



PORTLAND PAINTS & PRODUCTS NIGERIA PLC
Lagos, Nigeria

REPORT OF THE DIRECTORS

AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014



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FOR THE YEAR ENDED 31 DECEMBER 2014

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

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PORTLAND PAINTS & PRODUCTS NIGERIA PLC

GENERAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2014

BOARD OF DIRECTORS

Mr. Larry Ettah	- Chairman
Mr. Olufemi Oguntade	- Managing Director/Chief Executive
Mr. Bayo Osibo	- Director
Mr. Abdul Bello	- Director
Mr. Mukhtar Yakasai	- Director
Eng. Dipo Ashafa	- Director

REGISTERED OFFICE

Sandtex House
105A, Adeniyi Jones Avenue,
Ikeja. Lagos State.

FACTORY

Km 36, Abeokuta – Lagos Expressway
Ewekoro, Ogun State.

REGISTERED NUMBER

RC76075

FRCN NUMBER

FRC/2012/0000000000221

COMPANY SECRETARY

Adeleke Yusuff Esq,
UAC of Nigeria
UAC House, Lagos, Nigeria.

AUDITORS

PricewaterhouseCoopers
252E, Muri Okunola Street,
Victoria Island, Lagos.

REGISTRAR

Africa Prudential Registrars Plc
(formerly called UBA Registrars Ltd)
No. 220B, Ikorodu Road
Palmgrove, Lagos.

BANKERS

Zenith Bank Plc
United Bank for Africa Plc
Skye Bank Plc
Ecobank Nigeria Plc
First City Monument Bank Plc

PORTLAND PAINTS & PRODUCTS NIGERIA PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

The directors have the pleasure in presenting their report and the audited financial statements for the year ended 31 December 2014.

Legal Status

Portland Paints & Products Nigeria Limited was incorporated as a private limited liability company on 3rd September, 1985.

The company by a special resolution of 24th April, 2008 changed its name to Portland Paints & Products Nigeria Plc, consequent upon it becoming a Public Limited Liability Company.

Principal activities

The company is principally engaged in the business of manufacturing and sale of paints, marketing of sanitary wares, and manufacture and marketing of instant road repairs materials and marketing of Hempel marine and protective coatings for the oil and gas sector.

During the year, the company continued to implement its strategies for enhancing the quality of its service delivery through restructuring of its operations, increased investment in technology infrastructure and enforcement of procedures and manpower development.

There was no change in the principal activities of the company during the year.

Statement of directors' responsibilities

The directors of **Portland Paints & Products Nigeria Plc** are responsible for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit or loss and cash flows for that year. In preparing these financial statements, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent and in accordance with International Financial Reporting Standards (IFRS) and Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria, 2004.

The directors are responsible for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Operating Results

The following is a summary of the Company's resultS:

	2014	2013(restated)
	N'000	N'000
Turnover	2,798,165	2,721,020
Profit/(Loss) before taxation	194,297	73,464
Taxation	(45,656)	(16,118)
Other Comprehensive Income Net of tax	-	-
Total Comprehensive income net of tax	148,641	57,346
Basic Earnings per share	37k	14k

Dividend

The directors do not recommend the payment of dividend for the financial year ended 31st December, 2014 (2013: Nil)

PORTLAND PAINTS & PRODUCTS NIGERIA PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

Directors

The Directors' who served during the year are:

- | | | |
|----|----------------------|------------|
| 1. | Mr. Larry Ettah | - Chairman |
| 2. | Mr. Olufemi Oguntade | - MD/CEO |
| 3. | Mr. Bayo Osibo | - Director |
| 4. | Mr. Abdul Bello | - Director |
| 5. | Mr. Mukhtar Yakasai | - Director |
| 6. | Eng. Dipo Ashafa | - Director |

In accordance with Section 256 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and in line with Article 95 of the Company's Articles of Association, Engr. Dipo Ashafa and Mr. Bayo Osibo are retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Records of Directors' Attendance

In accordance with the provisions of Section 258(2) of the Companies and Allied Matters Act, 1990, the Record of Directors' Attendance at Board Meetings held in 2014 is available at the Annual General Meeting for inspection.

Directors' Shareholdings

The direct and indirect interests of directors in the issued share capital of the Company as recorded in the Register of Directors' Shareholdings and as notified by the directors for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act, 1990 and the Listing Requirements of the Nigerian Stock Exchange are as follows:

	Number of Shares	Number of Shares
	As at Dec. 31, 2014	As at Dec. 31, 2013
Larry Ettah	Nil	Nil
Olufemi Oguntade	Nil	Nil
Bayo Osibo	Nil	54,837,440
Eng Dipo Ashafa	238,877	238,877
Abdul Bello	Nil	Nil
Mukhtar Yakasai	Nil	Nil

PORTLAND PAINTS & PRODUCTS NIGERIA PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

Analysis of Shareholdings

According to the register of members as at 16 March, 2015 the spread of Shareholdings in the company was as follows:

Range	Number of shareholders	Units	Units %
1 – 1,000	198	68,017	0.02
1,001 – 5,000	48	126,469	0.03
5,001 – 50,000	228	8,066,263	2.02
50,001 – 100,000	8	653,985	0.16
100,001 – 500,000	26	6,858,018	1.71
500,001 – 1,000,000	9	6,689,000	1.67
1,000,001 – 250,000,000	<u>25</u>	<u>377,538,248</u>	<u>94.38</u>
	<u>542</u>	<u>400,000,000</u>	<u>100.00</u>

Share Capital History

- The initial authorized, issued and paid up share capital as at 3 September 1985 was 4,000,000 shares of 50 kobo each, that is, ~~₦~~2, 000,000
- On 26 August 2004 the authorized, issued and paid up share capital were increased from 4,000,000 to 40,000,000 shares of 50 kobo each that is, increased to ~~₦~~20, 000,000
- On 24 April 2008 the authorized share capital was increased from 40,000,000 to 400,000,000 shares of 50 kobo each that is, increased to ~~₦~~200, 000,000
- On 30 June 2008 the company distributed Bonus shares of 360,000,000 shares of 50 kobo each, that is, ~~₦~~180, 000,000
- On 9 July 2010 the company's 400,000,000 shares of 50 kobo each were listed on the floor of the Nigerian Stock Exchange.
- Authorised, Issued and Fully Paid 400 million Ordinary shares of 50 kobo each:

31 st December, 2014	31 st December, 2013
<u>₦200,000,000</u>	<u>₦200,000,000</u>

- The shareholders who have more than 5% holding are as follows:

	Number of Shares	%
UAC of Nigeria Plc	258,837,400	64.71

Contracts

None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20 Laws of Federation of Nigeria, 2004, of any interest in contracts made with the company during the year under review.

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2014

Taxation

Adequate provision has been made for all forms of taxes relevant to the activities carried out by the Company during the year.

Property, plant and equipment

Information relating to changes in property, plant and equipment is given in Note 9 to the financial statements. In the opinion of the Directors, the Market Value of the Company's properties is not less than the value shown in the financial statements.

Corporate Governance

- i) The company is committed to best practice and procedures in corporate governance. Its business is conducted in a fair, honest and transparent manner which conforms to high ethical standards.
- ii) The Board consists of six (6) Directors, made up of five non-Executive Directors and one Executive Director. The company has a non-Executive Chairman and a Managing Director who is the Chief Executive Officer.
- iii) Board meetings are held quarterly. However, special or emergency board meetings are convened whenever the need arises.
- iv) The Board takes decisions on policy matters and directs the affairs of the Company, allocates resources, sets overall corporate targets and monitor strategies and plans.

BOARD MEETINGS:

Attendance at board meetings during the year were as follows:

Names	18/03/14	28/04/14	12/06/14	17/07/14	31/10/14	15/12/14
Mr. Larry Ettah Chairman	P	P	P	P	P	p
Mr. Olufemi Oguntade Managing Director / CEO	P	P	P	P	P	p
Mr. Bayo Osibo Non-Executive Director	P	P	P	P	P	p
Mr. Abdul Bello Non-Executive Director	P	P	P	P	P	p
Mr. Mukhtar Yakasai Non-Executive Director	P	P	P	P	P	p
Engr. Dipo Ashafa Non-Executive Director	P	AWP	P	P	P	p

P = Present

AWP = Absent With Apology

AB - Absent

In conformity with the Code of Best Practice in Corporate Governance, the following Committees were established:

- a) **Risk and Governance Committee:** The Risk and Governance Committee consists of one Executive Director and four non-Executive Directors and is responsible for developing the Company's Corporate Governance policies and practices and to consider the nature, extent and category of risks facing the Company.

