



Chemical and Allied Products plc

2014 FIRST QUARTER RESULTS



Chemical and Allied Products Plc
Financial Statements
For The Period Ended March 31, 2014

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Chemical and Allied Products Plc				
Statement of Comprehensive Income				
For the period ended 31 March 2014				
		31 March 2014	31 March 2013	% incr./ (decr.)
	Notes	N'000	N'000	over 2013
		3 Months	3 Months	
Revenue		1,747,140	1,459,946	20
Cost of sales		(842,591)	(768,192)	10
Gross profit		904,549	691,754	31
Selling and distribution expenses		(131,055)	(89,942)	46
Administrative expenses		(235,769)	(194,309)	21
Other operating income	7	14,474	11,345	28
Operating profit		552,199	418,849	32
Finance income	8	39,748	35,056	13
Net finance income		39,748	35,056	
Profit before taxation		591,948	453,905	30
Taxation		(189,423)	(145,249)	30
Profit for the period		402,525	308,656	30
Total comprehensive income for the period		402,525	308,656	30
Basic EPS (Kobo)	10	58	55	5
Adjusted EPS (Kobo)	10	58	44	32

Chemical and Allied Products Plc				
Statement of Financial Position				
As At 31 March 2014				
		31 March 2014		31 December 2013
		N'000		N'000
	Notes			
Assets				
Non-current assets				
Property, plant and equipment		395,438		414,158
Intangible assets		64,895		55,885
Finance lease receivable		10,384		10,384
		470,717		480,427
Current assets				
Inventories	3	459,506		577,852
Trade and other receivables	4	1,343,607		519,148
Cash and cash equivalents	5	1,379,323		1,457,585
		3,182,436		2,554,585
Total assets		3,653,153		3,035,012
Liabilities				
Non-current liabilities				
Deferred taxation liabilities		82,291		82,291
		82,291		82,291
Current liabilities				
Trade and other payables	6	735,518		709,325
Current income tax liabilities		852,462		663,039
Dividend payable		312,209		312,209
		1,900,189		1,684,573
Total liabilities		1,982,480		1,766,864
Equity				
Ordinary share capital		350,000		350,000
Share Premium		19,254		19,254
Retained earnings		1,301,419		898,894
Total equity		1,670,673		1,268,148
Net equity and liabilities		3,653,153		3,035,012

Chemical and Allied Products Plc				
Statement of cash flows				
For The Period ended March 31, 2014				
			Mar-14	Dec-13
			N'000	N'000
Cash flow from Operating activites:				
Cash generated from operations	9	(108,698)		1,874,982
Tax paid		-		(426,330)
Net cash inflow from Operating activities		(108,698)		1,448,652
Cash flow from Investing activities:				
Purchase of fixed assets		(10,070)		(88,941)
Purchase of intangible assets		(9,010)		(25,889)
Interest income on finance lease asset		-		2,199
Proceed from sale of fixed assets		9,767		7,118
Interest income		39,748		123,758
Net cash inflow from investing activities		30,435		18,245
Cash flow from financing activities:				
Cost on bonus issue of shares		-		(220)
Dividends paid		-		(1,276,429)
Net cash outflow from financing activities		-		(1,276,649)
(Decrease)/Increase in cash and cash equivalents		(78,262)		190,248
Cash and cash equivalents at 1 January		1,457,585		1,267,337
Cash and cash equivalents at 31 March		1,379,323		1,457,585

Notes to the financial statements

1. General information

Chemical and Allied Products Plc ('the Company') is a company incorporated in Nigeria. The Company is involved in the manufacturing and sale of paint. The address of the registered office is 2 Adeniji Jones Avenue, Ikeja, Lagos.

The company is a public limited company, which is listed on the Nigerian Stock Exchange domiciled in Nigeria.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have been prepared on a historical cost basis. The policies set out below have been consistently applied to all the years presented.

Going Concern

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

2.2 Segment reporting

Segment information is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions. A segment is a distinguishable component of the company that is engaged either in providing related products or within a particular service or in providing products or services in an economic (geographical) segment that is subject to risks and returns that are different from those of other segments.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Naira (N), which is the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement.

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2.4 Property, plant and equipment

Land and buildings comprise mainly of factories and offices.

Land and buildings held for use in the production or supply of goods or services, or for administration purposes, are stated at cost less any accumulated impairment losses (for land and buildings) and accumulated depreciation (for buildings). All other fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. The carrying amount of the replaced cost is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Leasehold properties are depreciated over their useful lives, unless the lease period is shorter, in which case the lease period is used. Depreciation on other fixed assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives. as follows:

Building on leasehold land	Shorter of useful life and lease terms (45 to 99 years)
Plant and machinery	3 to 43 years
Furniture and fittings	3 to 6 years
Tinting equipment	4 years
Motor vehicles	4 to 6 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting date.

2.4 Property, plant and equipment (continued)

Where an indication of impairment exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to impairment Note 2.6 for further details).

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement for the period.

2.5 Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- the directors intend to complete the software product and use it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

2.6 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

2.7.1 Classification

The company classifies its financial assets into receivables. The classification depends on the purpose for which the financial assets were acquired. The directors determine the classification of its financial assets at initial recognition.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

2.7.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Receivables are subsequently carried at amortized cost using the effective interest method.

