

IPWA PLC
[RC:2432]

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER, 2012

BBC PROFESSIONALS
CHARTERED ACCOUNTANTS

IPWA PLC
[RC: 2432]

ANNUAL REPORT AND FINANCIAL STATEMENTS - 2012

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IPWA PLC

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ANNUAL REPORT AND FINANCIAL STATEMENTS - 2012

DIRECTORS AND OTHER CORPORATE INFORMATION

BOARD OF DIRECTORS

Chief (Mrs) Edith I.O. Daniyan	-	Chairman
Engr. Sulaimon Ibikunle Tella	-	Managing/Chief Executive
Mary Abike Daniyan (Miss)		
Patrick Chinweike Abuka, Esq.		
Chief Folorunsho Daniyan		
Otunba Olumide John Atanda Osunsina		
Lt.Col. Abubakar Sadiq Zakariya Maimalari (Rtd)		
Kamar Gbadegesin Raji, Esq		
Angela Hansatu Osarunwense (Mrs)	-	Alternate to Miss M.A. Daniyan

SECRETARY

Crownsec Consults Limited
67 Awolowo Way,(Top floor, rear)
Ikeja, Lagos.

REGISTRARS

Union Registrars Limited
2, Burma road
Apapa, Lagos.

REGISTERED OFFICE

Plot 1 Oba Akran Avenue
Ikeja Industrial Estate
Ikeja, Lagos.

BANKERS

Access Bank Plc
Ecobank Nigeria Plc
Fidelity Bank Plc
First Bank of Nigeria Limited
Guaranty Trust Bank Plc
Skye Bank
Sterling Bank Plc
Union Bank of Nigeria Plc
United Bank for Africa Plc
Unity Bank Plc
Zenith Bank Plc

AUDITORS

BBC PROFESSIONALS
(Chartered Accountants)
24, Ilupeju By-Pass
Ilupeju
Lagos

SOLICITORS

T.B. Akinyeye & Co.	Olu Arotiba & Co
Pavillion Hotels Buildings (2nd Floor), Anifowoshe	70, Broad Street,
44/46 Adegbola Street, Ikeja	3rd Floor, 2nd Entrance
P.O.Box 1867, Lagos	Lagos

IPWA PLC
[RC:2432]
ANNUAL REPORT AND FINANCIAL STATEMENTS - 2012
FINANCIAL HIGHLIGHT

FINANCIAL HIGHLIGHTS

	2 0 1 2	2 0 1 1	Increase/ (decrease)
	N'000	N'000	%
Turnover	466,282	382,562	18
Loss before taxation	(90,718)	(156,408)	-72
Taxation	(21,611)	(22,318)	(100)
Loss transferred to revenue reserve	(112,329)	(178,726)	-59
Total Assets	1,558,623	1,671,713	-7
Total Liabilities	335,363	320,103	5
Total Equity	1,223,261	1,351,611	-10
	=====	=====	

Per N1.00 Share Data:

Loss per share (Kobo) Basic and Dilute	26	34	(24)
Net assets per share (Kobo) Basic and	242	263	(8)

Report of the Directors

For the year ended 31 December, 2012

The directors have pleasure in submitting to members their annual report together with the audited financial statements for the year ended 31 December, 2012.

PRINCIPAL ACTIVITIES

The principal activities of the company are manufacturing and marketing of paints and lacquers.

RESULTS FOR THE YEAR

	2012 N'000
Revenue	466,282 =====
Loss before taxation	(90,718)
Taxation	(21,611) -----
Loss after taxation	(112,329) =====

DIVIDEND

The directors do not recommend the declaration of any dividend because of the loss sustained in the year.

PRODUCT DISTRIBUTION

The company's products are distributed through many distributors across the country.

CORPORATE GOVERNANCE

The company is committed to the best practices and procedures in corporate governance. Its business is conducted in a fair, honest and transparent manner which conforms to the Code of Best Practices on Corporate Governance in Nigeria. Examples of the Company's compliance with these corporate governance requirements during the year under review are as follows:

i. Board Composition

The Board consists of a non-executive Chairman, six (6) non-executive directors, and two (2) executive directors, all bringing high level of competence and expertise. They are professionals and entrepreneurs with vast business management experience and credible track records. The non-executive directors are independent of the management and are free from constraints which may materially affect their judgement as directors of the company.

ii. Role of the Board

The Board has the responsibility for ensuring that the company is appropriately managed and achieves its strategic objectives with the aim of creating a sustainable long term value to the shareholders.

