# Berger Paints Nigeria Plc

## Financial Statements - 31 December 2014

## Together with Directors' and Independent Auditor's Report

# Contents

## Corporate Information

| | | |
|---|---|---|
| **Board of Directors:** | Oladimeji Alo, PhD | - Chairman (Appointed: 17 July 2014) |
| | Clement A. Olowokande | - Immediate Past Chairman (Retired: 17 July 2014) |
| | Abi Ayida | - Non - Executive Director |
| | Musa Danjuma | - Non - Executive Director |
| | Nelson C. Nweke | - Non - Executive & Independent Director |
| | Oluwole O. Abegunde | - Non - Executive Director (Appointed: 20 March 2014) |
| | Sanjay Datwani (British) | - Non - Executive Director (Appointed: 11 December 2014) |
| | Engr. Patrick Buruche | - Non - Executive Director (Appointed: 17 July 2014) |
| | Adekunle Olowokande | - Non - Executive Director (Appointed: 17 July 2014) |
| | Balram Datwani (Indian) | - Non - Executive Director (Retired: 17 July 2014) |
| | Olawale O. Akinpelu | - Non - Executive Director (Appointed: 17 July 2014) |
| | Raj Mangtani (Indian) | - Formerly alternate to B.D. Datwani (Indian) now Non - Executive Director (Appointed: 17 July 2014) |
| | Raymond C. Obieri | - Non - Executive Director (Retired: 17 July 2014) |
| | Tor Nygard (Norwegian) | - Managing Director (Disengaged: 31 January 2015) |

**Company Secretary/Legal Advisor**
Pheola Caulcrick & Co.

**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

**Regional Offices:**

Abuja
Plot 784, Alexandria Crescent, Wuse II, Abuja, FCT.
Tel: 08102164849

Benin
134, Murtala Mohammed Way, Benin City, Edo State.
Tel: 08102164840

Port Harcourt
70, Trans Amadi Estate, Port Harcourt, River State.
Tel: 08102164859

**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

**Bankers:**

| | | |
|---|---|---|
| Guaranty Trust Bank Plc | Skye Bank Plc | Wema Bank Plc |
| First Bank of Nigeria Plc | Ecobank Nigeria Plc | Zenith Bank Plc |
| Diamond Bank Plc | UBA Plc | Access Bank Plc |

# Financial Highlights
*In thousands of naira*

| | 2014 | 2013 | % |
|---|---|---|---|
| Revenue | 3,082,930 | 2,710,986 | 14 |
| Gross profit | 1,346,870 | 1,148,507 | 17 |
| Operating profit | 266,217 | 298,064 | (11) |
| Profit before income tax | 249,258 | 342,767 | (27) |
| Profit | 148,808 | 257,580 | (42) |
| Share capital | 144,912 | 144,912 | - |
| Total equity | 2,459,830 | 2,476,257 | (1) |
| **Data per 50k share** | | | |
| Basic earnings per share (kobo) | 51 | 89 | (43) |
| Declared dividend* | 70 | 70 | - |
| Net assets | 8 | 9 | (11) |
| **Dividend per 50k share in respect of current year results only** | | | |
| Dividend proposed (kobo)** | 75 | 70 | 7 |
| **Stock Exchange Information** | | | |
| Stock exchange quotation at 31 December in Naira per share | 9 | 8 | 13 |
| Market capitalization at 31 December (₦'millions) | 2,608 | 2,319 | 13 |

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

**The directors propose a dividend of 75 kobo (2013: 70 kobo) per share on the issued share capital of 289,823,447 (2013: 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 2014*

1. **Financial statements**
The directors present to the distinguished members of Berger Paints Nigeria Plc ("the Company") this annual report together with the audited financial statements of the Company for the year ended 31 December 2014.

2. **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.

A new 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.

3. **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.

4. **Operating results**
The following is a summary of the Company's operating results:

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| Revenue | 3,082,930 | 2,710,986 |
| Results from operating activities | 266,217 | 298,064 |
| Profit before income tax | 249,258 | 342,767 |
| Profit for the year | 148,808 | 257,580 |
| Total comprehensive income for the year | 181,834 | 324,185 |

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 2014 financial year subject to the approval of the Annual General Meeting (2013: ₦202,876,412.90, that is, 70 kobo per share). The dividend is payable less withholding tax on 23 July 2015.

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. Dr. Oladimeji Alo
B. Mr. Abi Ayida
C. Mr. Nelson Nweke

Who, being eligible, offer themselves for re-election

(iii) The following directors who are new shall be re-elected at the meeting in accordance with Articles 95 of the Company's Article of Association

A. Mr. Raj Mangtani
B. Mr. Kunle Olowokande
C. Engr. Patrick Buruche
D. Mr. Sanjay Datwani

(iv) Board Meetings

The Board met 7 times in 2014

(v) Record of Directors' Attendance at Meetings

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 this meeting. It is also summarized hereunder:

| S/N | Names of directors | 21st January | 20th February | 20th March | 24th April | 17th July | 16th October | 11th December | Total |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Mr. C.A. Olowokande | √ | √ | √ | √ | √ | - | - | 5/7 |
| 2 | Mr. R.C. Obieri | √ | √ | √ | √ | √ | - | - | 5/7 |
| 3 | Mr. O.O. Akinpelu | √ | √ | √ | √ | √ | - | - | 5/7 |
| 4 | Dr. Oladimeji Alo | √ | √ | √ | √ | √ | √ | √ | 7/7 |
| 5 | Mr. Abi Ayida | √ | √ | √ | √ | √ | √ | √ | 7/7 |
| 6 | Chief Musa Danjuma | √ | √ | x | x | √ | √ | √ | 5/7 |
| 7 | Mr. Raj Mangtani | √ | x | √ | √ | √ | √ | √ | 6/7 |
| 8 | Mr. Nelson Nweke | √ | √ | √ | √ | √ | √ | √ | 7/7 |
| 9 | Mr. Wole Abegunde | - | - | Appointed at this meeting | √ | √ | √ | √ | 4/7 |
| 10 | Mr. Kunle Olowokande | - | - | - |  | Appointed at this meeting | √ | √ | 2/7 |
| 11 | Engr. Patrick Buruche | - | - | - |  | Appointed at this meeting | √ | √ | 2/7 |
| 12 | Mr. Tor Nygard | √ | √ | √ | √ | √ | √ | √ | 7/7 |
| 13 | Mr. Sanjay Datwani | - | - | - | - | - | - | Appointed at this meeting | 0/7 |

(vi) Directors' interest in shares as at 31 December 2014

The interests of each director in 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 | Names of directors | Direct holdings | |
|---|---|---|---|
| | | 31-Dec-14 | 31-Dec-13 |
| 1 | Mr. C.A. Olowokande | 10,141,804 (as at July 2014) | 9,402,294 |
| 2 | Mr. R.C. Obieri | Nil | Nil |
| 3 | Mr. O.O. Akinpelu | 198,173 (as at July 2014) | 198,173 |
| 4 | Dr. Oladimeji Alo | 1,500,000 | 737,638 |
| 5 | Mr. Abi Ayida | 625,601 | 625,601 |
| 6 | Chief Musa Danjuma | 3,442,372 | 3,442,372 |
| 7 | Mr. Raj Mangtani | Nil | Nil |
| 8 | Mr. Nelson Nweke | 234,320 | 234,320 |
| 9 | Mr. Wole Abegunde | Nil | |
| 10 | Mr. Adekunle Olowokande | 197,965 | |
| 11 | Engr. Patrick Buruche | 56,900 | |
| 12 | Mr. Tor Nygard | 3,032,586 | 2,140,268 |
| 13 | Mr. Balram Datwani | Nil | Nil |
| 14 | Mr. Sanjay Datwani | Nil | Nil |

| S/N | **Indirect Interest** | Indirect holdings | |
|---|---|---|---|
| | | 31-Dec-14 | 31-Dec-13 |
| 1 | CAFOA NIGERIA LIMITED | 3,031,840 (as at July 2014) | 3,031,840 |
| 2 | CAF BUSINESS EDUCATION | 3,703,426 (as at July 2014) | 3,703,426 |
| 3 | HARMONY TRUST & INVT. CO. LTD. | 3,060,906 (as at July 2014) | 3,060,906 |

(vii) Directors' interest in contracts

Mr. Raj Mangtani (formerly Alternate to B.D Datwani), now a Non Executive Director through Emychem Nigeria Limited supplied raw materials to the company.

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 Nigeria Plc 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 anytime, 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, staff, consultants, audit committee members 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 has been framed and is on display in our various offices.

Berger Paints Nigeria Plc conducts its business with integrity and diligence and with total consideration for the interest of the shareholders and other stakeholders.

The Company has a policy on dealings in the Company's Securities which form part of the Company's Code of Conduct and Ethics subscribed to by all directors, staff, consultants and audit committee members.

**Composition of the Board**

During the year under review, the Company was managed by a Board of thirteen (13) directors, consisting of twelve non-executive directors which included the chairman and one (1) executive director. Four (4) of the non - executive directors retired on 17 July 2014.

**Board committees**

In conformity with the code of best practices in corporate governance, the under mentioned committees existed up to 31 December 2014.

A. Strategy and risk management committee

| Membership | Status | Number of meetings attended |
|---|---|---|
| Chief Musa Danjuma | Chairman | 1 |
| Mr. Raj Mangtani | Member | 1 |
| Mr. Abi Ayida | Member | 1 |
| Mr. Wole Abegunde | Member | 1 |
| Engr Patrick Buruche | Member | 1 |

Met once in 2014

B. Finance and general purpose committee

| Membership | Status | Number of meetings attended |
|---|---|---|
| Mr Abi Ayida | Chairman | 3 |
| Chief Musa Danjuma | Member | 2 |
| Mr. Raj Mangtani | Member | 2 |
| Dr. R. C. Obieri | Member | 1 (Retired: 17 July 2014) |
| Mr. Kunle Olowokande | Member | 1 (Appointed: 17 July 2014) |
| Mr. Wole Abegunde | Member | 1 (Appointed: 17 July 2014) |
| Mr. Nelson Nweke | Member | - (Appointed: 17 July 2014) |

Met three (3) times in 2014

C. Establishment, governance & remuneration committee

| **Membership** | **Status** | **Number of meetings attended** |
|---|---|---|
| Mr. Nelson Nweke | Chairman | 2 (Retired: 17 July 2014) |
| Mr. Raj Mangtani | Member | 2 |
| Mr. Kunle Olowokande | Member | 2 (Retired: 17 July 2014) |
| Engr Patrick Buruche | Member | 2 |

Met two (2) times in 2014

Membership of these committees was reconstituted in December 2014 after the retirement of some non-executive directors.

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.

8. **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 shareholder representatives. The committee met three (3) times in 2014.

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, reviewed 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 internal audit department and the external auditors.