Members of Committee	No. of Meetings Held	No. of meetings Attended
Mr. Bayo Osibo (Chairman)	4	3
Mr. Olufemi Oguntade	4	4
Mr. Abdul Bello	4	4
Mr. Mukhtar Yakasai	4	4
Eng. Dipo Ashafa	4	4

PORTLAND PAINTS & PRODUCTS NIGERIA PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

- b) **Audit Committee:** The Audit Committee is composed of two Shareholders and two non-Executive Directors. It is chaired by a member representing the Shareholders and meets four times a year.

Members of Committee	No. of Meetings Held	No. of meetings Attended
Mr. Shamsideen O. Balogun (Chairman)	4	4
Mr. Bayo Osibo (Member)	4	4
Mr. Mukhtar Yakasai (Member)	4	4
Comrade Sulaimon B. Adenrele (Member)	4	4

The committees work independent of each other and meet regularly to review policies and strategies to ensure compliance, while creating value for all stakeholders of the Company.

Donations/Charitable Gifts

During the year ended 31st December, 2014 the company made a donation of N2million towards the renovation of a block of classrooms at Agidingbi Junior Secondary School, Ikeja, Lagos. No donation was made to any political party or organisation during the year ended 31 December 2014 (2013: Nil).

Employment of Disabled Persons

Applications for employment by the physically challenged are always fully considered, the Company does not discriminate against any person on grounds of physical disability bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure their continued employment with the Company and appropriate training is arranged. It is the policy of the Company that training, career development and promotion of disabled persons should, as far as possible, be identical with those of other employees.

Health, Safety and Welfare of Employees

The company maintains a Health Insurance Scheme for members of staff and their families. The company also operates a statutorily defined contributory pension scheme for all confirmed employees.

Employee Involvement and Training

In line with the Company policy of continuous development of its manpower resources, the Company provides regular on-the-job training for all cadres of staff on the job in addition to other local and overseas courses. The Company maintains effective formal and informal channels of communication in order to keep all staff abreast of development within the Company.

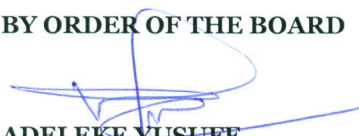
Post Balance Sheet Events

There have been no material post balance sheet events to date, which could have had a material effect on the financial statements of the Company as at 31st December, 2014 and the profit for the period ended on that date which have not been adequately provided for or recognized.

Auditors

Messrs. PricewaterhouseCoopers, having indicated their willingness to continue in office pursuant to Section 357 (2) of the Companies and Allied Matter Act, CAP C20 Laws of the Federation of Nigeria, 2004.

BY ORDER OF THE BOARD



ADELEKE YUSUFF
COMPANY SECRETARY

Lagos, Nigeria

Date: 16 March, 2015

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2014

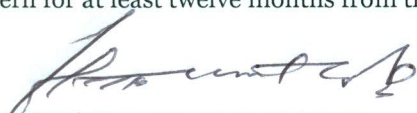
The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its income statements. The responsibilities include ensuring that the Company:

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Financial Reporting Council of Nigeria Act, No 6, 2011.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



Managing Director/CEO
FRC/2013/ICAN100000002462



Chairman
FRC/2013/IODN/00000002692

16 March 2015



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF PORTLAND PAINTS AND PRODUCTS NIGERIA PLC

Report on the financial statements

We have audited the accompanying financial statements of Portland Paints and Products Nigeria Plc ("the company"). These financial statements comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act 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 the 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 our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the company's financial affairs at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.



Report on other legal requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;
- iii) the statements of financial position and comprehensive income are in agreement with the books of account.

A handwritten signature in black ink, reading 'Edafe Erhie'.

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Edafe Erhie
FRC/2013/ICAN/0000001143
Lagos, Nigeria



30 March 2015

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are in thousands of Naira, unless otherwise stated)

		31 Dec 2014	31 Dec 2013 (as restated)
	Note	N'000	N'000
Revenue	3	2,798,166	2,721,020
Cost of Sales	5	<u>(1,492,342)</u>	<u>(1,462,748)</u>
Gross Profit		1,305,824	1,258,272
Other Operating Income	4	102,469	28,869
Selling and distribution expenses	5	(486,580)	(463,784)
Administrative expenses	5	<u>(617,216)</u>	<u>(649,048)</u>
Profit from Operations		304,497	174,309
Finance Income	7	4,860	3,649
Finance Expenses	7	<u>(115,060)</u>	<u>(104,494)</u>
Net Finance Expenses		(110,200)	(100,845)
Profit Before Taxation		194,297	73,464
Taxation	8	<u>(45,654)</u>	<u>(16,118)</u>
Profit from Continuing Operations		148,643	57,346
Total Comprehensive Income		<u>148,643</u>	<u>57,346</u>
Earnings per share for profit attributable to owners of the parent during the year:			
Basic (Kobo)	16	37	14
Diluted (Kobo)	16	37	14

The notes on pages 16 to 45 form an integral part of these financial statements

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

(All amounts are in thousands of Naira, unless otherwise stated)

	Notes	31 Dec 2014 N'000	31 Dec 2013 (as restated) N'000	1 Jan 2013 (as restated) N'000
ASSETS:				
Non - current assets:				
Property, plant and equipment	9	547,040	555,701	650,086
Intangible assets	10	164,160	203,633	243,103
Investment in Associate		-	-	2,842
Prepayments	12	25,032	26,518	38,008
Total non - current assets		736,232	785,852	934,039
Current assets:				
Inventories	11	756,540	687,853	818,528
Trade and other receivables	12	504,841	476,721	424,251
Prepayments	12	54,895	53,512	71,804
Cash and short term deposit	13	225,051	69,284	79,449
Total current assets		1,541,326	1,287,370	1,394,032
Total assets		2,277,558	2,073,222	2,328,071
Equity and liabilities:				
Equity:				
Issued share capital	16	200,000	200,000	200,000
Other capital reserve (Revaluation Reserve)	16	91,923	91,923	91,923
Retained earnings	16	632,680	484,038	426,691
Equity attributable to owners of the parent		924,602	775,961	718,615
Non current liabilities:				
Borrowings	13	237,407	302,200	140,473
Government grants	13	69,663	81,271	55,389
Deferred tax liabilities	15	74,280	83,944	82,613
Total non current liabilities		381,350	467,415	278,475
Current liabilities:				
Trade and other payables	14	428,008	581,012	949,875
Interest bearing loans and borrowings	13	462,384	180,526	295,722
Government grants	13	11,609	24,534	13,848
Income tax payable	15	69,608	43,774	71,537
Total current liabilities		971,609	829,846	1,330,981
Total liabilities		1,352,959	1,297,261	1,609,456
Total equity and liabilities		2,277,558	2,073,222	2,328,071

The financial statements on pages 12 to 47 was approved by the board of directors on 16th March 2015 and signed on its behalf by:

Jubril Shittu (Finance Manager)

FRC No: FRC/2013/ICAN/00000000728

Olufemi Oguntade (MD/CEO)

FRC No: FRC/2013/ICAN/000000002462

Mr Larry E. Ettah (Chairman)

FRC No: FRC/2013/IODN/000000002692

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014

(All amounts are in thousands of Naira, unless otherwise stated)

	Share capital	Revaluation Surplus	Retained earnings	Total equity available to owners of parent
	N'000	N'000	N'000	N'000
1 January 2013 as previously reported	200,000	91,923	484,643	776,566
Impact of restatement	<u>-</u>	<u>-</u>	<u>(57,952)</u>	<u>(57,952)</u>
1 January 2013 as restated	<u>200,000</u>	<u>91,923</u>	<u>426,691</u>	<u>718,614</u>
1 January 2013 as restated	<u>200,000</u>	<u>91,923</u>	<u>426,691</u>	<u>718,614</u>
Profit for the year	<u>-</u>	<u>-</u>	<u>57,346</u>	<u>57,346</u>
31 December, 2013 as restated	<u>200,000</u>	<u>91,923</u>	<u>484,037</u>	<u>775,960</u>
Profit for the year	-	-	148,643	148,643
31 DECEMBER 2014	<u>200,000</u>	<u>91,923</u>	<u>632,680</u>	<u>924,603</u>

Portland Paints and Products Nigeria Plc implemented Oracle ERP in the year ended 31 December 2012. A number of issues were experienced with the system during implementation which resulted in some duplication of transactions.