2.7 Financial assets

2.7.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7.4 Impairment of financial assets

Assets carried at amortised cost

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

2.7 Financial assets

2.7.4 Impairment of financial assets (continued)

For receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If an asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2.7.5 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

2.7.6 Trade payables

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

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

2.8 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is calculated based on the actual cost that comprises cost of direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.9 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand plus short-term deposits. Short-term deposits have a maturity of less than three months from the date of acquisition, are readily convertible to cash and are subject to an insignificant risk of change in value.

2.10 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Current and deferred income tax

The tax for the year comprises current (company income tax and education tax) and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is recognised in other comprehensive income or directly in equity, respectively.

The tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

2.11 Current and deferred income tax (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are applicable in the current period. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax liabilities on a net basis.

2.12 Employee benefits

The company operates a defined contribution plan. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(a) Defined contribution schemes

i) Statutory contributions (Note 8): The Pensions Reform Act of 2004 requires all companies to pay a minimum of 7.5% of basic salary (including housing and transport allowances) to a pension fund on behalf of all full time employees.

ii) Voluntary contributions (Note 8): The company also contributes on an annual basis a fixed percentage of the employees salary to a fund managed by a fund administrator. The funds are invested on behalf of the employees and they will receive a payout based on the return of the fund upon retirement.

2.12 Employee benefits (continued)

(a) Defined contribution schemes (continued)

The contributions are recognised as employee benefit expenses when they are due. The company has no further payment obligation once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

(b) Productivity incentive and bonus plans

All full time staff are eligible to participate in the productivity incentive scheme. The company recognises a liability and an expense for bonuses and productivity incentive, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates and sales related taxes. Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Revenue arises from the sale of paints and other decoratives and is recognised when the risks and rewards associated with ownership are transferred to the buyer. Due to the short term nature of these transactions no significant judgements are required.

Interest income is recognised using the effective interest method.

2.14 Leases

Finance lease

Leases in which a significant portion of the risks and rewards of ownership are transferred to another party, the lessee, are classified as finance leases. Where the company is the lessor, assets subject to finance leases are initially reported as receivables at an amount equal to the net investment in the lease. Lease income from finance leases is subsequently recognised as earned income over the term of the lease based on the effective interest rate method.

2.15 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders. In respect of interim dividends these are recognised once declared by the board of directors.

2.16 Risk management

The board through the Risk and Governance Committee has the responsibility for developing and implementing an enterprise - wide risk management framework for identifying, measuring, monitoring and controlling risks in the company. The executive management ensures the implementation of controls put in place to mitigate the various identified risks and report updates of status to the Board quarterly.

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Notes to the Financial Statements			
For the period ended March 31, 2014			
3 Inventories			
The amounts attributable to the different categories are as follows:			
		Mar-14	Dec-13
		N'000	N'000
Raw materials		123,220	85,672
Work-in-progress		34,062	10,944
Containers and labels		14,754	11,774
Finished products		279,796	465,509
Consumable stocks		8,247	5,244
Engineering spares		9,730	9,585
		469,808	588,728
Less Stock impairment provision		(10,303)	(10,876)
		459,506	577,852
4 Trade and other Receivables			
		Mar-14	Dec-13
		N'000	N'000
Trade debtors		199,862	59,267
Amount due from related parties:			
UAC Foods Ltd		256	1,303
UNICO CPFA Ltd		-	5,969
UACN Property Dev. Company Plc		3,421	27,694
Livestock Feeds Plc		160,000	160,000
Staff debtors		6,283	6,907
Import prepayment		847,102	162,913
Other debtors and debit balances		211,956	178,367
		1,428,880	602,420
Less :			
Debtors impairment provision		(85,274)	(83,272)
		1,343,607	519,148
5 Cash at bank and in hand			
The cash and cash equivalents included in the cash flow statement are represented by:			
		Mar-14	Dec-13
		N'000	N'000
Cash and bank balances		113,323	83,247
Short term deposits		1,266,000	1,374,338
		1,379,323	1,457,585

6 Trade and other Payables				
			Mar-14	Dec-13
			N'000	N'000
Trade creditors		211,739		152,948
Royalty		110,263		86,440
Accruals and sundry creditors		393,741		449,535
Amount due to related party		19,775		20,402
		735,518		709,325
7 Other Operating Income				
			Mar-14	Mar-13
			N'000	N'000
Profit on sale of fixed assets		1,073		210
Management fees		12,727		10,637
Sundry Income		<u>674</u>		<u>498</u>
		14,474		11,345
8 Finance Income			Mar-14	Mar-13
			N'000	N'000
Interest received on deposits		39,748		35,056
Finance income is the net of the aggregate income received on funds invested in money market instruments.				

9 Cash flows from Operating Activities			
		Mar-14	Dec-13
		N'000	N'000
	Profit before taxation	591,948	2,086,993
	Adjustment for non cash items:		
	Depreciation of fixed assets	20,096	80,351
	(Profit) /loss on disposal of fixed assets	(1,073)	(1,030)
	Interest income	<u>(39,748)</u>	<u>(125,957)</u>
	Cash inflow before changes in working capital	571,222	2,040,357
	(Increase)/Decrease in stocks	118,346	397,271
	(Increase)/Decrease in trade and other receivables	(824,459)	(337,841)
	Increase/(Decrease) in trade and other payables	26,193	(224,805)
	Cash generated from operations	(108,698)	1,874,982
10 Earning per share		Mar-14	Dec-13
		N'000	N'000
	Profit attributable to shareholders	402,525	308,656
	Number of issued shares	700,000	560,000
	Earning per shares - Basic	58	55
	Earning per shares - Adjusted	58	44