**Members attendance at audit committee meeting in 2014**

| **S/N** | **Name** | **18-Mar** | **30-Oct** | **11-Nov** | **Total** |
|---|---|---|---|---|---|
| 1 | Mr. Chibuzor Eke | √ | √ | √ | 3/3 |
| 2 | Hon. Anthony Odebiyi | √ | √ | √ | 3/3 |
| 3 | Mrs. Mary Shofolahan | √ | √ | √ | 3/3 |
| 4 | Mr. O.O. Akinpelu | √ | Retired in July 2014 | - | 1/3 |
| 5 | Mr. Abi Ayida | √ | √ | x | 2/3 |
| 6 | Chief Musa Danjuma | x | √ | √ | 2/3 |
| 7 | Mr. Nelson Nweke | Appointed : 20 March 2014 | √ | x | 1/3 |

9. **Donations and gifts**

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

| Beneficiary | Purpose | Place | Amount (₦) |
|---|---|---|---:|
| Nigeria Society for the Blind | Donation | Oshodi, Lagos | 120,844 |
| Lagos State Metropolitan Government Slum | Community Development | Mushin, Yaba, Agege, Bariga, Ajegunle | 1,989,156 |
| SOS Children Village | Donation | Isolo, Lagos | 100,000 |
| | | | 2,210,000 |

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.

10. **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.

11. **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.

12. **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.

13. **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.

Factory Automation

The planned modernization of the Company’s factory would result in improved quality, cost reduction and better response time.

14. **Post balance sheet events**

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

15. **Risk management policy**

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

- To ensure protection of shareholders' value through the establishment of integrated Risk Management Framework for identifying, assessing, mitigating, monitoring, evaluating and reporting all risk.
- To provide clear and strong basis for informed decision making at all levels of the organization.
- To continually strive towards strengthening the Risk Management System through continuous learning and improvement.

16. **Safety and environmental policy**

Berger Paints Nigeria Plc ensures the safety of members of staff, contractors and visitors by:

- Ensuring that plant equipment are adequately maintained to prevent accidents.
- The use of engineering methods to control hazards inherent in our operations and where this is not adequate, personal protective equipment is provided and usage is enforced.
- 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.
- Implementation of an effective emergency management program so as to minimize adverse impact on human and the environment, in case of any form of emergency.
- The continuous training of employees to create safety consciousness.
- The safety of our employees is the concern of the Company. 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 inspected and certified by both state and federal regulatory agencies. Accidents are investigated, documented and corrective actions put in place to forestall future occurrence. 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.

Berger Paints Nigeria Plc 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
- Ensuring that wastes are properly disposed or recycled
- 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 whole.

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

The company has numerous distributors including mini-depot operators and trade partners all over the country who have contributed to the recorded turnover and to whom the company remains grateful. The Mini-Depots are manned by professionals such as architects, builders etc. The major distributors and trade partners include but are not limited to the following:

| | | DEALERS LIST | |
|---|---|---|---|
| **S/N** | **REGION** | **NAME** | **ADDRESS** |
| 1 | **Lagos** | Faye Adesanya & Sons | 58, Adeniji Adele, Lagos Island |
| 2 | | Calemann Enterprises | 34, Chief Natufe Street, Off Babs Animashaun, Surulere, Lagos. |
| 3 | | Honeywealth Nig. Ltd | Suite 6, Nahco Complex M.M. Airport, Lagos. |
| 4 | | Jubi's Investments Ltd. | 26, Glover Road, Ebute Metta, Lagos |
| 5 | | Ire Enterprises | 14, Alhaji Sikiru Otun-Oba Street, Mazamaza, Lagos. |
| 6 | | Ate-Overs Nigeria Enterprises | 46, Adeniji Adele Road, Lagos Island, Lagos. |
| 7 | | Simcare Nig. Ltd. | 16, Silver Street, Olorunsogo, Mushin |
| 8 | | Mic-Vin Blessed Ltd. | 42, Lagos Street, Ebute Metta, Lagos. |
| 9 | | Al-Hasfamb Ent. | 1, Arepo street, Awori Bus Stop, Abule Egba, Lagos. |
| 10 | | Iyktex De Choice Limited | 286, Old Ojo Road, Oluti Bus Stop By Plank Market Off Badagri Expressway, Lagos |
| 11 | | Adeola Commercial Ent. | 343, Ashade Market, Agege, Lagos. |
| 12 | | Emeco Martins Auto Ltd. | 10, Apapa Road, Apapa, Lagos. |
| 13 | | Massarati Nigeria Limited | 25, Owode Crescent, Ado Langbasa, Ajah, Lagos. |
| 14 | | Latunde-Adigun Comm. Ventures | 94, Ashade Retail Market, Mangoro B/Sto, Agege, Lagos. |
| 15 | | Consvin Synergy | 1, Salami Owolabi Street, Off Lasu Iba Road, Idowu-Egba Bus Stop, Lagos. |
| 16 | | Stillbon Nigeria Limited | Palm Avenue, Matori, Mushin, Lagos |
| 17 | | De-Royal Ventures | 4, Ikosi Road, Iyesi Ota, Ogun State |
| 18 | | Ajulo Olorun Ventures | 18, Alao Adeoye Street, Beside AP-Filling Station Arinlese-saje Abeokuta |
| 19 | | Aspire International | Garnet House, Lekki/Ajah Express Way, Jakande B/Stop |
| 20 | | Joychem Nig. Ltd. | 11/14 Oyejola Oshodi Street, Agbado, Lagos. |

| | | | |
|---|---|---|---|
| 21 | **West** | FFB Ventures Nig. Ltd. | 102, Oyemekun Road, Akure, Ondo State. |
| 22 | | Adaraloye & Sons | Ita Amodu Road, Ilorin, |
| 23 | | Samleg Nig. Ent. | 10, Olufunmilayo Street, Unillorin Road, Kwara State |
| 24 | | Floramos Ventures | Block B, Plot , Anglican Estate, Akure, Ondo State |
| 25 | | Tunde Talabi Nig. Ent. | Oba Adesida Road, Akure, Ondo State |
| 22 | | Adeboye S.A. Nig. Ltd. | 17, Mapaderun Street, Bashorun, Ibadan, Oyo State |
| 23 | | H-Pola Global Enterprises | KM1, Ibadan Road, Beside Diganga Hotel, Ile-ife, Osun State |
| 24 | | Reliance Ventures | 23 SW9/738 Olowe Lane, Odo Ona Apata, Ibadan |
| 25 | | Sojmargvic Nigeria Limited | Km2, Igbokoda-Okitipupa Road, GRA Igbokoda, Ondo State. |
| 26 | | Moffod Enterprises | Iyin Road, Ado Ekiti, Ekiti State |
| 27 | | Dally Superb Ventrues | 18, Henry Fajemirokun Street, Ijapo Estate, Akure |
| 28 | | Caribridget Int. Ltd. | Oke Bola, Ibadan, Oyo State |
| 29 | | Samsamak Nig. Ent. | Oke Ado Market, Ibadan, Oyo State |
| 30 | | Image Global Concept | Blk2, Ayelabowo Complex, Offa Garrage, Ilorin, Kwara State. |
| 31 | | Mariam Automobile Ltd. | Yidi Gate Opposite Ola Sheu, Ibadan, Oyo State |
| 32 | | Omogafo Trading Store | Ring Road, Ibadan, Oyo State |
| | | | |
| 33 | **Midwest** | De-Young Jonny | 76, Modebe Avenue Onitsha, Anambra State |
| 34 | | Haco Mike Enterprises | 24, Ozomagala Street Onitsha, Anambra State |
| 35 | | J. N. Omanze | 68, Modebe Avenue Onitsha, Anambra State |
| 36 | | Sancotex Paints Stores | 47, Ozomagala Street Onitsha, Anambra State |
| 37 | | Ucheson Nig Ltd | 76, Modebe Avenue Onitsha, Anambra State |
| 38 | | De Ama Ventures | 379, Nnebisi Road, Asaba, Delta State |
| 39 | | Bosaghae Nigeria Ent. | 33, Lagos Street, Benin, Edo State |
| 40 | | C. Anakwe | 1, Agbado Street, Benin, Edo State |
| 41 | | C. Anderson Enterprises | 17/30, Agbado Street, Benin, Edo State |
| 42 | | E. Iredia Nig. Ltd | 27, Agbado Street, Benin, Edo State |
| 43 | | Jomoh Nigeria Enterprises | 24, New Lagos Road, Benin, Edo State |
| 44 | | Onazena Enterprises | 153, Muritala Mohammed Way, Benin, Edo State |
| 45 | | Omoruyi & Sons | 79, Akpakpava Road, Benin, Edo State |
| 46 | | J.C. Okoli& Sons | 75, Nekpenknepen Street, Benin, Edo State |
| 47 | | Gildson Trading Company | 21, Ginuiwa Road, Warri, Delta State |
| 48 | | Ikpufua Enter | Udu Road, bye Intercontinental Bank, Warri, Delta State |
| 49 | | M.C. Orakwe | 98, Warri sapele road |
| 50 | | Mac Padison | 278, Efurum /Sapele Road, Warri, Delta |
| 51 | | Samuel Ochuko (Nig.) Ltd. | 68, Ginuwa Road, Warri, Delta State |
| 52 | | Sunny & Sons Enterprises | Mission Road, Benin City, Edo State. |
| | | | |
| 53 | **East** | AIM Enterprises | 12, Shopping Plaza Old Stadium, Tetlow Road, Owerri |
| 54 | | Obiaku Investment Limited | 7, Edinburgh Road, Ogui New Layout,Enugu |
| 55 | | Deco Bass Funiture Company | 40, Mcc Road, Calabar, Cross River State |
| 56 | | Ifabros Company | 10, Mbong Street, Eket. |
| 57 | | Davrem Resourses Company | 38, Nwawuna Street, Rumuigbo, Port Harcourt. |
| 58 | | Azubike Resources | C/O 20 Obowu Two Komkom Oyibo, Rivers State |
| 59 | | E. C. Ezeh Paints Nig | 4/6b Trans Amadi Ind. Layout Rd, Rumuobiakani Paint Market, PH. |
| 53 | | Ekpenma Nig Ltd | No 7 Okporo Road, by 1st Artilary, Phc. |
| 54 | | Home Alone Ltd | 8 Total Village Aba Rd, Phc |
| 55 | | Owen Marines Nig Ltd | No 2, Egelege Close Off Olu-Obasanjo Rd, D/Line Phc |
| 56 | | Emman Davis Stores | 214 Old Oduipani Rd Calabar |
| 57 | | C. E. Udegbe Enterprises | 118 Faulks Rd, Aba, Abia State |
| 58 | | I. O. Nwodu & Sons Nig Ltd | 14 Douglas Road, Owerri Imo State |
| 59 | | Iykepamoore Investment | 5, Ewls By Free Zone Gate Ariaria Int'l Market Aba Abia State. |