In the course of the year 2014 during reconciliation of accounts with major customers, the company discovered an error arising as a result of duplicated invoices amounting to N108 million. These errors occurred in 2012 and early 2013 and these have been adjusted retrospectively in these financial statements in line with IAS 8.

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are in thousands of Naira, unless otherwise stated)

		31 Dec 2014 N'ooo	31 Dec 2013 (as restated) N'ooo
Cash flows from operating activities:			
Cash receipts from customers		2,863,439	2,757,792
Payment to suppliers and employees		(2,611,438)	(2,592,862)
Gratuity payment		(46,619)	(88,218)
Cash generated from operation	17	205,381	76,712
Income Tax paid	15	(29,484)	(42,553)
Net cash generated from Operating activities		175,897	34,159
Cash flows from investing activities:			
Purchase of fixed assets	9	(121,495)	(40,311)
Finance income		4,860	3,649
Proceeds from sale of property, plant and equipment		19,191	9,511
Net cash used in Investing activities		(97,444)	(27,151)
Cash flows from financing activities:			
Proceeds from Borrowings		458,206	302,068
Repayments of Borrowings		(196,402)	(194,416)
Interest paid		(115,060)	(104,494)
Net cash used / generated from financing activities		146,745	3,158
Net increase/(decrease) in cash and cash equivalents		225,199	10,165
Cash and cash equivalents brought forward		(147)	(10,312)
Cash and cash equivalents	14	225,052	(147)

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. Corporate information

Portland Paints and Products Nigeria Plc (The Company) was incorporated as a Limited Liability Company on 3 September 1985 and became a Public Company on 24 April 2008. The Company was listed on the floor of the Nigerian Stock Exchange on 9 July 2009.

The registered office is located at Elephant Cement House 4th Floor, Assbifi Road, Central Business District, Alausa, Ikeja, Lagos in Nigeria.

The principal activities of the company are manufacturing and sale of paints, marketing of sanitary ware, and manufacture and marketing of Instant Road Repair materials and marketing of cements. The main products of the company are Sandtex highly quality Decorative Industrial Paints and Hempel Marine Protective Coatings for Oil and Gas Sector.

2. Summary of significant Accounting Policies

Basis of preparation

The financial statements of Portland Paints and Products Nigeria Plc have been prepared in accordance with International Financial Reporting Standards (IFRS), the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Financial Reporting Council of Nigeria Act, No 6, 2011.

The policies set out below have been consistently applied to all the years as at 31 December 2014 as approved the Board of Directors. The financial statements have been prepared on a going concern basis.

Basis of Measurement

The financial statements have been prepared on a historical cost basis modified by the revaluation of land and building at a fair value. The company's financial statements are presented in naira, which is also the company's functional currency. Transactions in the foreign currency are recognized in Naira at the official spot rate at the date of transaction.

Change in Accounting Policy and disclosures

(a) New and amended standards adopted by the company

i) Amendment to IAS 32 – 'Financial instruments: Presentation

These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

ii) Amendment to IAS 36, 'Impairment of assets' on recoverable amount Disclosures

This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

iii) Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities

These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

b) New standards and interpretations not yet adopted by the company

The company has not yet applied the following IFRS and IFRIC interpretations that have been issued but are not yet effective and will be adopted by the group when they become effective. These are as follows:

i) Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation.

This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

ii) IFRS 7, 'Financial instruments: Disclosures' – There are two amendments:

– Servicing contracts – If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement.

The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to IFRS 1 to give the same relief to first time adopters.

– Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective.

iii) IAS 19, 'Employee benefits'

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country.

Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.

iii) IFRS 15, 'Revenue from contracts with customers'

This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Material estimates in the financial statements include the following:

Accounts receivable

The allowance for doubtful accounts involves management judgment and review of individual receivable balances based on an individual customer's prior payment record, current economic trends and analysis of historical bad debts of a similar type.

Property, plant and equipment

Land and Building held for use in the production or supply of goods or services or for administration purposes are stated in the Statement of Financial Position at their revalued amounts being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Revaluations will be performed every two (2) years such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

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Any revaluation increases arising on the revaluation of such Land or Building is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case is credited to profit or loss to the extent of the decrease previously expended. A decrease in the carrying amount arising on revaluation of such land or building is recognized in profit or loss to the extent that it exceeds the balance, if any held in the revaluation reserve relating to a previous revaluation of that asset.

Accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets

Externally acquired intangible assets that have indefinite useful lives are initially recognized at cost and are subsequently tested for impairment at each financial year end and stated at their recoverable amount. The impairment loss where the carrying amount is greater than the recoverable amount is charged to the Income Statement.

Intangible asset with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight line basis over the estimated useful life. The estimated useful life and amortization are review at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis. Management is of the opinion that the trademark is adjudged to have an indefinite live as the ownership had been transferred to the company and there is no contractual commitment as at December 31, 2014.

Going concern assumption

Portland Paints and Products Nigeria Plc is a going concern, which assumes that it will be able to continue operation into the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of business. The financial statements have been prepared in Nigerian Naira and under the historical cost convention and the use of estimates and approximations, which have been made using careful judgment. Actual results could differ materially from those estimates.

The following are the significant accounting policies applied by Portland Paints & Products Nigeria Plc in preparing its financial statements:

2.4. Summary of significant accounting policies

2.4.1 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on tangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets include purchased trade mark, computer software and software licences.

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Trade mark is externally acquired with indefinite useful lives. It is recognized at cost and are subsequently tested for impairment at each financial year end and stated at their recoverable amounts. The impairment loss, where the carrying amount is greater than the future economic benefits, is charged to the income statement.

Purchased software and software licences with finite useful lives are recognised as assets if there is sufficient certainty that future economic benefits associated with the item will flow to the entity. Amortisation is calculated using the straight-line method over 5 years.

Computer software primarily comprises external costs and other directly attributable costs.

2.4.2 Property, Plant and Equipment

Land and Building are initially recognized at cost but subsequently recognized at fair value less cost to sell based on the valuations by the independent valuers less accumulated depreciation and accumulated impairment loss for building.

All other property, plant and equipments are initially recognized at historical cost less accumulated depreciation and accumulated impairment loss.

Cost comprises the cost of acquisition and costs directly related to the acquisition up until the time when the asset is available for use. In the case of assets of own construction, cost comprises direct and indirect costs attributable to the construction work, including salaries and wages, materials, components and work performed by subcontractors.

Replacement or major inspection costs are capitalised when incurred and 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.

The depreciation base is determined as cost less any residual value. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets and begins when the assets are available for use.

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the income statement as an expense.

On revaluation of property, plant and equipment, the surplus thereon is transferred to the revaluation surplus account in the statement of changes in equity and recognized as other comprehensive income in the comprehensive income statement.

Assets on lease

Finance leases are recognized at amount equal to the fair value of the leased property or if lower the present value of the minimum lease property, each determined at the inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease terms so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Asset category	Useful lives
Long leasehold land	Over the lease period
Freehold Buildings	2%
Plant and machinery	10%
Furniture, fittings and equipment	10%
Motor vehicles	20%
Computer hardware	33.33%
Computer software	20%

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An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

2.4.3 Earnings per share

Basic earnings are determined by dividing the profit attributable to share holders by the weighted average number of shares on issue during the year.

2.4.4 Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or in the case of indefinite life intangibles, then the asset's (CGU's) recoverable amount is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash-generating units (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGUs). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Portland Paints & Products Nigeria Plc evaluates impairment losses for potential reversals when events or circumstances may indicate such consideration is appropriate. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

2.4.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- **Raw materials:**

Purchase cost on weighted average basis

- **Goods- In-Transit, Work- in -progress and Finished goods**

Goods in transit are valued at invoice price together with other attributable charges.

