables	454,982	-	-	-	-
Cash and bank balances	421,878	-	-	-	-
	876,860	151,331	88,114	63,217	-
Financial liabilities not measured at fair value					
Loans and borrowings	132,972	-	-	126,032	-
Trade and other payables	321,964	-	-	-	-
Dividend payable	225,940	-	-	-	-
	680,876	-	-	126,032	-

(a) **Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise treasury bills classified as available for sale.

(b) **Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

(i) quoted market prices or dealer quotes for similar instruments;

(ii) other techniques, such as discounted cash flow analysis, sales prices of comparable properties in close proximity, are used to determine fair value for the remaining financial instruments.

(b) Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

(i) **Risk management framework**

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by the Internal Audit Function, outsourced to Bamidele Daramola & Co. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In thousands of naira	2015	2014
Trade and other receivables	249,214	454,982
Cash and bank balances	600,741	421,878
	849,955	876,860

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings when available, and in some cases bank references. Credit sales limits are established for each customer and are reviewed regularly. The concentration of credit risk is limited due to the large and unrelated customer base. The company has pledged no trade receivables during the year.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Concentration of risk

At 31 December 2015, the maximum exposure to credit risk for trade and other receivables by type of counterparty was as follows;

	Carrying amount	
In thousands of naira	2015	2014
Wholesale customers	106,056	336,638
Retail customers	192,219	57,143
Other	5,388	6,949
	303,663	400,730

At 31 December 2015, the ageing of trade and other receivables that were not impaired was as follows:

In thousands of naira	2015			2014		
	Gross	Impairment	Net	Gross	Impairment	Net
Neither past due nor impaired	92,971	-	92,971	360,256	-	360,256
Past due 1–90 days	74,042	-	74,042	28,289	-	28,289
Past due 91–180 days	22,866	(14,502)	8,364	23,262	(11,077)	12,185
Over 180 days	113,784	(113,784)	-	108,311	(108,311)	-
	303,663	(128,286)	175,377	520,118	(119,388)	400,730

The company does not hold collateral on these balances. The company believes that the unimpaired amounts that are past due are still collectible in full based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

Available-for-sale investments
The company limits its exposure to credit risk by investing only in liquid securities and this is managed by ARM Pension Managers (PFA) Limited.

Cash and cash equivalents:
The Company held cash and cash equivalents of ₦601 million at 31 December 2015 (2014: ₦451 million), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with commercial banks.

(iii) **Liquidity risk**
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses standard costing to cost its products, which assist it in monitoring cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 31 December 2015, the expected cash flows from trade and other receivables maturing within two months were ₦149million (2014: ₦315 million). This excludes potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Exposure to liquidity risk
The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements:

31 December 2015 *In thousands of naira*		**Contractual cash flows**					
	Carrying Amount	**Total**	**6 months or less**	**6-12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Loans and borrowings	92,952	190,302	12,247	12,247	20,726	62,178	82,904
Trade and other payables	447,539	447,539	447,539	-	-	-	-
Dividend payable	270,568	270,568	270,568	-	-	-	-
	811,059	**908,409**	**730,354**	**12,247**	**20,726**	**62,178**	**82,904**

31 December 2014 *In thousands of naira*	**Carrying Amount**	**Contractual cash flows** **Total**	**6 months or less**	**6-12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Loans and borrowings	132,972	137,512	11,481	5,358	13,783	31,450	75,440
Trade and other payables	401,484	401,484	401,484	-	-	-	-
Dividend payable	225,940	225,940	225,940	-	-	-	-
	760,396	**764,936**	**638,905**	**5,358**	**13,783**	**31,450**	**75,440**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iv) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

1. ***Currency risk***

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Company. The functional currency of the Company is primarily the Naira. The currencies in which these transactions are primarily denominated are Naira (₦), Euro (€), US Dollars (US$) and Pounds Sterling (GBP). The currency risk is the risk that the fair value or future cash flows of financial instrument will fluctuate due to the changes in foreign exchange rates.

The Company's policy is to ensure that its net exposure in respect of monetary assets and liabilities denominated in foreign currencies are kept to an acceptable level. The Company monitors the movement in foreign currencies on an ongoing basis and takes appropriate actions as necessary.