| | | | |
|---|---|---|---|
| 60 | | Invaluable Links Ltd. | 10, Mission Hill, Umuahia, Abia State |
| 61 | | Ekongson Motors Ltd. | 127, Aka Road, Uyo Akwa Ibom State |
| 62 | | House-ware Resources | 25A, Elitor Street, Opp. Foursquare Gospel Church, Woji PH. |
| 63 | | Innotex Autocare Nig. Plc; | EWLS 30/68 Along Free Zone, Aba, Anambra State |
| 64 | | Chiluc Enterprises Nigeria | 16, Emma Avenue, Off Girl's School Elelenwo, PH |
| 65 | | Toni Mann Integrated Ltd. | 13, Ogui Road, Enugu |
| 66 | | Agbakin Enterprises | 142, Ikwerre Road, Diobu, Port Harcourt, Rivers State. |
| 67 | | Soliyama Limited | 17, Igbodo Street, Amadi Flats, Old GRA, Port Harcourt, Rivers State |
| | | | |
| | **Abuja** | Akwal Ventures Limited | AV 11 Kano Road, Kaduna |
| 68 | | Alh. Musa Maiturare | PA21 Mallam Madori Road, Old Panteka, Kaduna |
| 69 | | Rotfem Nigeria Enterprises | Suite C111 Royal Plaza, Along Keffi Road, Maraba, Abuja |
| 70 | | Sahara Ndana Nigeria Ltd. | Plot 1060, 8 Durbar Street, Wuse 11, Abuja. |
| 71 | | G & J Nigeria Limited | 27, Old Minna Garage Suleja, Niger State |
| 72 | | Obiaga & Sons | 44/45 Dan-Musa Road, Kaduna |
| 73 | | City Cardina C. Vent. | Shop 13, Mamman Vasta Block, Abari Shopping Complex, Abuja |
| 74 | | Joescon Ent. Nig. | AF 20 Lagos Street, Kaduna, |
| 75 | | O.U. Trading Stores | 21, Jos Road Kaduna |
| 76 | | Guage Construction Services | Plot 748, Alexandra Crescent Wuse 2, Abuja |
| 77 | | Rightway Ventures | 8, Shafa Plaza, Area 8, Abuja |
| 78 | | Hollowed Ventures | 321 Road, 32 Crescent Gwarinpa Cornershops, Abuja |
| 79 | | Abwaje Marketing Ltd | 18, Tunga Road, Minna, Niger State |
| 80 | | Clemax & Sons Ent. | 6, Kotongora Road, Kaduna |
| 81 | | Premium Fields Ent. | Shop no. 2, Awa Plaza, Wuse Abuja |
| 82 | | Gabiz Int. W.A. Ltd | Rajab Plaza, Area 3 Junction Abuja, FCT. |
| 83 | | Baytower | 1, Rayfield Road by Yelwa Junction Bukuru, Jos Plateau State |
| 84 | | Enso Corporate Biz Ventures | 5, Prince Frank Avenue, Suleja, Niger State |
| | | | |
| | **North** | Alhaji Audu Yau & Sons | 6, Ibo Road, Sabon Gari Kano |
| 85 | | Jomak Commercial Enterprises | 13B France Road, Kano |
| 86 | | Basmic Company Nig. Ltd | 128, Mubi Road, Jimeta, Yola |
| 87 | | Muazu Alhaji Jodi | Abdullahi Fadio Former UTC, Sokoto |
| 88 | | Barde Distribution & Marketing Ltd. | 48, Hakimi Road, Dutse , Jigawa State |
| 89 | | Gakskiya General Merchant | 8, Opposite Wapa Cinema, Kano |
| 90 | | Eliscon Enterprises | France Road, Sabongari, Kano |
| 91 | | Paskur Nig. Ltd. | Rd. Opp. Runfan Shehu, Rijiyarzaki, Along Buk Road, Kano |
| 92 | | Vinbros Trading Stores | France Road, Kano |
| 93 | | Mentus & Brothers Trading | Kamba Road, Sahara, Sokoto |
| 94 | | Ruan Nigeria Ent | Ahmadu Bello Way, Mubi Central, Adamawa |
| 95 | | Aliy Yellow Nig. Ent. | 138,Mohammed Mustapha Way, Jimeta Yola |
| 96 | | Gaskiya General Merchant | Opp. Wapa, Kano |
| 97 | | P.E. Amah & Sons | 33, Langtang Street, Jos. |
| 98 | | Waniyos Investment Ltd | Suite 15, OGB & Partners Plaza, Obafemi Awolowo Way, Utako-District, Garki Abuja |
| 99 | | Boo-Lingo & Sons International | 3, Ahmadu Bello Way, Roundabout, Opp. Pepsi Depot, Birin Kebi, Kebbi State |
| 100 | | Precious & Co. Enterprises | 8, Rafiu Atiku Road, Adjacent to ministry of Works, Birin Kebbi State. |

18. **Suppliers**

(a) Regular purchases are made from the following local suppliers:

- Emychem Nigeria Limited
- Nycil Limited
- Chizzy Nigeria Ltd
- Faenchant Nigeria Limited
- Trisa Nigeria Limited
- Mega Plastics Nigeria Ltd
- Nampak Nigeria Plc
- Greif Nigeria Plc
- Wahum Packaging Limited
- Robinson Nigeria Ltd
- Metoxide Nigeria Ltd

(b) The bulk of overseas purchases of raw materials are made from:

- Lewis Berger International Suppliers Limited
- Clayton Finance Limited

19. **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.

20. **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.

21. **Health**

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.

22. **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.

23. **Pension**
The Company is fully compliant with the provisions of the Pension Reform Act, 2014.

24. **Other welfare packages**
Berger Paints Nigeria Plc staffs enjoys highly subsidized meals served in a hygienically maintained canteen. The Company believes that productivity springs from a healthy mind in a healthy body.

25. **Independent auditors**
Messrs. KPMG Professional Services was appointed auditors on 23 December 2014 and have indicated their willingness to continue in office as external auditors in accordance with section 307 (2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria, 2004.

26. **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.

27. **Responsibility for Accuracy of Information**
The directors of Berger Paints Nigeria Plc pursuant to Article 2.2.4 of the Amended Listing Rules 2014 of the Nigerian Stock Exchange accept responsibility for the accuracy of the information contained in this report.

BY ORDER OF THE BOARD

PHEOLA CAULCRICK & CO.
Company Secretary
21st March 2015
FRC NO. FRC/2013/NBA/00000004527

**Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2014**

The directors accept responsibility for the preparation of the annual financial statements set out on pages 18 to 69 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)
Chairman
30 March 2015

Wole Abegunde (FRC/2014/CISN/00000010043)
Director
30 March 2015

**KPMG Professional Services**
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
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Lagos

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Internet www.kpmg.com/ng

## 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 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 19 to 71.

*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 proceduresselected 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 2014, 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.

*Comparative Information*
Without qualifying our opinion, we draw attention to Note 33 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2013has been restated.

The financial statements of **Berger Paints Nigeria Plc** ("the Company") as at and for the years ended 31 December 2013 and 31 December 2012 (from which the statement of financial position as at 1 January 2013 has been derived), excluding the adjustments described in Note 33 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 March 2014.

As part of our audit of the financial statements as at and for the year ended 31 December 2014, we audited the adjustments described in Note 33 that were applied to restate the comparative information presented as at and for the year ended 31 December 2013 and the statement of financial position as at 1 January 2013.

We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2013 or 31 December 2012 (not presented herein) or to the statement of financial position as at 1 January 2013, other than with respect to the adjustments described in Note 33 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 33 are appropriate and have been properly applied.

**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 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
30 March 2015
Lagos, Nigeria

## Statement of Financial Position

*As at 31 December*
*In thousands of naira*

| | Notes | 2014 | Restated 2013 | Restated 1-Jan-13 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 11 | 878,958 | 876,309 | 1,184,380 |
| Investment property | 12 | 534,156 | 559,171 | - |
| Investment in subsidiary | 25 | - | - | 9,750 |
| Available-for-sale investments | 13 | 151,331 | 151,740 | 135,483 |
| Deferred tax assets | 9(e) | - | - | 13,828 |
| **Total non-current assets** | | 1,564,445 | 1,587,220 | 1,343,441 |
| Inventories | 14 | 523,921 | 512,204 | 537,857 |
| Trade and other receivables | 15 | 480,049 | 302,487 | 250,207 |
| Deposit for imports | 16 | 524,236 | - | - |
| Prepayments and advances | 17 | 125,616 | 87,310 | 49,672 |
| Cash and cash equivalents | 18 | 421,878 | 1,138,377 | 748,661 |
| **Total current assets** | | 2,075,700 | 2,040,378 | 1,586,397 |
| **Total assets** | | **3,640,145** | **3,627,598** | **2,929,838** |
| **Equity** | | | | |
| Share capital | 19(a) | 144,912 | 144,912 | 108,684 |
| Share premium | 19(b) | 635,074 | 635,074 | 160,201 |
| Fair value reserve | 19(c) | 39,636 | 30,283 | 18,903 |
| Retained earnings | | 1,640,208 | 1,665,988 | 1,467,657 |
| **Total equity** | | 2,459,830 | 2,476,257 | 1,755,445 |
| **Liabilities** | | | | |
| Retirement benefit obligations | 26(b) | 216,810 | 205,114 | 251,500 |
| Loans and borrowings | 22 | 121,491 | 125,215 | - |
| Deferred tax liabilities | 9(e) | 25,483 | 22,389 | - |
| **Total non-current liabilities** | | 363,784 | 352,718 | 251,500 |
| Loans and borrowings | 22 | 11,481 | 12,275 | 6,706 |
| Current tax liabilities | 9(d) | 108,210 | 74,506 | 112,300 |
| Trade and other payables | 20 | 401,484 | 435,183 | 604,433 |
| Deferred income | 21 | 69,416 | 78,556 | 48,729 |
| Dividend payable | 24 | 225,940 | 198,103 | 150,725 |
| **Total current liabilities** | | 816,531 | 798,623 | 922,893 |
| **Total liabilities** | | 1,180,315 | 1,151,341 | 1,174,393 |
| **Total equity and liabilities** | | **3,640,145** | **3,627,598** | **2,929,838** |

Approved by the Board of Directors on 10 March 2015 and signed on its behalf by:

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

Wole Abegunde (FRC/2014/CISN/00000010043)
- Director

Kola Ajayi (FRC/2014/ICAN/00000010205)
- Acting Managing Director

Onyebuchi Roberts (FRC/2013/ICAN/00000002109)
- Acting Chief Finance Officer

*The accompanying notes on pages 23 to 71 form an integral part of these financial statements.*