Work-in-progress cost consist of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

The cost of finished goods comprises suppliers' invoice prices and, where appropriate, freight, printing costs and other charges incurred to bring the materials to their location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.4.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

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Financial Asset

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets.

Portland Paints & Products determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets measured at fair value through profit or loss where transaction costs are recognised as an expense when incurred.

The company's financial assets include cash, trade and other receivables, all of which are classified as loans and receivables,

Subsequent measurement

The subsequent measurement of financial assets depends on their classification

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method.

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a company of similar financial assets) is derecognised when:

- a) The rights to receive cash flows from the asset have expired or
- b) The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- c) The Company has transferred substantially all the risks and rewards of the asset or

The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or company of financial assets is impaired. A financial asset or a company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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Financial Assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or at amortised cost.

The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, including directly attributable transaction costs, except in the case of financial liabilities classified as fair value through profit or loss where transaction costs are expensed immediately.

2.4. Summary of significant accounting policies continued

Portland Paints & Products Nigeria Plc's financial liabilities are trade and other payables, loans and borrowings, all of which are classified as amortised cost liabilities.

Financial liabilities at amortised cost:

Financial liabilities at amortised cost are measured at amortised cost using the effective interest rate method.

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.4.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdraft.

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2.4.8 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in Nigeria. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the income statement.

Deferred tax

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits.

No deferred tax is recognised when relating to temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.4.9 Government grants

Grants for expenditure are netted against the relevant expenditures as and when these are recognized in profit and loss in the statement of comprehensive income.

Where retention of a government grant is dependent on the company satisfying certain criteria, it is recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the statement of comprehensive income (when related to expenses) or netted against the asset purchased (when specific to an asset).

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When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

2.4.10 Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4.11 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Company has concluded that it is acting as a principal in all of its revenue. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Where a buyer has a right of return, the Company defers recognition of revenue until the right to return lapses.

Handling charge income

Handling charge income is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services

Revenue from application of paints to customers' is recognised as income from special project by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Dividends

Revenue is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

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2.4.12 Borrowing cost

Specific Borrowing costs on qualifying assets are capitalized from the date the actual costs on the qualifying asset are incurred. Where such borrowed amount, or part thereof, is invested, the income earned is netted off the borrowing costs capitalised.

Where the entity does not specifically borrow funds to construct a qualifying asset, general borrowing costs are capitalized by applying the weighted average cost of the borrowing cost proportionate to the expenditure on the asset.

2.4.13 Foreign currency

The company's financial statements are presented in naira, which is also the company's functional currency. Transactions in the foreign currency are recognized in Naira at the official spot rate at the date of transaction.

Monetary assets and liabilities denominated in a foreign currency are translated into Naira at the spot rate of exchange ruling at reporting date. Differences arising on settlement or translation of monetary items are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e. the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.4.14 Segment Reporting

The reportable segments are identified on the basis of Strategic Business Units (SBU) and the threshold of recognition is a contribution of not less than 10% of the revenue, assets, profits or losses of all the operating segments. Where the board and management is of the opinion that a strategic business unit is important to the growth initiative of the company such SBU may be reported as a reportable segment even though it is not meeting the threshold of a reportable segment. The Managing Director (CEO) is the Chief Operating Decision Maker (CODM) of the company whom the segment information is presented to.

2.4.15 Employees' benefits

Employees' benefits both legal and constructive in the short and long term are adequately recognized in the income statement.

The company operates a defined contribution pension scheme in line with the Pension Reform Act 2004. The employees and the company each contribute 7.5% of basic salary, housing and transport allowances. The company's contributions are accrued and charged to the income statement as and when the relevant service is provided by employees. The company has no further payment obligations once the contributions have been paid.

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3 Segment Information:

For management purpose, the Company is organised into Strategic Business Units (SBU) based on products categories and has three reportable segments as follows:

- Portland Decorative Paints segment, which manufactures and market various ranges of decorative paints.
- Portland Marine Segment, which manufactures and markets various ranges of marine protective paints.
- Portland Bathroom segment, which markets and distributes ranges of sanitary ware products.

No other segment has been aggregated to form the above reportable operating segments.

The chief operating decision maker (CODM) has been identified as the executive management. The Executive Management monitors the operating results of each business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit or loss and is measured consistently with gross profit or loss in the combined financial statements. However, the segment liabilities are absorbed by the decorative segment.

(i) Segment Information	Decorative	Marine Paints	Portland Bathrooms	Total
	31 Dec 2014 N'000	31 Dec 2014 N'000	31 Dec 2014 N'000	31 Dec 2014 N'000
Revenue:				
Total Revenue	2,173,526	427,670	196,969	2,798,165
Total Revenue From External Customers	2,173,526	427,670	196,969	2,798,165
Company's Revenue per Statement of Comprehensive Income	2,173,526	427,670	196,969	2,798,165
Depreciation	(57,127)	(20,020)	(6,964)	(84,111)
Amortisation	(27,237)	(9,079)	(3,158)	(39,474)
Segment Profit	2,089,163	398,571	186,848	2,674,581
Operating Expenses	(1,987,191)	(331,079)	(151,350)	(2,469,620)
Depreciation on Factory Building	(2,933)	-	-	(2,933)
Finance Income	4,860	-	-	4,860
Finance Expense	(79,391)	(26,464)	(9,205)	(115,060)
Other Income	102,469	-	-	102,469
Company's Profit Before Tax and Discountinued Operations	126,976	41,028	26,293	194,297
	Decorative	Marine Paints	Portland Bathrooms	Total
	31 Dec 2013 N'000	31 Dec 2013 N'000	31 Dec 2013 N'000	31 Dec 2013 N'000
Revenue:				
Total Revenue	2,058,611	491,917	170,493	2,721,020
Total Revenue From External Customers	2,058,611	491,917	170,493	2,721,020
Company's Revenue per Statement of Comprehensive Income	2,058,611	491,917	170,493	2,721,020
Depreciation	(62,837)	(15,015)	(5,204)	(83,057)
Amortisation	(29,864)	(7,136)	(2,473)	(39,474)
Segment Profit	1,965,909	469,765	162,815	2,598,490
Operating Expenses	(1,852,145)	(443,472)	(153,703)	(2,449,320)
Depreciation on Factory Building	(3,730)	-	-	(3,730)
Finance Expense	(79,056)	(18,891)	(6,547)	(104,494)
Finance Income	3,649	-	-	3,649
Other Income	28,869	-	-	28,869
Company's Profit Before Tax and Discountinued Operations	63,496	7,403	2,566	73,464

The operating segments did not transact with each other and as such there are no transfer prices between operating segments.

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Production activities in the factory are mainly production of decorative paints. Hence the relevant costs are absorbed by Decorative Business Unit. This accounts for the depreciation on Factory building wholly absorbed by Decorative Business Unit. Other Income is generated from the application of paints in addition to the sales and marketing of paint products.

The amounts provided to the chief operating decision maker (CODM) with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segments and the physical location of the assets.

(ii) Segment Information	Decorative	Marine Paints	Portland Bathrooms	Total
	31 Dec 2014 N'000	31 Dec 2014 N'000	31 Dec 2014 N'000	31 Dec 2014 N'000
Addition to Non-current Assets	121,495			121,495
Reportable Segment Assets	1,159,669	455,512	341,634	1,956,814
Factory Office Property	199,249	-	-	199,249
Total Company Assets	1,480,412	455,512	341,634	2,277,558
Reportable Segment Liabilities:				
Loans and Borrowings (Excluding Leases and Overdrafts)	699,791	-	-	699,791
Defined Benefit Pension Scheme	-	-	-	-
Financial Liabilities	80,803	-	-	80,803
Deferred Tax Liabilities	74,280	-	-	74,280
Other Unallocated and Central Liabilities	498,085	-	-	498,085
Total Company Liabilities	1,352,959	-	-	1,352,959
	Decorative	Marine Paints	Portland Bathrooms	Total
	31 Dec 2013 N'000	31 Dec 2013 N'000	31 Dec 2013 N'000	31 Dec 2013 N'000
Addition to Non-current Assets	40,310			40,310
Reportable Segment Assets	1,120,791	414,644	310,983	1,846,419
Factory Office Property	186,493	-	-	186,493
Total Company Assets	1,347,594	414,644	310,983	2,073,222
Reportable Segment Liabilities:				
Loans and Borrowings (Excluding Leases and Overdrafts)	482,726	-	-	482,726
Defined Benefit Pension Scheme	46,619	-	-	46,619
Financial Liabilities	105,805	-	-	105,805
Deferred Tax Liabilities	83,944	-	-	83,944
Other Unallocated and Central Liabilities	578,167	-	-	578,167
Total Company Liabilities	1,297,261	-	-	1,297,261

Items of Property, Plant and Equipment are directly allocated to the segment enjoying the economic benefits of the assets.