Exposure to currency risk

The summary quantitative data about the Company’s exposure to currency risk is as follows:

	2015			2014		
	US$	€	GBP	US$	€	GBP
Cash and cash equivalents	504,265	1,007	231	26,047	2,830	260

The following significant exchange rates were applied;

	Average rate during the year		Year end spot rate	
Naira	2015	2014	2015	2014
US$ 1	192.64	156.45	198.00	167.00
€ 1	213.76	207.83	214.11	203.55
GBP 1	294.71	257.76	291.19	261.47

Sensitivity analysis

A reasonably possible strengthening (weakening) of the naira against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss	
In thousands of Naira	Strengthening	Weakening
31 December 2015		
US$ (3% movement)	2,995	(2,995)
€ (3% movement)	6	(6)
GBP (3% movement)	-	-
31 December 2014		
US$ (3% movement)	130	(130)
€ (3% movement)	17	(17)
GBP (3% movement)	2	(2)

2. ***Interest rate risk***

The Company adopts a policy of ensuring that all its interest rate risk exposure is at fixed rate. This is achieved by entering into fixed rate instruments.

Interest rate risk comprises interest price risk that results from borrowings at fixed rates and the interest cashflow risk that results from borrowings at variable rates. The board of directors is responsible for setting the overall duration and interest management targets. The Company's objective is to manage its interest rate exposure through careful borrowing profiling and use of heterogeneous borrowing sources.

At the reporting date the interest rate profile of the Company’s interest-bearing financial instruments was:

Fixed rate instruments	**Norminal amount**	
In thousands of naira	2015	2014
Financial assets:		
Available-for-sale Investments - fixed income	42,842	63,086
Financial liabilities:		
Financial arrangement	(89,185)	(126,032)
Short term borrowings	(3,767)	(6,940)
	(50,110)	(69,886)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased or decreased equity by ₦892 thousand after tax (2014: ₦1.2 million)

Cash flow sensitivity analysis for variable rate instruments

The Company does not have any variable rate financial assets and liabilities as at the end of the year (2014: Nil).

(iv) **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company’s operations.

The Company’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risks is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for the appropriate segregation of duties, including the authorisation of
- requirements for the reconciliations and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remediation action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when it is effective

Compliance with the Company's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

(c) **Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. This is done by using a ratio of adjusted net debt to adjusted equity. Adjusted net debt has been defined as total liabilities, comprising interest-bearing loans and borrowings, less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Company's adjusted net debt to equity ratio at 31 December was as follows.

	2015	2014
In thousands of naira		
Total liabilities	1,308,540	1,180,315
Less: Cash and Cash equivalents	(600,741)	(421,878)
Adjusted net debt	707,799	758,437
Total Equity	2,587,330	2,459,830
Net debt to equity ratio	0.27	0.31

28 Operating leases

The Company leases out its investment property (see Note 12)

a. Future minimum lease payments

At 31 December, the future minimum lease payments under non-cancellable leases are receivable as follows:

In thousands of naira	2015	2014
Less than one year	34,608	62,320
Between one and five years	45,057	67,513
	79,665	129,833

b. Amounts recognised in profit or loss

During 2014, investment property rentals of ₦67 million (2014: ₦64 million) were included in ‘revenue’ (see Note 4). Depreciation charges on the investment property was included in ‘cost of sales’ (see Note 7 and 12).

29 Contingencies

The Company is engaged in lawsuits that have arisen in the normal course of business. The contingent liabilities in respect of pending litigation and other possible claims amounted to ₦501 million as at 31 December 2015 (2014: ₦506 million). In the opinion of the directors, and based on independent legal advice, the Company is not expected to suffer any material loss arising from these claims. Thus no provision has been made in these financial statements.

30 Subsequent events

There are no significant subsequent events, which could have had a material effect on the state of affairs of the Company as at 31 December 2015 that have not been adequately provided for or disclosed in the financial statements.

31 Operating segments

a. Basis of segmentation

The Company has three reportable segments, as described below, which are the Company's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Company's Management Committee review internal management reports on a monthly basis. The following summary describes the operations in each of the Company's reportable segments:

Reportable segments	Operations
Paints and allied products	Manufacturing, distributing and selling of paints and allied products
Contract revenue	Rendering of painting services
Investment property rental income	Investment property rentals

The accounting policies of the reportable segments are the same as described in Notes 3 (Q).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Company's Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

b. Information about reportable segments

In thousands of naira

	Paints and allied products	**Contract revenue**	**Investment property rental income**	**Unallocated**	**Total**
2015					
External revenues	2,628,692	327,822	65,750	-	3,022,264
Finance income	-	-	57,404	86,600	144,004
Finance costs	-	-	(17,165)	(32,347)	(49,512)
Depreciation	-	-	(24,999)	(92,959)	(117,958)
Impairment loss	(8,898)	-	-	-	(8,898)
Reportable segment profit (loss) before income tax	286,146	236,782	80,990	-	603,918