# Statement of Comprehensive Income

*For the year ended 31 December*

| *In thousands of naira* | Notes | 2014 | Restated 2013 |
|---|---|---|---|
| Revenue | 4 | 3,082,930 | 2,710,986 |
| Cost of sales | 7(b) | (1,736,060) | (1,562,479) |
| Gross profit | | 1,346,870 | 1,148,507 |
| Other income | 5 | 79,021 | 55,785 |
| Selling and distribution expenses | 7(b) | (221,445) | (144,011) |
| Administrative expenses | 7(b) | (938,229) | (762,217) |
| **Operating profit** | | 266,217 | 298,064 |
| Finance income | 6 | 61,774 | 101,647 |
| Finance costs | 6 | (78,733) | (56,944) |
| **Net finance income** | | (16,959) | 44,703 |
| Profit before taxation | | 249,258 | 342,767 |
| Income tax expense | 9(a) | (100,450) | (85,187) |
| Profit for the year | | 148,808 | 257,580 |
| **Other comprehensive income** | | | |
| ***Items that will not be reclassified to profit or loss*** | | | |
| Remeasurement of defined benefit obligation | 26(b) | 31,330 | 73,672 |
| Related tax | 9(b) | (9,399) | (18,447) |
| | | 21,931 | 55,225 |
| ***Items that are or may be reclassified to profit or loss*** | | | |
| Available-for-sale financial assets - net change in fair value | 13 | 15,850 | 16,257 |
| Related tax | 9(b) | (4,755) | (4,877) |
| | | 11,095 | 11,380 |
| **Other comprehensive income for the year** | | 33,026 | 66,605 |
| **Total comprehensive income** | | **181,834** | **324,185** |
| **Earnings per share:** | | | |
| Basic earnings per share (kobo) | 10 | 51 | 89 |

*The accompanying notes on pages 23 to 71 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 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), 13, 26(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** |
| Balance at 1 January 2013 (as previously reported) | | 108,684 | 160,201 | 18,903 | 1,447,695 | 1,735,483 |
| Effect of correction of prior year error | 33 | - | - | - | 19,962 | 19,962 |
| **Balance at 1 January 2013 (restated)** | | 108,684 | 160,201 | 18,903 | 1,467,657 | 1,755,445 |
| **Comprehensive income for the year** | | | | | | |
| Profit for the year | | - | - | - | 257,580 | 257,580 |
| Other Comprehensive income | | - | - | 11,380 | 55,225 | 66,605 |
| **Total comprehensive income for the year** | | - | - | 11,380 | 312,805 | 324,185 |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Issue of ordinary shares - rights issue | 19(a) | 36,228 | - | - | - | 36,228 |
| Premium on rights issue | 19(b) | - | 507,191 | - | - | 507,191 |
| Right issue expenses | 19(b) | - | (32,318) | - | - | (32,318) |
| Dividend paid | 24 | - | - | - | (152,157) | (152,157) |
| Surplus on liquidation of subsidiary | 25 | - | - | - | 37,683 | 37,683 |
| **Total transactions with owners** | | 36,228 | 474,873 | - | (114,474) | 396,627 |
| **Balance at 31 December 2013** | | **144,912** | **635,074** | **30,283** | **1,665,988** | **2,476,257** |

*The accompanying notes on pages 23 to 71 form an integral part of these financial statements.*

## Statement of cash flows

***For the year ended 31 December***

*In thousands of naira*

| | Note | 2014 | 2013 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 148,808 | 257,580 |
| Adjustments for: | | | |
| - Depreciation | 11(a) & 12 | 126,594 | 106,771 |
| - Finance income | 6 | (61,774) | (101,647) |
| - Finance cost | 6 | 78,733 | 56,944 |
| - Loss /(gain) on sale of property, plants and equipment | 7 | 4,923 | (1,260) |
| - Fixed assets adjustment | 11 | - | 2,786 |
| - Capital work-in-progress written-off | 11 | 8,829 | - |
| - Service cost on defined benefit obligation | 26(b) | 29,465 | 36,403 |
| - Tax expense | | 100,450 | 85,187 |
| | | 436,028 | 442,764 |
| *Changes in:* | | | |
| - Inventory | | (11,717) | 25,653 |
| - Trade and other receivables | 15(c) | (197,695) | (52,280) |
| - Deposit for imports | | (524,236) | - |
| - Prepayments and advances | | (38,306) | (37,638) |
| - Trade and other payables | 20(b) | (50,102) | (422,284) |
| - Deferred income | | (9,140) | 29,827 |
| **Cash used in generated from operating activities** | | (395,168) | (13,958) |
| Retirement benefits paid | 26(b) | (9,494) | (41,554) |
| Tax paid | 9(d) | (57,674) | (110,088) |
| **Net cash used in operating activities** | | (462,336) | (165,600) |
| **Cash flows from investing activities** | | | |
| Purchase of property plant and equipment | 11(g) | (113,235) | (60,190) |
| Proceeds from sale of property, plants and equipment | | 6,370 | 1,260 |
| Finance income | 6 | 60,033 | 101,647 |
| Proceeds from disposal of available-for-sale investments | 13 | 16,259 | - |
| **Net cash (used in) / generated from investing activities** | | (30,573) | 42,717 |
| **Cash flows from financing activities** | | | |
| Proceeds from loans and borrowings | | - | 134,632 |
| Repayment of borrowings | | 22,101 | (3,848) |
| Interest paid | 6 | (77,008) | (24,507) |
| Net proceeds from rights issue | 19 | - | 511,101 |
| Dividend paid | 24 | (168,683) | (104,779) |
| **Net cash (used in) / from financing activities** | | (223,590) | 512,599 |
| **Net (decrease) / increase in cash and cash equivalents** | | (716,499) | 389,716 |
| Cash and cash equivalents at 1 January | | 1,138,377 | 748,661 |
| **Cash and cash equivalents at 31 December** | 18 | 421,878 | 1,138,377 |

*The accompanying notes on pages 23 to 71.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 2014***

## 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 10 March 2015.

(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

| | |
|---|---|
| Note 3(O) and 29 – | 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 26 – | Measurement of defined benefit obligation: key actuarial assumptions |
| Note 3(G) and 30 – | Recognition and measure of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources |
| Note 2(e) and 28 – | 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. Foreign currency differences are generally recognised in profit or loss . 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.

**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:

Loans and receivables

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.

Available-for-sale financial assets

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.

Cash and cash equivalents

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

- 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. With effect from July 2014, the Company and its employees contribute a minimum of 10% and 8% (previously 7.5% each) 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. Liquidation of subsidiary**

The liquidation of the Company’s subsidiary, Robbialac Nigeria Limited, was treated as a group restructuring. IFRS does not explicitly specify the accounting treatment of a group restructuring but provides guidance on the choices available in accounting for such transactions. This restructuring has been accounted for using the book value accounting.

On liquidation of the subsidiary, the difference between consideration and the carrying amounts of the investments are recognized in equity.

**W. 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.

**X. 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 after 1 January 2015; however, the Company have not applied the following new or amended standards in preparing these financial statements.

Those which may be relevant to the Company are set out below. The Company do not plan to early adopt these standards. These will be adopted in the period that they become mandatory unless otherwise indicated:

– 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 may have a significant impact on the Company, which will include changes in the measurement bases of the Company''s financial assets to amortised cost, 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. The Company will adopt the amendments for the year ending 31 December 2018

– 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 Company is currently in the process of performing a more detailed assessment of the impact of this standard on the Company and will provide more information in the year ending 31 December 2015 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The Company will adopt the amendments for the year ending 31 December 2017

## 4 Revenue

**(a)** Revenue for the year comprises:

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| Paints and allied products | 2,815,421 | 2,679,625 |
| Contract revenue | 203,371 | 28,795 |
| Investment property rental income | 64,138 | 2,566 |
| Total revenue | 3,082,930 | 2,710,986 |

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

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| Local (Nigeria) | 2,883,846 | 2,710,986 |
| Exports | 199,084 | - |
| Total revenue | 3,082,930 | 2,710,986 |

Nigeria is the Company's primary geographical segment as over 94% of sales were made in the country.

## 5 Other income

Other income comprises:

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| Sale of empty drums/scrap | 3,036 | 3,371 |
| Rental income on property subleases | 75,986 | 51,154 |
| Profit from disposal of property, plants and equipment | - | 1,260 |
| | 79,022 | 55,785 |

## 6 Finance income and finance cost

Recognized in profit or loss:

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| Interest income on bank deposits | 60,032 | 68,785 |
| Other investment income | - | 4,789 |
| Reclassification of net gains previously recognised in OCI (Note 19(c)) | 1,742 | - |
| Unwinding of discount on financial liabilities measured at amortised cost | - | 28,073 |
| Finance income | 61,774 | 101,647 |
| Interest expense on short term borrowings | (268) | (311) |
| Interest cost on defined benefit obligation | (28,343) | (32,437) |
| Interest expense on financial liabilities measured at amortised costs | (50,122) | (24,196) |
| Finance cost | (78,733) | (56,944) |
| Net finance income recognised in profit or loss | (16,959) | 44,703 |

**7 Profit before tax**

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

| *In thousands of naira* | Note | 2014 | 2013 |
|---|---|---|---|
| Directors' remuneration | 8(iv) | 50,883 | 12,089 |
| Depreciation | 11(a) & 12 | 126,594 | 106,771 |
| Personnel expenses | 8(i) | 486,874 | 435,130 |
| Auditor's remuneration | | 15,000 | 15,500 |
| Loss / (profit) on disposal of property, plant and equipment | | 4,923 | (1,260) |

**(b)** Analysis of expenses by nature

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| Directors emoluments | 50,883 | 12,089 |
| Personnel expenses | 486,874 | 435,130 |
| Training expenses | 11,168 | 4,023 |
| Repairs and maintenance | 40,427 | 31,848 |
| Office expenses | 35,477 | 33,565 |
| License and permits | 7,527 | 13,435 |
| Electricity | 5,642 | 4,097 |
| Insurance | 11,006 | 18,158 |
| Travel, transport and accommodation | 121,107 | 69,816 |
| Rent expenses | 20,492 | 27,340 |
| Postages and telephone | 13,069 | 12,479 |
| Subsription and donation | 12,762 | 9,848 |
| Depreciation | 126,594 | 106,771 |
| Printing and stationery | 13,409 | 10,403 |
| Legal and professional fees | 78,412 | 91,213 |
| Audit fees | 15,000 | 15,500 |
| Provision for doubtful debts | 40,997 | 15,673 |
| Bank charges | 15,598 | 8,766 |
| Advertisement and publicity | 59,835 | 42,137 |
| Freight charges | 55,852 | 48,744 |
| Loss on disposal of property, plants and equipment | 4,923 | - |
| Raw materials and consumables | 1,486,646 | 1,436,512 |
| Supply and apply services contract expenses | 139,713 | 18,268 |
| Corporate and other expenses | 42,321 | 2,892 |
| | 2,895,734 | 2,468,707 |
| *Summarised as follows;* | | |
| Cost of sales | 1,736,060 | 1,562,479 |
| Selling and distribution expenses | 221,445 | 144,011 |
| Administrative expenses | 938,229 | 762,217 |
| | 2,895,734 | 2,468,707 |