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	31 Dec 2014 N'000	31 Dec 2013 N'000
4 Other operating income:		
Government grants	24,534	16,863
Profit / (Loss) on sale of fixed assets	4,205	(9,480)
Other Income	6,592	6,906
Insurance claim received	1,483	707
Income from executed projects	18,747	9,624
Exchange gain	4,294	469
Franchisee Fee	42,614	3,780
Total	102,469	28,869
5 Expenses by nature		
Change in inventories of finished goods and work in progress	1,492,342	1,462,748
Amortization of intangible assets	39,474	39,474
Depreciation on property, plant and equipment	115,326	114,139
Staff costs	304,616	352,447
Sales commissions, rebates and discounts	176,415	136,706
Distribution costs	107,437	108,496
Repairs and maintenance	69,311	74,596
Advert and promotional expenses	54,385	46,013
Management fee	28,194	-
Auditors' fees	10,000	8,660
Other expenses	198,639	232,302
	2,596,138	2,575,580
6 Expense by function		
Cost of sales	1,492,342	1,462,748
Selling & distribution expenses	486,580	463,784
Administrative expenses	617,216	649,048
	2,596,138	2,575,580
7 Finance income		
Interest received on bank deposits	4,860	3,649
Total	4,860	3,649
Finance costs		
Interest on debts and borrowings	110,479	94,866
Finance charges payable under finance lease	4,580	9,628
Total	115,060	104,494
8 Taxation		
(i) Current tax on profits for the year:		
Company income tax	49,589	11,411
Education tax	5,729	3,379
Deferred tax	(9,664)	1,328
Total current tax	45,654	16,118
(ii) Reconciliation of tax charge:		
Profit before tax	194,297	73,464
Tax at Nigerian's statutory income tax rates	58,289	37,077
Disallowable expenses	44,179	40,669
Disallowable income	(16,535)	(27,057)
Balancing charge	5,757	1,585
Tax effective of capital allowance	(42,100)	(40,863)
Education tax @2% of assessable profit	5,729	3,379
Deferred tax relating to origination of temporary differences	(9,664)	1,328
Total tax charge for the year	45,654	16,118

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
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	Land	Factory building	Plant and machinery	Furniture and fittings	Motor vehicles	Leased Assets (Motor vehicles)	Work-in-progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
9 Property, plant and equipment								
Cost								
At 1 January 2013	40,000	146,493	339,533	200,871	244,041	88,669	-	1,059,606
Additions	-	-	8,347	10,639	380	-	20,945	40,310
Transfers	-	-	-	-	14,804	(14,804)	-	-
Disposal	-	-	(3,848)	(174)	(38,048)	-	-	(42,070)
Retired	-	-	-	-	(56,989)	-	-	(56,989)
At 31 December 2013	40,000	146,493	344,031	211,336	164,188	73,865	20,945	1,000,858
At 1 January 2014	40,000	146,493	344,031	211,336	164,188	73,865	20,945	1,000,857
Additions	-	19,420	55,487	18,857	13,732	-	13,999	121,495
Transfers	-	-	16,445	4,500	73,864	(73,864)	(20,945)	-
Disposal	-	-	(10,910)	(6,820)	(24,777)	-	-	(42,507)
At 31 December 2014	40,000	165,912	405,054	227,873	227,006	-	13,999	1,079,845
Depreciation								
At 1 January 2013	-	-	164,699	80,857	150,062	13,902	-	409,520
Additions	-	3,730	27,227	35,698	29,750	17,734	-	114,139
Disposal	-	-	(1,159)	(124)	(20,230)	-	-	(21,513)
Transfer	-	-	-	-	5,942	(5,942)	-	-
Retired	-	-	-	-	(56,989)	-	-	(56,989)
At 31 December 2013	-	3,730	190,767	116,431	108,535	25,694	-	445,157
At 1 January 2014	-	3,730	190,767	116,431	108,535	25,694	-	445,157
Additions	-	2,933	27,732	40,666	32,915	11,080	-	115,326
Disposal	-	-	(5,732)	(4,531)	(17,415)	-	-	(27,678)
Transfer	-	-	-	-	36,773	(36,773)	-	-
At 31 December 2014	-	6,663	212,767	152,566	160,808	-	-	532,805
Net book Value as at:								
At 31 December 2014	40,000	159,249	192,287	75,307	66,198	-	13,999	547,040
At 31 December 2013	40,000	142,763	153,264	94,905	55,653	48,171	20,945	555,701

Fair Value of land and building:

The company land and buildings were fair valued as at 31st December 2012 by Obosi Eleh & Co. (Estate Valuer), an accredited independent professional valuer who holds relevant professional qualifications and have recent experience in the location and categories of the properties valued. The fair value measurement is based on its "highest and best use" and its represents the price that would be received to sell the property in an orderly transaction between market participants as at 31 December 2012. Fair value is determined by reference to market-based evidence, based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. Management is of the opinion that the value represents the value as at 31st December 2014. Other items of PPE were carried at cost, duly reviewed for impairment as at 31st December 2014, no impairment provision is deemed necessary.

Depreciation amounting to N115m (2013-N114m) charged to income statement, N35m (2013-N33m) charged to cost of sales, N53m (2013- N50) to administrative expenses and N28m (2013-N31m) to selling and distribution expenses.

The leased assets include motor vehicles required for efficient sales and distribution activities. While the company is the lessee the lessors are Financial Derivatives Co. Limited, Citicorp Financial Services Limited. The lease is a non cancellation finance lease and the company has option to buy the leased assets at the end of the lease term ranging between October 2014 and February 2015. However, the lease finance liability had been completely liquidated within the year 2014 which necessitated the transfer of the leased assets into the company owned assets.

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10 Intangible Assets	Trade Mark N'000	Computer Software N'000	Total N'000
Cost			
At 1 January 2013	49,024	197,368	246,392
At 31 December 2013	49,024	197,368	246,392
At 1 January 2014	49,025	197,368	246,393
At 31 December 2014	49,025	197,368	246,393
Amortization:			
At 1 January 2013	-	3,289	3,289
Charge for the year	-	39,471	39,471
At 31 December 2013	-	42,760	42,760
At 1 January 2014	-	42,760	42,760
Charge for the year	-	39,473	39,473
At 31 December 2014	-	82,233	82,233
Net Book values at:			
At 31 December 2014	49,025	115,135	164,160
At 31 December 2013	49,024	154,608	203,632

The Company's intangible asset represents the N49m trade mark purchased from Blue Circle Industries Plc adjudged to have an indefinite life. N197m relates to investment on licence and technical agreement on oracle ERP applications. The oracle ERP application was acquired in year 2012 and put to use December 2012, to be amortised to income statement over a period of five years. While the trade mark is carried at cost to be tested annually for impairment. At present no impairment is deemed required and there is no contractual commitment as at December 31, 2014.

Intangible assets amortization charged to income statement amounts to N39m (2013-N39m) included as part of administrative expenses.

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	31 Dec 2014	31 Dec 2013
	N'ooo	N'ooo
11 Inventories:		
Raw Materials	103,854	85,174
Packaging Materials	25,978	11,345
Work in progress	13,813	5,820
Goods In Transit	11,350	14,912
Finished Goods	599,328	576,683
Spare Parts	17,947	3,178
Diesel	3,887	2,862
Stock Impairment	<u>(19,617)</u>	<u>(12,121)</u>
Total	<u>756,540</u>	<u>687,853</u>

The quantity counted was valued using Weighted Average Costing model as per the Company's policy and agreed as stated herein.

The amount of write-down on inventories to net realizable value recognised as an expense is N19.6m (2013: N12.1 million). This represents provision for slow moving, obsolete and damaged inventories. All inventory with the exception of finished goods are stated at cost. Finished goods are stated at their net realisable values.