2014	Paints and allied products	Contract revenue	Investment property rental income	Unallocated	Total
External revenues	2,815,421	203,371	64,138	-	3,082,930
Finance income	-	-	-	61,774	61,774
Finance costs	-	-	(50,122)	(28,611)	(78,733)
Depreciation	-	-	(25,015)	(101,579)	(126,594)
Impairment loss	(48,735)	-	-	-	(48,735)
Reportable segment profit before income tax	265,015	63,658	(10,999)	-	317,674

Assets and liabilities by reportable segments are not presented to the Chief Operating Decision Maker (Management Committee) on a regular basis. Therefore, information on segment assets and liabilities has not been presented.

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities and other material items

Revenues

There are no significant reconciling items between the reportable segment revenue and revenue for the year.

Profit or loss

In thousands of naira	2015	2014
Total profit or loss for reportable segments	603,918	317,674
Unallocated finance income	86,600	61,774
Unallocated depreciation	(92,959)	(101,579)
Unallocated finance costs	(32,347)	(28,611)
Profit before taxation	565,212	249,258

Other material items

There are no significant reconciling items between other material items for the reportable segments and Company total.

Major customer

Revenue from one customer does not represent up to 10% of the company's total revenue. Therefore, information on major customers is not presented.

Other National Diclosures

Other National Diclosures

Value Added Statement

For the year ended 31 December
In thousands of naira

	2015	%	2014	%
Sales	3,022,264		3,082,930	
Other income	95,065		79,021	
	3,117,329		3,161,951	
Bought in materials and services				
- Imported	-		(699,448)	
- Local	(1,758,388)		(1,521,044)	
Value added	1,358,941	100	941,459	100
Distribution of value added				
To Employees:				
Employee benefit expenses	626,259	46	486,874	52
To Providers of Finance:				
Interest on loans and bank overdrafts	49,512	4	78,733	8
To Government:				
Income tax	190,963	14	111,511	12
Retained in the business as:				
Depreciation	117,958	9	126,594	13
Deferred tax	43,933	3	(11,061)	(1)
To augument reserve	330,316	24	148,808	16
	1,358,941	100	941,459	100

Value added is wealth created by the efforts of the Company and its employees and its allocation between employees, shareholders, government and re-investment for the creation of future wealth.

Other National Diclosures
5 Year Financial Summary

In thousands of naira	2015	2014	2013	2012	2011
Funds employed					
Share capital	144,912	144,912	144,912	108,684	108,684
Share premium	635,074	635,074	635,074	160,201	160,201
Fair value reserve	54,188	39,636	30,283	18,903	2,027
Treasury shares	-	-	-	0	22,376
Retained earnings	1,753,156	1,640,208	1,665,988	1,467,657	1,433,865
Shareholder's fund	2,587,330	2,459,830	2,476,257	1,755,445	1,727,153
Current liabilities	1,143,703	816,531	798,623	922,893	737,820
Long term liabilities	164,837	363,784	352,718	251,500	207,764
Non-controlling interests in a discontinued operation	-	-	-	-	2,298
	3,895,870	3,640,145	3,627,598	2,929,838	2,675,035
Assets employed					
Non current assets	1,727,602	1,564,445	1,587,220	1,343,441	1,216,797
Current assets	2,168,268	2,075,700	2,040,378	1,586,397	1,458,238
	3,895,870	3,640,145	3,627,598	2,929,838	2,675,035

In thousands of naira	2015	2014	2013	2012	2011
Revenue	3,022,264	3,082,930	2,710,986	2,513,664	2,574,359
Profit before income tax	565,212	249,258	342,767	284,465	369,325
Profit for the year	330,316	148,808	257,580	192,009	227,816
Other comprehensive income, net of tax	14,552	33,026	66,605	12,834	(3,769)
Declared dividend*	217,368	202,876	152,157	152,157	152,157
Per 50k share data:					
Basic and diluted earnings per share (kobo)	114	51	89	83	105
Declared dividend per share (kobo)	75	70	52	70	70
Net assets per share (kobo)	9	8	9	8	8

*Declared dividend represents dividend declared during the year and final dividend proposed for the preceding year but declared during the current year.

The financial information presented above reflects historical summaries based on International Financial Reporting Standards.