**8 Personnel expenses**

(i) Personnel expenses during the year comprises:

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| Salaries, wages and allowances | 450,067 | 397,447 |
| Provision for gratuity - service cost | 29,465 | 36,403 |
| Contribution to compulsory pension fund scheme | 7,342 | 1,280 |
| | 486,874 | 435,130 |

(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:

| | | | 2014 | 2013 |
|---|---|---|---|---|
| ₦ | | ₦ | Number | Number |
| 1 | - | 500,000 | 108 | 124 |
| 500,001 | - | 1,000,000 | 87 | 78 |
| 1,000,001 | - | 1,500,001 | 12 | 15 |
| 1,500,001 | - | 2,000,001 | 19 | 12 |
| 2,000,001 | - | 3,000,001 | 1 | 1 |
| 3,000,001 | and | above | 1 | 1 |
| | | | 228 | 231 |

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

| | 2014 | 2013 |
|---|---|---|
| | Number | Number |
| Production | 48 | 46 |
| Sales and marketing | 49 | 53 |
| Finance | 34 | 30 |
| Administration | 13 | 14 |
| Maintenance | 11 | 11 |
| Corporate | 8 | 8 |
| Procurement | 5 | 5 |
| Distribution | 32 | 35 |
| I.T. | 2 | 2 |
| Technical | 16 | 16 |
| Raw materials | 10 | 11 |
| | 228 | 231 |

(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_

| | 2014 | 2013 |
|---|---|---|
| Fees paid to non-executive directors | 2,450 | 1,850 |
| Salaries | 20,318 | 10,239 |
| Severance fees paid to retired directors | 28,115 | - |
| | 50,883 | 12,089 |

The directors' remuneration shown above includes:
_In thousands of naira_

| | 2014 | 2013 |
|---|---|---|
| Chairman | 350 | 350 |
| Highest paid director | 8,000 | 8,000 |

Other directors received emoluments in the following ranges:

| | | | 2014 | 2013 |
|---|---|---|---|---|
| ₦ | | ₦ | Number | Number |
| Nil | - | 1,000,000 | 7 | 6 |
| 4,000,001 | - | 8,000,000 | 1 | 1 |
| | | | 8 | 7 |

## 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_ | 2014 | 2013 |
|---|---|---|
| Current tax expense: | | |
| Company income tax | 101,842 | 60,701 |
| Tertiary education tax | 9,669 | 7,825 |
| Capital gain tax | - | 3,768 |
| | 111,511 | 72,294 |
| Deferred tax expense: | | |
| Origination and reversal of temporary differences (Note 9 (e)) | (11,061) | 12,893 |
| | (11,061) | 12,893 |
| **Income tax expense** | **100,450** | **85,187** |

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_ | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | 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 | 73,672 | (18,447) | 55,225 |
| Fair value change on AFS financial assets | 15,850 | (4,755) | 11,095 | 16,257 | (4,877) | 11,380 |
| | 47,180 | (14,154) | 33,026 | 89,929 | (23,324) | 66,605 |

c) Reconciliation of effective tax rate:

| _In thousands of naira_ | % | 2014 | % | 2013 |
|---|---|---|---|---|
| Profit for the year | | 148,808 | | 257,580 |
| Taxation | | 100,450 | | 85,187 |
| **Profit before income tax** | | 249,258 | | 342,767 |
| Income tax using the Company’s domestic rate of 30% | 30 | 74,777 | 30 | 102,830 |
| Tax effect of: | | | | |
| - Non-deductible expenses | 27 | 68,504 | 9 | 29,678 |
| - Tax exempt income | (4) | (8,777) | (1) | (1,861) |
| - Tax incentives | (18) | (43,723) | (17) | (57,053) |
| - Other income related taxes | 4 | 9,669 | 3 | 11,593 |
| **Tax expense** | 40 | 100,450 | 25 | 85,187 |

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

| _In thousands of naira_ | 2014 | 2013 |
|---|---|---|
| Balance, beginning of the year | 74,506 | 112,300 |
| Current year charge | 111,511 | 72,294 |
| Cash payments | (57,674) | (110,088) |
| WHT credit notes utilised | (14,619) | - |
| | 113,724 | 74,506 |
| Offset of current tax assets against current tax liabilities | (5,514) | - |
| **Balance, end of the year** | 108,210 | 74,506 |

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 |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| Property, plant and equipment | 84,865 | 8,703 | - | 93,569 | - | 93,569 |
| Provisions | (89,454) | (19,764) | - | (109,217) | (109,217) | - |
| 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 | 25,485 | (109,217) | 134,702 |
| **2013** | | | | | | |
| Property, plant and equipment | 56,145 | 28,720 | - | 84,865 | - | 84,865 |
| Provisions | (73,627) | (15,827) | - | (89,454) | (89,454) | |
| Acturial (gains)/losses on staff retirement benefit plan | 3,654 | - | 18,447 | 22,101 | - | 22,101 |
| Available-for-sale financial assets - net change in fair value | - | - | 4,877 | 4,877 | - | 4,877 |
| **Net tax (assets) liabilities** | (13,828) | 12,893 | 23,324 | 22,389 | (89,454) | 111,843 |

**10 Earnings and declared dividend per share**

(a) **Basic earnings per share**

Basic earnings per share of 51 kobo (2013: 89 kobo) is based on the profit for the year of ₦149 million (2013: ₦258 million) and on 289,823,447 (2013: 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;

| | 2014 | 2013 |
|---|---|---|
| Weighted average number of ordinary shares (basic) | | |
| Issued ordinary shares at 1 January | 289,823,447 | 217,367,585 |
| Effect of ordinary shares issued during the year | - | 72,455,862 |
| 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 70 kobo (2013: 70 kobo) is based on total declared dividend of ₦202 million (2013: ₦152 million) on 289,823,447 (2013: 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*

| | Leasehold Land | Building | Plant and Machinery | Office furniture and fittings | Motor Vehicles | Computer Equipment | Capital work--in-progress | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Balance at 1 January 2013 (as previously reported) | 658,160 | 403,560 | 243,305 | 46,074 | 212,899 | 119,794 | 137,934 | 1,821,726 |
| Effect of correction of prior year error | 12,650 | 8,520 | - | - | - | - | - | 21,170 |
| Balance at 1 January 2013 (restated) | 670,810 | 412,080 | 243,305 | 46,074 | 212,899 | 119,794 | 137,934 | 1,842,896 |
| Additions | - | - | 27,455 | 5,020 | 58,985 | 6,094 | 263,103 | 360,657 |
| Transfer | - | 390,968 | - | - | - | - | (390,968) | - |
| Reclassification to investment property | (174,160) | (430,308) | - | - | - | - | - | (604,468) |
| Disposals | - | - | - | (237) | (13,037) | - | - | (13,274) |
| Balance at 31 December 2013 | 496,650 | 372,740 | 270,760 | 50,857 | 258,847 | 125,888 | 10,069 | 1,585,811 |
| 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 |
| **Accumulated depreciation** | | | | | | | | |
| Balance at 1 January 2013 | 92,214 | 139,823 | 132,754 | 25,932 | 161,500 | 105,085 | - | 657,308 |
| Effect of correction of prior year error | 356 | 852 | - | - | - | - | - | 1,208 |
| Balance at 1 January 2013 (restated) | 92,570 | 140,675 | 132,754 | 25,932 | 161,500 | 105,085 | - | 658,516 |
| Charge for the year | 13,366 | 23,902 | 21,731 | 3,716 | 32,102 | 11,954 | - | 106,771 |
| Reclassification to investment property | (27,891) | (17,406) | - | - | - | - | - | (45,297) |
| Other reclassifications | - | - | - | 2,920 | 154 | (288) | - | 2,786 |
| Disposals | - | - | - | (237) | (13,037) | - | - | (13,274) |
| Balance at 31 December 2013 | 78,045 | 147,171 | 154,485 | 32,331 | 180,719 | 116,751 | - | 709,502 |
| 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 |
| **Carrying amounts** | | | | | | | | |
| At 31 December 2013 | 418,605 | 225,569 | 116,275 | 18,526 | 78,128 | 9,137 | 10,069 | 876,309 |
| At 31 December 2014 | 408,600 | 207,032 | 130,116 | 17,152 | 99,714 | 7,754 | 8,590 | 878,958 |

(b) **Transfer to investment property**

In November 2013, the Company completed and commissioned the Abuja Plaza property (comprising land and building) for commercial. The carrying amount of the property was reclassified to investment property (see note 12) as the Company occupies an insignificant portion of the entire property. The property is currently managed on behalf of the Company by Gauge Construction Servicing Limited.

(c) **Assets pledged as security**

No asset of the company was pledged as security for loan as at 31 December 2014 (2013: Nil, 1-Jan-13: 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 (2013: Nil, 1-Jan-13: Nil).

(d) **Capital commitments**

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

| _In thousands on naira_ | 2014 | 2013 |
|---|---|---|
| Approved and contracted | 613,487 | - |
| Approved but not contracted | 387,568 | - |
| | 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_ | 2014 | 2013 |
|---|---|---|
| Plant and machinery | 8,589 | 10,069 |
| | 8,589 | 10,069 |

(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_ | 2014 | 2013 |
|---|---|---|
| Additions (Note 11(a)) | 124,350 | 360,657 |
| Accrued additions to PPE | (11,115) | (253,034) |
| PPE transferred from liquidated subsidiary | - | (47,433) |
| | 113,235 | 60,190 |

(h) See note 33 for details on the prior year error correction.

## 12 Investment property

The movement on these accounts was as follows:

_In thousands of naira_

| | 2014 | 2013 |
|---|---|---|
| **Cost** | | |
| Balance at 1 January | 604,468 | - |
| Reclassification from property, plants and equipments | - | 604,468 |
| Balance at 31 December | 604,468 | 604,468 |
| **Accumulated depreciation** | | |
| Balance at 1 January | 45,297 | - |
| Charge for the year | 25,015 | - |
| Reclassification from property, plants and equipments | - | 45,297 |
| Balance at 31 December | 70,312 | 45,297 |
| Carrying amounts | 534,156 | 559,171 |

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_ | 2014 | 2013 |
|---|---|---|
| Equity | 131 | 119 |
| Treasury bills | 88,114 | - |
| Money market instruments | 63,086 | 151,621 |
| | 151,331 | 151,740 |

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

| | | |
|---|---|---|
| Balance at 1 January | 151,740 | 135,483 |
| Disposal of invesments | (16,259) | - |
| Fair value change on investments | 15,850 | 16,257 |
| Balance at 31 December | 151,331 | 151,740 |

## 14 Inventories

| _In thousands of naira_ | 2014 | 2013 |
|---|---|---|
| Raw materials | 225,360 | 209,286 |
| Work-in-progress | 19,821 | 15,312 |
| Finished goods | 265,799 | 281,081 |
| Engineering spares | 12,940 | 6,526 |
| | 523,920 | 512,205 |

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 ₦1.26 billion (2013:₦1.29 billion). In 2014, the writedown of inventory to net realisable value amounted to ₦32 million (2013: ₦59 million) and is included in cost of sales.