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12 Trade and Other Receivables	31 Dec 2014 N'ooo	31 Dec 2013 N'ooo
Trade receivables	493,550	433,917
Less: Provision for impairment of trade receivables	(93,177)	(70,740)
Receivables from related parties (Note 19)	8,383	9,498
Other receivables	96,085	104,046
	504,841	476,721
Prepayments - Current	54,895	53,512
Prepayments - Non-Current portion	25,032	26,518
Total prepayments	79,927	80,030

The balance on prepayment represent rent and insurance paid in advance which will be charged against earnings in periods it relates.

The fair values of trade and other receivables classified as loans and receivables are as follows:

	31 Dec 2014 N'ooo	31 Dec 2013 N'ooo
Trade receivables	400,373	363,177
Receivables from related parties (Note 19c)	8,383	9,498
Total	408,756	372,675

Trade receivables are non-interest bearing and are generally on terms of 30-90 days. Trade and other receivables as at 31 December 2014 were reviewed for impairment test and an additional impairment of N22.4 Million was booked for the period.

Provision for impairment of trade receivables:	31 Dec 2014 N'ooo	31 Dec 2013 N'ooo
As at January 1st 2014	70,740	59,212
(Write back) / Additional provision for receivable impairment	22,437	11,528
Total as at December 31, 2014	93,177	70,740

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13 Interest bearing loans and borrowings:

	31 Dec 2014	31 Dec 2013
	N'ooo	N'ooo
(i) Non-Current Borrowings:		
Bank loans:		
Long term liabilities (Note 14iii)	237,407	299,253
Obligation under finance lease (Note 14iv)	-	2,947
Total Non Current Borrowings	237,407	302,200
(ii) Current Borrowings:		
Overdrafts due within one year	-	69,431
Bank loans:		
Long term liabilities due within one year	462,384	38,705
Receivable Discounting Facility from First City Monument Bank Plc	-	47,068
Obligation under finance lease	-	25,322
Total Current Borrowings	462,384	180,526
Total Loans and Borrowings	699,791	482,726

The bank loans, overdrafts and finance lease borrowings were secured with the followings:

Current borrowings:

The bank overdrafts, commercial paper, import finance facility and finance lease were secured with the following:

- Debenture on fixed and floating assets of Portland Paints & Products Nigeria Plc, valued at N1.1 billion as at December 2011, by Ubosi Eleh & Co. estate surveyors
- Execution of trust receipts by the borrower.
- Ownership of assets financed
- Promissory note of the Company for principal and interest
- Sales collection agreement

(iii) Long term borrowings:

Non current liabilities:

The secured loan is a Central Bank of Nigeria (CBN) intervention fund through the Bank of Industry (BOI). The applicable interest rate is 6% per annum subject to review by the BOI from time to time in line with the prevailing market conditions. The loan is repayable in instalments at various dates between January 2011 to 2018. After bifurcation of the government grant, in the form of a low interest rate loan, the loan bears an effective interest rate of 22%. N25m (2013:N29m) interest on BOI facility was charged to income statement as at 31, December 2014.

Lender	Total Facility	Repayment Terms	31 Dec 2014	31 Dec 2013
Bank of Industry (BOI) Intervention funds Through Ecobank Nigeria Plc	N300m	Carrying Value - 28 equal quarterly installments from date of draw down	104,389	138,221
Bank of Industry (BOI) Intervention Funds Through FCMB Nigeria Plc	N255m	Carrying Value - 60 equal monthly installments with 12 months moratorium 1 year working Capital payable on demand	202,107	199,737
UACN - Working capital loan	N300m		300,000	-
Zenith Bank Plc	N100m	36 months equal instalment	93,295	-
Total Long Term Facility			699,791	337,958
Current Portion of Term-Loans			(462,384)	(38,705)
Due After One Year			237,407	299,253

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(iv)	Lessor	Total facility	Repayment Terms	31 Dec 2014 N'000	31 Dec 2013 N'000
	Financial derivatives Company Limited	N36m	46 months installments commencing from November 2011 to August 2015	-	20,554
	Citicorps Financial Services Ltd	N39.16m	36 months installments commencing from June 2012	-	7,716
			Total Finance Lease	-	28,270
			Current obligation	-	25,323
			Non current obligation	-	2,947
				-	28,270

The finance leases were secured with a legal ownership of the motor vehicles, comprehensive insurance cover on the vehicle under finance and vehicle tracker installation on the vehicle under finance lease. The applicable interest rate is between 17% - 23% per annum. N7.6m (2013: N9.6m) lease finance interest was charged to income statement .

(v) **Cash & Cash Equivalent:**

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following as at 31 December 2014:

	31 Dec 2014 N'000	31 Dec 2013 N'000
Cash in hand and bank	151,248	25,095
Short Term / Fixed deposit	73,802	44,189
Cash & short term deposit	225,051	69,284
Less: Bank Overdraft	-	(69,431)
Cash and Cash Equivalents	225,051	(147)

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one month and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

As at 31 December 2014, the Company had available N36.6 million (2013: N36.6 million) of undrawn committed borrowing facilities on behalf of its associates in respect of which all conditions precedent had been met.

(vi) **Government grants:**

	31 Dec 2014 N'000	31 Dec 2013 N'000
As at January	105,805	69,237
(Reclassification)/Received during the year	-	53,431
Total Government Grant for the year	105,805	122,668
Released to the income statement	(24,534)	(16,863)
	81,272	105,805
Current	11,609	24,534
Non current	69,663	81,271
	81,272	105,805

Government grants relates to loan granted by Agency of Nigeria Government (Centra Bank of Nigeria) with 6% interest rate which was below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. There are no unfulfilled conditions or contingencies attached to these grants.

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14 Trade and Other Payables

	31 Dec 2014	31 Dec 2013
	N'000	N'000
Trade payables	210,034	301,877
Other payables	35,920	37,777
Customer Deposits	24,303	96,170
Retirement benefits payable	-	46,619
Accruals	122,417	94,558
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	392,674	577,001
Intercompany Payable (Note 19d)	35,334	4,011
Total trade and other payables	428,008	581,012

Terms and conditions of the above financial and non-financial liabilities.

Trade payables are non-interest bearing and normally settled on 30 day term

Other payables and accruals are non-interest bearing and have an average term of 90 days.

The employee retirement benefits N46.6m as at December 31 2014 has been fully settled. The amount accrued to individual beneficiaries were paid directly into their pension savings accounts with UNICO PFA. Beneficiaries were duly advised accordingly.

15 Corporate Tax Liability

	31 Dec 2014	31 Dec 2013
	N'000	N'000
Balance at Beginning of the year		
Company Income Tax	36,525	66,360
Education Tax	7,250	5,178
	43,775	71,538
Current Tax Expense		
Company Income Tax	49,589	11,411
Education Tax	5,729	3,379
	99,093	86,328
Payment During the year	(29,485)	(42,553)
Income tax payable	69,608	43,775
Total as at December 31, 2014		
Deferred tax		
	31 Dec 2014	31 Dec 2013
	N'000	N'000
At 1 January	83,944	82,615
Recognised in profit and loss		
Tax expense	(9,664)	1,329
Total as at December 31, 2014	74,280	83,944

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16 Share capital

(i)	Authorised		Authorised	
	31 Dec 2014 Number	31 Dec 2014 N'000	31 Dec 2013 Number	31 Dec 2013 N'000
Ordinary shares of 50 kobo each	400,000,000	200,000	400,000,000	200,000
Total	400,000,000	200,000	400,000,000	200,000
	Issued and Fully Paid	Issued and Fully Paid	Issued and Fully Paid	Issued and Fully Paid
	31 Dec 2014 Number	31 Dec 2014 N'000	31 Dec 2013 Number	31 Dec 2013 N'000
Ordinary shares of 50kobo each at the beginning of the year	400,000,000	200,000	400,000,000	200,000
At end of the year	400,000,000	200,000	400,000,000	200,000

(ii) Nature and purpose of reserves:

	31 Dec 2014 N'000	31 Dec 2013 N'000
Other capital reserve (Revaluation Reserve)		
At 1 January 2014	91,923	91,923
Revaluation during the year	-	-
Total as at December 31, 2014	91,923	91,923

Asset revaluation reserve:

The asset revaluation reserve is used to record increases in the fair value of property, plant and equipment and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. The revaluation was carried out on land and building in December 2010 and 2012 by Ubosi Eleh & Co., a professional firm of Chartered Surveyors on an open market basis.