## 15 Trade and other receivables

(a) *In thousands of naira*

| | 2014 | 2013 |
|---|---|---|
| Trade receivables | 492,984 | 258,356 |
| Staff debtors | 18,266 | 26,589 |
| Accrued income | 1,694 | 14,100 |
| Deposit with company registrar | 79,264 | 67,835 |
| Other receivables | 7,229 | 13,998 |
| Gross trade and other receivables | 599,437 | 380,878 |
| Impairment allowance | (119,388) | (78,391) |
| | 480,049 | 302,487 |

The Company's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 28.

(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* | 2014 | 2013 |
|---|---|---|
| Balance at 1 January | 78,391 | 93,132 |
| Impairment loss recognised | 48,735 | 15,673 |
| Amounts recovered during the year | (7,738) | (30,414) |
| Balance at 31 December | 119,388 | 78,391 |

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

| | 2014 | 2013 |
|---|---|---|
| Movement in trade and other receivables | (177,562) | (52,280) |
| WHT credit notes utilised (Note 9(d)) | (14,619) | - |
| Offset of current tax assets against current tax liabilities (Note 9(d)) | (5,514) | - |
| Changes in trade and other payables per statement of cash flows | (197,695) | (52,280) |

## 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* | 2014 | 2013 |
|---|---|---|
| Prepaid rent | 20,017 | 16,528 |
| Advance payment to suppliers | 61,930 | - |
| WHT Recoverable | 25,067 | 36,935 |
| Other advances | 18,603 | 33,847 |
| | 125,617 | 87,310 |

## 18 Cash and cash equivalents

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| Cash on hand | 2,032 | 4,369 |
| Balance with banks | 106,867 | 146,476 |
| Short term deposits with banks | 312,979 | 987,531 |
| | 421,878 | 1,138,376 |

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* | 2014 | 2013 |
|---|---|---|
| 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 | 108,684 |
| *Alloted during the year:* | | |
| 72,455,862 ordinary shares of 50k each | - | 36,228 |
| At 31 December | 144,912 | 144,912 |

(b) Share premium

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| At 1 January | 635,074 | 160,201 |
| Premium on right issues | - | 507,191 |
| Share issues expenses | - | (32,318) |
| At 31 December | 635,074 | 635,074 |

(c) Fair value reserve

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| At 1 January | 30,283 | 18,903 |
| Transferred on disposal of AFS investments | (1,742) | - |
| Fair value change on AFS investments | 15,850 | 16,257 |
| Related tax on gains on AFS investments (Note 9(b)) | (4,755) | (4,877) |
| At 31 December | 39,636 | 30,283 |

## 20 Trade and other payables

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| (a) Trade payables | 203,394 | 208,269 |
| Due to related company | - | - |
| Customer deposits for paints | 62,196 | 57,120 |
| Accruals | 115,624 | 140,668 |
| Other payables | 20,270 | 29,126 |
| | 401,484 | 435,183 |

The Company’s exposure to liquidity risks related to trade and other payables is disclosed in Note 28

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

| | 2014 | 2013 |
|---|---|---|
| Movement in trade and other payable | (33,699) | (169,250) |
| Retirement benefits payable (Note 26(b)) | (5,288) | - |
| Accrued additions to PPE (Note 11(g)) | (11,115) | (253,034) |
| Changes in trade and other payables per statement of cash flows | (50,102) | (422,284) |

## 21 Deferred income

Deferred income represents advance rent received.

## 22 Loans and borrowings

| | 2014 | 2013 |
|---|---|---|
| Financing arrangement | 126,032 | 130,573 |
| Short term borrowings | 6,940 | 6,917 |
| | 132,972 | 137,490 |
| Current | 11,481 | 12,275 |
| Non-current | 121,491 | 125,215 |
| | 132,972 | 137,490 |

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.

As at year end, the Company is engaged in a legal arbitration in respect of the MOU to ammend certain provisions therein for which no injuction has been reached.

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) | 2014 N'000 | Per share (kobo) | 2013 N'000 |
|---|---|---|---|---|
| Dividend | 70 | 202,876 | 70 | 152,157 |

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.

| | 2014 N'000 | 2013 N'000 |
|---|---|---|
| Naira per qualifying ordinary shares | 217,368 | 202,876 |

## 24 Dividend payable

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| At 1 January | 198,103 | 150,725 |
| Declared dividend | 202,876 | 152,157 |
| Transferred to retained earnings | (6,356) | - |
| Payments | (168,683) | (104,779) |
| At 31 December | 225,940 | 198,103 |

## 25 Investment in subsidiary

In 2013, Robbialac Nigeria Limited, the Company's only subsidiary was liquidated. Below are details of the liquidation;

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| Property, plant and equipment transferred on liquidation | - | 47,433 |
| Less: Carrying amount at date of disposal | - | (9,750) |
| Surplus | - | 37,683 |

## 26 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 ₦7.3 million (2013: ₦1.3 million) represents contributions to the plan by the Company.

***Pension payable***

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| Obligation at 1 January | 258 | - |
| Charge for the year | 7,342 | 1,280 |
| Payments | (676) | (1,022) |
| Obligation at 31 December | 6,924 | 258 |

(b) Defined Benefit Plan

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 2014 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.

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

| *In thousands of naira* | 2014 | 2013 |
|---|---|---|
| Present value of unfunded gratuity obligation | 216,810 | 205,114 |

(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* | 2014 | 2013 |
|---|---|---|
| Balance at 1 January | 205,114 | 251,500 |
| *Included in profit or loss* | | |
| Service cost | 29,465 | 36,403 |
| Interest on obligation | 28,343 | 32,437 |
| | 57,808 | 68,840 |
| *Included in Other Comprehensive Income* | | |
| Actuarial losses/(gains) arising from: | | |
| - change in assumption | (19,646) | - |
| - change in experience | (11,684) | (73,672) |
| | (31,330) | (73,672) |
| *Others* | | |
| Benefits paid | (9,494) | (41,554) |
| Benefits payable | (5,288) | - |
| | (14,782) | (41,554) |
| Balance at 31 December | 216,810 | 205,114 |

(ii) Actuarial assumptions

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

| | 2014 | 2013 |
|---|---|---|
| Discount rate (p.a) | 15% | 13% |
| Expected rate(s) of salary increases (p.a) | 12% | 12% |
| Inflation rate per annum | 9% | 10% |
| Weighted average duration of the plan (years) | 10% | 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 | |
|---|---|---|
| | 2014 | 2013 |
| 25 | 7 | 7 |
| 30 | 7 | 7 |
| 35 | 9 | 9 |
| 40 | 14 | 14 |
| 45 | 26 | 26 |

| Withdrawal from service age band | Rate | |
|---|---|---|
| | 2014 | 2013 |
| to 30 | 2.5% | 2.5% |
| 31-39 | 1.5% | 1.5% |
| 40-45 | 1.0% | 1.0% |
| 46-55 | 0.0% | 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.

| **31 December 2014** | Defined benefit obligation | |
|---|---|---|
| *Effect in thousands of naira* | Increase | Decrease |
| 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.

## 27 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* | 2014 | 2013 |
|---|---|---|
| Short-term benefits | 107,226 | 80,778 |
| Post employment benenfits | 5,603 | 3,711 |
| Termination benefits | 28,115 | - |
| | 140,944 | 84,489 |

ii) Loans to management staff

There were no unsecured loans advanced to management staff during the year (2013: ₦17million). At 31 December 2014, the balance outstanding was "nil" (2013: N10 million) and is included in Trade and other receivables.

iii) Key management personnel transactions

Directors of the Company control 4% 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 valuesfor the year ended 31 December | | Balance outstanding as at 31 December | |
|---|---|---|---|---|
| Transaction | 2014 | 2013 | 2014 | 2013 |
| Supply of raw materials* | 216,412 | 201,394 | 29,905 | 23,071 |
| Purchase of motor vehicles** | 25,954 | 39,422 | 11,115 | - |

***** The Company bought various raw materials from Emychem Nigeria Limited, a company that is controlled by a director. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

****** Motor vehicles were bought from RT Briscoe Nigeria PLC, a company that is controlled by another director. Amounts were billed based on normal market rates for such sales and were due and payable under normal payment terms.

**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.

## 28 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 2014** | **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 | - | 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 | - |
| **31 December 2013** | | | | | |
| *Financial assets measured at fair value* | | | | | |
| Available-for-sale Investments | | | | | |
| - Equity | - | 119 | - | 119 | - |
| - Money market instruments | - | 151,621 | - | 151,621 | - |
| *Financial assets not measured at fair value* | | | | | |
| Trade and other receivables | 265,552 | - | - | - | - |
| Cash and bank balances | 1,138,377 | - | - | - | - |
| | 1,403,929 | 151,740 | - | 151,740 | - |
| *Financial liabilities not measured at fair value* | | | | | |
| Loans and borrowings | 137,490 | - | - | 106,807 | - |
| Trade and other payables | 387,593 | - | - | - | - |
| Dividend payable | 198,103 | - | - | - | - |
| | 723,186 | - | - | 106,807 | - |

### (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* | 2014 | 2013 |
|---|---|---|
| Trade and other receivables | 454,982 | 265,552 |
| Cash and bank balances | 421,878 | 1,138,377 |
| | 876,860 | 1,403,929 |

**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 2014, the maximum exposure to credit risk for trade and other receivables by type of counterparty was as follows;

| | Carrying amount | |
|---|---|---|
| *In thousands of naira* | 2014 | 2013 |
| Wholesale customers | 336,638 | 174,664 |
| Retail customers | 57,143 | 58,152 |
| Other | 6,949 | 1,836 |
| | 400,730 | 234,652 |

At 31 December 2014, the ageing of trade and other receivables that were not impaired was as follows:

| *In thousands of naira* | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| Neither past due nor impaired | 360,256 | - | 360,256 | 129,085 | - | 129,085 |
| Past due 1–90 days | 28,289 | - | 28,289 | 47,463 | - | 47,463 |
| Past due 91–180 days | 23,262 | (11,077) | 12,185 | 58,492 | (388) | 58,104 |
| Over 180 days | 108,311 | (108,311) | - | 78,003 | (78,003) | - |
| | 520,118 | (119,388) | 400,730 | 313,043 | (78,391) | 234,652 |

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 ₦451 million at 31 December 2014 (2013: ₦1.1 billion), 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 2014, the expected cash flows from trade and other receivables maturing within two months were N315 million (2013: N68 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 2014** | | **Contractual cash flows** | | | | | |
|---|---|---|---|---|---|---|---|
| *In thousands of naira* | **Carrying Amount** | **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** |

**31 December 2013**
*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** |
| **31 December 2013** *In thousands of naira* | | | | | | | |
| Loans and borrowings | 137,490 | 142,848 | 12,275 | 4,541 | 11,681 | 26,653 | 87,698 |
| Trade and other payables | 435,183 | 435,183 | 435,183 | - | - | - | - |
| Dividend payable | 130,268 | 130,268 | 130,268 | - | - | - | - |
| | **702,941** | **708,299** | **577,726** | **4,541** | **11,681** | **26,653** | **87,698** |

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 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:

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | US$ | € | GBP | US$ | € | GBP |
| Cash and cash equivalents | 26,047 | 2,830 | 260 | 6,356 | 2,876 | 266 |

The following significant exchange rates were applied;

| | **Average rate during the year** | | **Year end spot rate** | |
|---|---|---|---|---|
| *Naira* | 2014 | 2013 | 2014 | 2013 |
| US$ 1 | 156.45 | 155.25 | 167.00 | 154.70 |
| € 1 | 207.83 | 206.23 | 203.55 | 213.04 |
| GBP 1 | 257.76 | 242.89 | 261.47 | 255.83 |

***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 2014** | | |
| US$ (3% movement) | 130 | (130) |
| € (3% movement) | 17 | (17) |
| GBP (3% movement) | - | - |
| **31 December 2013** | | |
| US$ (3% movement) | 32 | (32) |
| € (3% movement) | 18 | (18) |
| 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* | 2014 | 2013 |
| Financial assets: | | |
| Available-for-sale Investments - fixed income | 63,086 | 151,621 |
| Financial liabilities: | | |
| Financial arrangement | (126,032) | (130,573) |
| Short term borrowings | (6,940) | (6,917) |
| | (69,886) | 14,131 |

**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 ₦182 thousand after tax (2013: ₦141 thousand)

**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 (2013: 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.

| | 2014 | 2013 |
|---|---|---|
| *In thousands of naira* | | |
| Total liabilities | 1,180,315 | 1,151,341 |
| Less: Cash and Cash equivalents | (421,878) | (1,138,377) |
| Adjusted net debt | 758,437 | 12,964 |
| Total Equity | 2,459,830 | 2,476,257 |
| Net debt to equity ratio | 0.31 | 0.01 |

## 29 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* | 2014 | 2013 |
|---|---|---|
| Less than one year | 62,320 | 57,127 |
| Between one and five years | 67,513 | 124,640 |
| | 129,833 | 181,767 |

b. Amounts recognised in profit or loss

During 2014, investment property rentals of ₦64 million (2013: ₦2.5 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).

## 30 Contingencies

**a)** Liabilities

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 ₦506 million as at 31 December 2014 (2013: ₦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.

**b)** Asset

The Company was issued 250,000 units of Guaranty Trust Bank bonus shares in 2014. The underlying shares upon which the bonus was issued has however been sold. The Company is currently in negotiations to gain access to the investment. The market value of the bonus shares as at 31 December 2014 is ₦6.3 million (2013: Nil).

## 31 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 2014 that have not been adequately provided for or disclosed in the financial statements.

## 32 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 |
|---|---|---|---|---|---|
| **2014** | | | | | |
| 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 | (119,388) | - | - | - | (119,388) |
| Reportable segment profit (loss) before income tax | 265,015 | 63,658 | (10,999) | - | 317,674 |

| | Paints and allied products | Contract revenue | Investment property rental income | Unallocated | Total |
|---|---|---|---|---|---|
| **2013** | | | | | |
| External revenues | 2,679,625 | 28,795 | 2,566 | - | 2,710,986 |
| Finance income | - | - | 28,073 | 73,574 | 101,647 |
| Finance costs | - | - | (24,196) | (32,748) | (56,944) |
| Depreciation | - | - | (3,839) | (102,932) | (106,771) |
| Impairment loss | (78,391) | - | - | - | (78,391) |
| Reportable segment profit before income tax | 391,742 | 10,527 | 2,604 | - | 404,873 |

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* | 2014 | 2013 |
|---|---|---|
| Total profit or loss for reportable segments | 317,674 | 404,873 |
| Unallocated finance income | 61,774 | 73,574 |
| Unallocated depreciation | (101,579) | (102,932) |
| Unallocated finance costs | (28,611) | (32,748) |
| Profit before taxation | 249,258 | 342,767 |

**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.

## 33 Correction of prior year errors

The following tables summarise the adjustments arising on the correction of prior year errors to the Company's statement of comprehensive income for the year ended 31 December 2013 and statement of financial position as at 31 December 2013 and 1 January 2013.

(i) Impact of corrections on statement of comprehensive income

| *In thousands of naira* | Note | For the period ended 31 December 2013 | Impact | For the period ended 31 December 2013 as presented |
|---|---|---|---|---|
| Revenue | A | 2,708,448 | 2,538 | 2,710,986 |
| Cost of sales | B | (1,639,886) | 77,407 | (1,562,479) |
| Gross profit | | 1,068,562 | 79,945 | 1,148,507 |
| Other income | C | 213,900 | (158,115) | 55,785 |
| Selling, distribution and administrative expenses | B | (1,004,875) | 98,647 | (906,228) |
| **Operating profit** | | 277,587 | 20,477 | 298,064 |
| Finance income | D | 73,574 | 28,073 | 101,647 |
| Finance cost | E | (32,748) | (24,196) | (56,944) |
| **Net finance income** | | 40,826 | 3,877 | 44,703 |
| Gain from disposal of subsidiary | F | 37,683 | (37,683) | - |
| Profit before taxation | | 356,096 | (13,329) | 342,767 |
| Income tax expense | G | (104,750) | 19,563 | (85,187) |
| **Profit for the year** | | 251,346 | 6,234 | 257,580 |
| **Other comprehensive income** | | | | |
| ***Items that will not be reclassified to profit or loss*** | | | | |
| Remeasurement of defined benefit obligation | | 73,672 | - | 73,672 |
| Related tax | G | - | (18,447) | (18,447) |
| | | 73,672 | (18,447) | 55,225 |
| ***Items that are or may be reclassified to profit or loss*** | | | | |
| Available-for-sale financial assets - net change in fair value | | 16,257 | - | 16,257 |
| Related tax | H | - | (4,877) | (4,877) |
| **Other comprehensive income for the year** | | 89,929 | (23,324) | 66,605 |
| **Total comprehensive income** | | 341,275 | (17,090) | 324,185 |

(ii) Impact of corrections on statement of financial position (a)

| *In thousands of naira* | | As at 1 January 2013 (Previously stated) | Impact | As at 1 January 2013 (Restated) |
|---|---|---|---|---|
| **Assets** | **Note** | | | |
| Property, plant and equipment | I | 1,164,418 | 19,962 | 1,184,380 |
| Investment property | | - | - | - |
| Investment in subsidiary | | 9,750 | - | 9,750 |
| Available-for-sale investments | | 135,483 | - | 135,483 |
| Deferred tax assets | | 13,828 | - | 13,828 |
| **Total non-current assets** | | 1,323,479 | 19,962 | 1,343,441 |
| | | | | |
| Inventories | | 537,857 | - | 537,857 |
| Trade and other receivables | J | 217,412 | 32,795 | 250,207 |
| Deposit for imports | | - | - | - |
| Other assets | K | 34,534 | (34,534) | - |
| Prepayments and advances | L | - | 49,672 | 49,672 |
| Cash and cash equivalents | | 748,661 | - | 748,661 |
| **Total current assets** | | 1,538,464 | 47,933 | 1,586,397 |
| **Total assets** | | **2,861,943** | **67,895** | **2,929,838** |
| | | | | |
| **Equity** | | | | |
| Share capital | | 108,684 | - | 108,684 |
| Share premium | | 160,201 | - | 160,201 |
| Fair value reserve | | 18,903 | - | 18,903 |
| Retained earnings | I | 1,447,695 | 19,962 | 1,467,657 |
| **Total equity** | | 1,735,483 | 19,962 | 1,755,445 |
| | | | | |
| **Liabilities** | | | | |
| Retirement benefit obligations | | 251,500 | - | 251,500 |
| Loans and borrowings | | - | - | - |
| Deferred tax liabilities | | - | - | - |
| **Total non-current liabilities** | | 251,500 | - | 251,500 |
| | | | | |
| Loans and borrowings | | 6,706 | - | 6,706 |
| Current tax liabilities | | 112,300 | - | 112,300 |
| Trade and other payables | M | 552,734 | 51,699 | 604,433 |
| Other liabilities | M | 100,428 | (100,428) | - |
| Deferred income | M | - | 48,729 | 48,729 |
| Dividend payable | | 102,792 | 47,933 | 150,725 |
| **Total current liabilities** | | 874,960 | 47,933 | 922,893 |
| **Total liabilities** | | 1,126,460 | 47,933 | 1,174,393 |
| **Total equity and liabilities** | | **2,861,943** | **67,895** | **2,929,838** |

(ii) Impact of corrections on statement of financial position (b)

| *In thousands of naira* | | As at 31 December 2013 (Previously stated) | Impact | As at 31 December 2013 (Restated) |
|---|---|---|---|---|
| **Assets** | **Note** | | | |
| Property, plant and equipment | N | 1,406,054 | (529,745) | 876,309 |
| Investment property | O | - | 559,171 | 559,171 |
| Available-for-sale investments | | 151,740 | - | 151,740 |
| **Total non-current assets** | | 1,557,794 | 29,426 | 1,587,220 |
| | | | | |
| Inventories | | 512,204 | - | 512,204 |
| Trade and other receivables | Q | 295,431 | 7,056 | 302,487 |
| Other assets | P | 32,835 | (32,835) | - |
| Prepayments and advances | R | - | 87,310 | 87,310 |
| Cash and cash equivalents | | 1,138,377 | - | 1,138,377 |
| **Total current assets** | | 1,978,847 | 61,531 | 2,040,378 |
| **Total assets** | | **3,536,641** | **90,957** | **3,627,598** |
| | | | | |
| **Equity** | | | | |
| Share capital | | 144,912 | - | 144,912 |
| Share premium | | 635,074 | - | 635,074 |
| Fair value reserve | F | 35,160 | (4,877) | 30,283 |
| Retained earnings | S | 1,620,556 | 45,432 | 1,665,988 |
| **Total equity** | | 2,435,702 | 40,555 | 2,476,257 |
| | | | | |
| **Liabilities** | | | | |
| Retirement benefit obligations | | 205,114 | - | 205,114 |
| Loans and borrowings | T | - | 125,215 | 125,215 |
| Deferred tax liabilities | F | 18,629.00 | 3,760 | 22,389 |
| **Total non-current liabilities** | | 223,743 | 128,975 | 352,718 |
| | | | | |
| Loans and borrowings | T | 6,917 | 5,358 | 12,275 |
| Current tax liabilities | | 74,506 | - | 74,506 |
| Trade and other payables | T | 566,185 | (131,002) | 435,183 |
| Other liabilities | U | 99,320 | (99,320) | - |
| Deferred income | V | - | 78,556 | 78,556 |
| Dividend payable | W | 130,268 | 67,835 | 198,103 |
| **Total current liabilities** | | 877,196 | (78,573) | 798,623 |
| **Total liabilities** | | 1,100,939 | 50,402 | 1,151,341 |
| **Total equity and liabilities** | | **3,536,641** | **90,957** | **3,627,598** |

**Explanations to the notes:**

**A.** The correction comprises the following;

(i) Reclassification of supply and apply services revenue from other income to revenue. The reclassification amounted to ₦28.7 million.