(iii) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used on the basic earnings per share computations:

Net profit attributable to ordinary equity holders	148,643	57,346
Weighted average number of ordinary shares for basic earnings per share	400,000	400,000
Basic earnings per share (in kobo)	37	14

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	31 Dec 2014	31 Dec 2013 (as
	N'000	restated)
		N'000
17 Reconciliation of net profit to net cash provided by operating activities		
Profit before tax	194,297	73,464
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest paid	115,060	104,494
Finance income	(4,860)	(3,649)
Depreciation Charges	115,326	114,139
(Profit)/Loss on disposal of fixed assets	(4,205)	9,480
Amortisation of intangible assets	39,474	39,474
Decrease on investment in associate	-	2,842
	260,794	266,780
Changes in assets and liabilities:		
Increase in Trade debtors and prepayments	(28,016)	(25,344)
(Increase) / Decrease in Inventories	(68,691)	130,675
Decrease in Trade creditors & Accruals	(153,003)	(368,863)
	(249,710)	(263,532)
Net Adjustment	11,084	3,248
Net cash provided by operating activities	205,381	76,712

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18 Related party transactions

The parent, ultimate parent and controlling party of the company is UAC of Nigeria Plc incorporated in Nigeria. There are other companies that are related to Portland Paints & Products Nigeria Plc through common share holdings and directorship.

The following transactions were carried out with related parties:

(a) Sales of goods and services	Relationship	31 Dec 2014	31-Dec-13
		N'000	N'000
UACN Property Dev. Company Plc	Fellow subsidiary	-	15,002
MDS Logistics Ltd.	Fellow subsidiary	913	-
(b) Purchases of goods and services			
		2014	2013
		N'000	N'000
UAC of Nigeria Plc	Parent	35,053	-
UAC of Nigeria Plc (working capital loan)	Parent	300,000	-
UAC Foods Ltd	Fellow subsidiary	281	-
		335,334	-
Outstanding balances as at year end:			
(c) Intercompany Receivables			
UACN Property Dev. Company Plc	Fellow subsidiary	7,469	9,498
MDS Logistics Ltd.	Fellow subsidiary	913	-
		8,383	9,498
(d) Intercompany Payables			
UAC of Nigeria Plc	Parent	35,053	-
UAC of Nigeria Plc (working capital loan) (Note 14)	Parent	300,000	-
UAC Foods Ltd	Fellow subsidiary	281	-
		335,334	-

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	31 Dec 2014 N'000	31 Dec 2013 N'000
19 Compensation to key management personnel:		
Short-term employee benefits	18,895	52,400
Long-term employee benefits	<u>978</u>	<u>1,682</u>
	<u>19,873</u>	<u>54,082</u>

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel (The Directors). The Executive Directors are paid salaries and a housing allowance, transportation is also provided for them. While the Non-executive Directors are only entitled to Directors Fees and sitting allowance. As at 31 December 2014, an amount of N2.841 million (2013: N1.715 million) was paid to Non-executive Directors as Directors Fees and sitting allowance. Executive Directors are entitled to a defined contribution plan (pension) in accordance with Pension Reform Act 2004. But Non-executive Directors are not entitled to any form of pension or post employment benefits.

	31 Dec 2014 N'000	31 Dec 2013 N'000
The emoluments of the highest paid Director	<u>19,873</u>	<u>22,264</u>
Emolument of Non-executive Directors:		
Fee	1170	765
Sitting Allowance	<u>1,671</u>	<u>950</u>
	<u>2,841</u>	<u>1,715</u>

Directors' mix	31 Dec 2014 Number	31 Dec 2013 Number
Executive Directors	1	1
Non-executive Directors	<u>5</u>	<u>5</u>
	<u>6</u>	<u>6</u>

20 Staff Numbers:

The average number of persons employed by the Company during the year, including Directors, is as follows:

	31 Dec 2014 Number	31 Dec 2013 Number
Production	33	31
Sales, marketing and depot	72	73
Administration	<u>52</u>	<u>64</u>
	<u>157</u>	<u>168</u>

The number of employees in respect of emoluments within the following ranges was:

	31 Dec 2014 Number	31 Dec 2013 Number
N500,001 - N1,000,000	99	103
Above N1,000,001	<u>58</u>	<u>65</u>
	<u>157</u>	<u>168</u>

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21. Financial risk management

Portland Paints & Products Nigeria Plc's principal financial assets comprise trade and other receivables, cash and short term deposits that arise directly from its operations. The Company's principal financial liabilities comprise of interest bearing loans and borrowing and trade and other payables. The main purpose of these financial liabilities is to finance and to provide guarantee to support the Company's operations.

Portland Paints & Products Nigeria Plc's is exposed to credit risk, liquidity risk and market risk. The company's board has overall responsibility to oversee the management of these risks. The company's board of director's is supported by a risk management and governance committee that is responsible for developing the Company's Corporate Governance policies and practices and to consider the nature, extent and category of risks facing the Company.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

i. Credit risk

This is the risk of financial loss to the Company if a customer or counterparty to financial instrument fails to meet its Contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is Company policy, implemented locally, to assess the credit risk of new customers before entering contracts.

The concentration of Company credit risk is as follows:

31 December 2014				
Item	Total gross amount	Fully performing	Past due but not impaired	Impaired
Trade receivables	493,551	264,578	135,796	93,177
Receivables from related companies	8,383	8,383	-	-
Other receivables	175,411	175,411	-	-
Advances to staff	600	600	-	-
Cash and bank balances	151,248	151,248	-	-
Short term deposits	73,802	73,802	-	-
Total	902,995	674,022	135,796	93,177
31 December 2013				
Item	Total gross amount	Fully performing	Past due but not impaired	Impaired
Trade receivables	433,917	195,854	167,323	70,740
Receivables from related companies	9,498	9,498	-	-
Other receivables	181,841	181,841	-	-
Advances to staff	2,257	2,257	-	-
Cash and bank balances	25,095	25,095	-	-
Short term deposits	44,189	44,189	-	-
Total	696,797	458,734	167,323	70,740

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(a) Trade receivables

Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored by the credit committee comprising of sales, finance and internal audit and sales to major distributors/customers are generally covered by insurance certificate.

The entity has adopted a policy of only dealing with credit worthy counter-parties and a credit committee is instituted which comprises of sale, finance and internal audit department to review the outstanding balances on customers' account. Insurance certificate is required before credit is granted to key distributors. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial conditions of account receivable and where appropriate, credit guarantee insurance cover is purchased.

Apart from Damsu and Satkay the largest customers of the entity with an outstanding balance of N65 million and N35 million respectively, the entity does not have significant credit risk exposure to any single counterparts or any group of counterparties having similar characteristic. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at anytime during the year.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

Counterparties without external credit ratings:

Trade receivables	31 Dec 2014	31 Dec 2013
Group 1	102,164	269,004
Group 2	355,427	98,862
Group 3	35,970	66,051
Total	493,551	433,917

The Company defines the rating as follows:

Group 1 – These are balances with Blue Chip, Listed and other large entities with a low chance of default.

Group 2 - These are balances with small – medium sized entities with no history of defaults.

Group 3 – These are balances with small – medium sized entities with history of defaults or late payments.

(b) Cash and short term deposits

Credit risk from balances with banks and financial institutions is managed by the Portland Paints' treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party.

Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Managing Director. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. Portland Paints' maximum exposure to credit risk for the components of the statement of financial position at 31 December 2014 and 2013 is the carrying amounts.

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Counterparties with external credit Rating

Cash and Short term deposits	31 Dec 2014	31 Dec 2013
AA	47,583	1,195
A+	40,048	3,861
BBB+	787	-
A-	45,250	7,743
BBB	-	-
Non rated	91,382	56,485
Total	225,051	69,284

ii. Liquidity risk

This is the risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company policy is to ensure that it will always have sufficient cash to allow it meet its liabilities when they become due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity requirement. The entity manages liquidity risk through the use of bank overdrafts, bank loans, and finance leases. The company has agreement with our bankers to provide overdraft facilities for short term funds requirement and long-term borrowing facilities, by continuously monitoring forecast and actual cash flow and matching the maturity profile of financial assets and liabilities.

At 31 December 2014	Less than 3 Months	Between 3 Months and 1 year	Between 1 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	-	-	699,791	-
Finance lease liabilities	-	-	-	-
Trade and other payables	428,008	-	-	-
Bank overdrafts	-	-	-	-
Total	428,008	-	699,791	-
At 31 December 2013	Less than 3 Months	Between 3 Months and 1 year	Between 1 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	47,068	-	336,150	-
Finance lease liabilities	-	30,078	-	-
Trade and other payables	534,393	-	-	-
Bank overdrafts	-	69,431	-	-
Total	581,460	99,508	336,150	-

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

iii. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The activities of the entity are exposed primary to the following market risks; interest rate risk, foreign currency risk and commodity price risk.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's short-term debt obligations with floating interest rates.

The company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The company's policy is to keep between 30% and 60% of its borrowings at fixed rates of interest and has been achieved by converting the short term funds to long term fund through the BOI which has fixed and single digit effective interest rate and more flexibility in repayments.

Concentration of Interest Risk are as follows:

31 December 2014				
Items	Weighted average Interest rate	Interest bearing Balance (Naira)		Non-interest bearing
		Variable rate N'000	Fixed rate N'000	N'000
Financial assets:				
Trade and other receivables				584,768
Cash and bank balances				151,248
Short-term deposits	9		73,802	
Total			73,802	736,016
Financial liabilities:				
Borrowings	16		699,791	
Trade and other payables				428,008
Bank overdrafts				
Total			699,791	428,008
31 December 2013				
Items	Weighted average Interest rate	Interest bearing Balance (Naira)		Non-interest bearing
		Variable rate N'000	Fixed rate N'000	N'000
Financial assets:		-	-	-
Trade and other receivables		-	-	664,830
Cash and bank balances		-	-	25,095
Short-term deposits	22	-	44,189	-
Total		-	44,189	689,925
Financial liabilities:				

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Borrowings	16	47,068	366,228	
Trade and other payables		-	-	534,393
Bank overdrafts	22	69,431	-	-
Total		116,498	366,228	534,393

(b). Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency). In preparing the financial statement of the entity, transactions in currencies other than the entity's functional currency [foreign currencies] are recognized at the rates of exchanges prevailing at the date of the transactions. The company is not managing its foreign currency risk by hedging because the entity's dealing in foreign currencies is minimal and will not have material effect on the financial statements of Portland Paints & Products Nigeria Plc.

(c). Commodity price risk

The company is affected by the volatility of certain commodities. Its operating activities involve the ongoing purchase and manufacturing of paints, purchase and marketing of sanitary wares and therefore require a continuous supply of resins, titanium dioxide and calcium carbonate. Due to the significantly increased volatility of the price of the underlying, the Company's Board of Directors has developed and enacted a risk management strategy dealing with commodity price risk and its mitigation. The company also has an agreement with the major suppliers of those raw materials for constant supplies at stable prices. For the sanitary wares the Company is the sole distributor of Ideal Standard and Armitage Shanks in Nigeria and the manufacturer of those products treat the company with utmost care in terms of quality and product prices. In view of the above financial statements of the entity is not exposed to price risk.

22. Capital management

Management considers capital to consist only of equity as disclosed in the statement of financial position. The primary objective of the Portland Paints capital management is to ensure that it maintains a healthy capital ratio that support its business and maximize shareholder value. The company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014. In order to ensure an appropriate return for shareholder's capital invested in the company, management thoroughly evaluates all material projects and potential acquisitions before approval. The company is not subject to any capital restriction requirements.

The company monitors capital using a gearing ratio, which is interest bearing debt divided by total capital plus interest bearing debt. The company's policy is to keep the gearing ratio between 20% and 50%.

Item	2014	2013
Interest bearing debt	699,791	482,726
Total equity	958,296	775,960
Total capital	1,658,087	1,258,686
Gearing ratio	42%	38%

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

23. Events after the reporting period

There are no material events which could have had a material effect on the state of affairs of the Company after the reporting period.

24. Commitments and contingencies

Capital commitments

At 31 December 2014, the Company did not have any capital commitments (31 December 2013: Nil).

Legal claim contingency

There is litigation and claim against the Company as at 31 December 2014 amounting to ~~₦~~50 million (2013: ~~₦~~50 million).

The company has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these financial statements.

Guarantees

The company has provided financial guarantee contracts on behalf of Portland Construction Ltd to a maximum amount of ~~₦~~36.6 million (31 December 2013, N36.6 million).

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2014

	YTD 2014		YTD 2013	
	N'000	%	N'000	%
Turnover	2,798,166		2,721,020	
Non trading items	<u>107,329</u>		<u>32,517</u>	
	2,905,495		2,753,538	
Bought-in-material and services:				
- Local	(1,722,135)		(1,669,260)	
- Imported	<u>(485,730)</u>		<u>(470,817)</u>	
Value added	<u>697,630</u>	100%	<u>613,461</u>	100%
Applied as follows:-				
To pay employees:				
Salaries and labour related expenses	301,229	43%	352,447	57%
To pay Government:				
Corporate tax	45,654	7%	16,118	3%
To pay provider of capital:				
Interest charges	115,060	16%	104,494	17%
To pay shareholders				
as dividend	-	0%	-	0%
To provide for replacement of assets				
dividend to shareholders and				0%
development of business				
- Depreciation	87,044	12%	83,057	14%
- Deferred tax	-	0%	-	0%
- Profit for the year	<u>148,643</u>	21%	<u>57,346</u>	9%
	<u>697,630</u>	100%	<u>613,462</u>	100%

Value added represents the additional wealth which the company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth to employees, providers of capital, government and that retained for the future creation of more wealth.

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
FIVE YEARS FINANCIAL SUMMARY
FOR THE YEAR ENDED 31 DECEMBER 2014

	IFRS			LOCAL GAAP		
	2014 N'000	2013 restated) N'000	(as 2012 restated) N'000	(as 2011 N'000	2010 N'000	2009 N'000
Statement of financial position:						
Property, plant & equipment	547,040	555,701	650,086	642,359	373,277	282,069
Intangible asset	164,160	203,633	243,103	189,989	49,025	20,749
Investment in associate	-	-	2,842	3,345	450	100
Non-current prepayments	-	26,518	38,008	-	-	-
Net current assets	569,716	457,524	63,051	654,799	665,404	611,386
Non-current liabilities:						
Interest-bearing loans and borrowings	(237,407)	(302,200)	(140,473)	(163,485)	(2,833)	(5,605)
Government grants	(69,663)	(81,271)	(55,389)	(69,237)	-	-
Employee benefit	-	-	-	(87,880)	(76,223)	-
Deferred taxation	(74,280)	(83,944)	(82,613)	(91,158)	(57,344)	(39,514)
	899,566	775,960	718,615	1,078,732	951,756	869,185
Shareholders' funds:						
Issued share capital	200,000	200,000	200,000	200,000	200,000	200,000
Other capital reserve	91,923	91,923	91,923	69,945	69,945	-
Retained earnings	632,680	484,037	426,691	808,787	681,811	669,185
	924,603	775,960	718,614	1,078,732	951,756	869,185
Statement of comprehensive income						
Turnover	316,052	2,721,020	2,865,581	2,584,183	2,380,328	2,269,253
(Loss)/profit before taxation	194,297	73,464	(257,118)	253,188	246,842	249,669
Taxation	(45,654)	(16,118)	(29,199)	(79,336)	(115,218)	(66,569)
(Loss)/profit after taxation	148,643	57,346	(286,317)	173,852	131,624	183,100
Dividend declared		=	=	80,000	64,000	48,000
Per share data (kobo)						
Earnings per share – Basic	37	14	-72	43	33	46
Dividend per share	-	-	-	20	16	12

Note:

1. Earnings per share are based on profit after taxation and the number of issued and fully paid ordinary share at the end of each financial year.
2. Dividends per share are based on the dividend declared and the number of issued and fully paid ordinary shares at the end of each financial year.