The international accounting standards on revenue (IAS 18) requires the recognition of contract revenue and expense in profit or loss separately.

(ii) Reclassification of sales discounts from from selling expenses to revenue. The reclassification amounted to ₦28.8 million.

(iii) Reclassification of rental income on the investment property from other income to revenue. The reclassification amounted to ₦2.5 million.

**B.** The correction comprises the following;

(i) Reclassification of the supply and apply services contract expenses from other income to cost of sales. The reclassification amounted to ₦18.3 million.

(ii) Recognition of the depreciation charge on the land and building previously omitted from the financial statements (see point "G"). The correction amounted to ₦0.6 million.

(iii) Reclassification of provisions for obsolete inventory from other income to cost of sales. The reclassification amounted to ₦145 million.

(iv) Recognition of management fees due to the investment property manager (Gauge Construction Servicing Limited). The total amount recognised is ₦0.5 million.

**C.** The correction comprises reclassification of rental income on investment property, profit on supply and apply services and provisions no longer required.

The details on the profit for supply and services contracts and rental income on investment property have been expatiated under "A(i)" and "A((iii)" respectively.

The reclassification amounted to ₦10.5 million for the supply and apply services contracts and ₦2.6 million for the rental income.

The note on the provision no longer required has been detailed under point "B" above.

**D.** This represents the unwinding of discount on financial liability measured at amortised cost. This total correction amounted to ₦24.9 million.

**E.** This represents reclassification of interest expense on financial liabilities measured at amortised cost from administrative expenses.

**F.** This represents correction of treatment for the surplus on liquidation of the Company's subsidiary (Robbialac Nigeria Limited). The total amount, of ₦37.7 million, was transferred to retained earnings.

**G.** The correction resulted from reclassification of deferred tax charge on actuarial gains from the re-measurement of the defined benefit obligation. The reclassification amounted to ₦18.4 million.

**H.** The adjustment represents tax charged on fair value changes in available-for-sale financial assets.

**I.** The Company owned a land and building property located at Ajase-Ipo Road, Offa Garage Area, Ilorin, Kwara state which was erroneously derecognised from the financial statements in previous years. The ownership of the property was re-established in the current year and recognised as a part of property, plant and equipment.

The cost of the property was determined by reference to a previous GAAP revaluation on 1 January 2011 by Jide Taiwo & Co. Estate Surveyors & Valuers. The Company elected to apply the optional exemption to use the revaluation on the date of transition to IFRS as deemed cost at 1 January 2011, the date of transition. The cost of the property amounted to ₦12.6 million for the land and ₦8.5 million for the building. Depreciation charged on the property amounted to ₦1.2 million.

**J.** This relates to a reclassification to prepayment and advances. This re-arrangement was done to align with current year's presentation.

**K.** This comprises the following;

(i) Items of prepayment, amounting to ₦15.3 million, was reclassified from trade and other receivables. This is to align with current year's presentation.

(ii) Other assets, comprising prepayments, were reclassified to prepayments and advances. This amounted to ₦34.5 million.

**L.** This comprises the following;

(i) Items of prepayment, amounting to ₦15.3 million, was reclassified to prepayments and advances. This is to align with current year's presentation.

(ii) Recognition of deposits held by the Company's registrar for dividend. This amounted to ₦47.9 million.

**M.** This comprises the following;

(i) Deposits from customers, amounting to ₦51.7 million, was reclassified from other liabilities to trade and other payables

(ii) Advance interest (amounting to ₦21.5 million) and rent (amounting to ₦27.2 million) received was reclassified from other liabilities to deferred income.

This re-arrangement was done to align with current year's presentation.

**N.** The correction comprises the following;

(i) Opening balance adjustment to record the omitted land and building (see point "I"). A corresponding depreciation of ₦0.6 million was charged to profit or loss.

(ii) Reclassification of land and building used for commercial purposes to investment property (see point O for details. This amounted to ₦559 million.

**O.** The Company completed and commissioned the Abuja Plaza in November 2013. The Plaza is made up of 50 units of trade shops and offices available for commercial rent. The Company uses only an insignificant part of the plaza in the normal course for its business.

In the prior year, the property was classified as property, plant and equipment in the financial statements. The items have thus been reclassified to investment property. The adjustment amounted to ₦559 million.

**P.** This relates to a reclassification to prepayment and advances. This re-arrangement was done to align with current year's presentation.

**Q.** The correction comprises the following;

(i) Items of prepayment, amounting to ₦54.5 million, were reclassified from trade and other receivables. This is to align with current year's presentation.

(ii) Reclassification of suppliers with debit balances

**R.** The correction comprises the following;

(i) Other assets, comprising prepayments, were reclassified to prepayments and advances. This amounted to ₦32.8 million.

(ii) Items of prepayment, amounting to ₦54.56 million, were reclassified from trade and other receivables.

This is to align with current year's presentation.

**S.** The correction represents the net effect of adjustments made on the statement of comprehensive income for 2013. It also includes the reclassification of related tax on actuarial gains on defined benefit obligation (amounting to N18.4 million (debit)) and opening balance adjustments (amounting to N19.9 million (credit)) to take cognizance of the prior year mistatements.

**T.** The amount due to Gauge Construction Servicing Limited (the "Contractor") was previously recorded at their carrying amount and classified as trade and other payables. In the current period, the balance due to the Contractor has been reclassified to loans and borrowings to reflect the substance of the transaction. The balance reclassified, representing its amortised cost, was ₦130.6 million.

**U.** This comprises the following;

(i) Advance rent received, amounting to ₦47.4 million, was reclassified to deferred income.

(ii) Deposits from customers, amounting to ₦51.9 million, was reclassified to trade and other payable.

**V.** Advance rent received, amounting to ₦78.6 million, was reclassified from other liabilities and trade and other payables.

**W.** Recognition of deposits held by the Company's registrar for dividend. This amounted to ₦67.8 million.

# Other Financial Information

# Value Added Statement

*For the year ended 31 December*
*In thousands of naira*

| | **2014** | % | **2013** | % |
|---|---|---|---|---|
| Sales | 3,082,930 | | 2,710,986 | |
| Other income | 79,021 | | 55,785 | |
| | 3,161,951 | | 2,766,771 | |
| Bought in materials and services | | | | |
| - Imported | (699,448) | | (353,227) | |
| - Local | (1,521,044) | | (1,471,932) | |
| Value added | 941,459 | 100 | 941,612 | 100 |
| **Distribution of value added** | | | | |
| **To Employees:** | | | | |
| Employee benefit expenses | 486,874 | 52 | 435,130 | 46 |
| **To Providers of Finance:** | | | | |
| Interest on loans and bank overdrafts | 78,733 | 8 | 56,944 | 6 |
| **To Government:** | | | | |
| Income tax | 111,511 | 12 | 72,294 | 8 |
| **Retained in the business as:** | | | | |
| Depreciation | 126,594 | 13 | 106,771 | 11 |
| Deferred tax | (11,061) | (1) | 12,893 | 1 |
| To augument reserve | 148,808 | 16 | 257,580 | 27 |
| | 941,459 | 100 | 941,612 | 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.

## 5 Year Financial Summary

*In thousands of naira*

| | 2014 | 2013 | 2012 | 2011 | 1-Jan-11 |
|---|---|---|---|---|---|
| **Funds employed** | | | | | |
| Share capital | 144,912 | 144,912 | 108,684 | 108,684 | 108,684 |
| Share premium | 635,074 | 635,074 | 160,201 | 160,201 | 160,201 |
| Fair value reserve | 39,636 | 30,283 | 18,903 | 2,027 | 4,483 |
| Treasury shares | - | - | - | 22,376 | (1,029) |
| Retained earnings | 1,640,208 | 1,665,988 | 1,467,657 | 1,433,865 | 1,390,081 |
| Shareholder's fund | 2,459,830 | 2,476,257 | 1,755,445 | 1,727,153 | 1,662,420 |
| Current liabilities | 816,531 | 798,623 | 922,893 | 737,820 | 785,117 |
| Long term liabilities | 363,784 | 352,718 | 251,500 | 207,764 | 161,596 |
| Non-controlling interests in a discontinued operation | - | - | - | 2,298 | 1,868 |
| | 3,640,145 | 3,627,598 | 2,929,838 | 2,675,035 | 2,611,001 |
| **Assets employed** | | | | | |
| Non current assets | 1,564,445 | 1,587,220 | 1,343,441 | 1,216,797 | 1,057,354 |
| Current assets | 2,075,700 | 2,040,378 | 1,586,397 | 1,458,238 | 1,553,647 |
| | 3,640,145 | 3,627,598 | 2,929,838 | 2,675,035 | 2,611,001 |

*In thousands of naira*

| | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| Revenue | 3,082,930 | 2,710,986 | 2,513,664 | 2,574,359 |
| Profit before income tax | 249,258 | 342,767 | 284,465 | 369,325 |
| Profit for the year | 148,808 | 257,580 | 192,009 | 227,816 |
| Other comprehensive income, net of tax | 33,026 | 66,605 | 12,834 | (3,769) |
| Declared dividend* | 202,876 | 152,157 | 152,157 | 152,157 |
| **Per 50k share data:** | | | | |
| Basic and diluted earnings per share (kobo) | 51 | 89 | 83 | 105 |
| Declared dividend per share (kobo) | 70 | 52 | 70 | 70 |
| Net assets per share (kobo) | 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. Information related to prior periods has not been presented as it is based on a different financial reporting framework (Nigerian GAAP) and is therefore not directly comparable.