Report of the Directors (Continued)

For the year ended 31 December, 2012

iii. Record of Directors Attendance at Meetings

Members of the Board of Directors hold periodic meetings to decide on policy matters and to direct the affairs of the company, review its operations, finances and formulate growth strategy. Board agenda and reports are provided ahead of meetings.

Further to the provision of Section 258(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the records of the Directors' attendance at Board meetings during the year under review is available at the company's Corporate Head office for inspection. Further, and in line with Corporate Governance principles, details of attendance of the current Directors at the Board meetings during the year are as follows:

Names of Directors	No. of Meetings held	No. of Meetings attended
Chief (Mrs) Edith I.O. Daniyan	3	3
Engr. Sulaimon Ibikunle Tella	3	3
Mary Abike Daniyan (Miss)	3	-
Patrick Chinweike Abuka, Esq.	3	2
Chief Folorunsho Daniyan	3	2
Otunba Olumide John Atanda Osunsina	3	-
Lt.Col. Abubakar Sadiq Zakariya Maimalari (Rtd)	3	2
Kamar Gbadegesin Raji, Esq	3	3
Angela Hansatu Osarunwense (Mrs)	3	1

vi. Directors Interest

The direct and indirect interests of directors in the issued share capital of the company as recorded in the Register of directors shareholdings and/or as notified by the directors for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act, CAP C20 LFN 2004 and the listing requirements of the Nigerian Stock Exchange is as stated hereunder:

	Indirect Unit Holdings	Direct Unit Holdings
Chief (Mrs) Edith I.O. Daniyan	90,958,084	93,750
Engr. Sulaimon Ibikunle Tella	-	-
Mary Abike Daniyan (Miss)	-	-
Patrick Chinweike Abuka, Esq.	-	-
Kamar Gbadegesin Raji, Esq	31,104,500	50,000
Angela Hansatu Osarunwense (Mrs)	-	-

vii. Directors Interest in Contracts

None of the directors has notified the company for the purpose of Section 227 of the Companies and Allied Matters Act, CAP C20 LFN 2004 of any disclosable interest in contracts with which the company was involved during the year ended 31 December, 2012.

viii. Performance Evaluation of the Board

The Board has establish a system to undertake a formal and rigorous annual evaluation of its own performance, that of its Committees, the Chairman and individual Directors. The evaluation system includes the criteria and key performance indicators and targets for the Board, its Committee and each individual Committee member. The Board engages the services of external consultants to facilitate the performance evaluation of the Board, its Committees or individual members.

Report of the Directors (Continued)

For the year ended 31 December, 2012

EMPLOYMENT AND EMPLOYEES

Employment policy

It is the policy of the company that there should be no discrimination in considering applications for employment including those from physically challenged persons. However, there was no physically challenged person in the

Training and development

It is the company's policy to equip all employees with the skills and knowledge required for the successful performance of their jobs. We therefore see the investment in our people as major part of our strategic development and have maintained a consistent policy of training our staff, both locally and internationally to enhance their skills and competence.

Health and welfare of employees

The company maintains a staff clinic with a full-time nurse and weekly attendance by a physician. It also offers free medical services through a health management services provider to all members of staff.

The company continuously strives to improve its operation to ensure a safe working environment. It also maintains high standard of hygiene in all its premises through sanitation practices and regular fumigation exercises, as well as installation of pest and rodent control gadgets. Nutritionally balanced meals are provided in the staff canteen free for the junior staff and at highly subsidized prices for the senior staff.

Statements of Directors Responsibilities

For the year ended 31 December, 2012

IPWA PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2012

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view of the statement of financial affairs of the at the end of the year and of its comprehensive income in the manner required by the Companies and Allied Matters Act CAP C20 LFN 2004 and Financial Reporting Council of Nigeria Act No 6, 2011.

- (i). 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 and the Insurance Act.
- (ii). establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities
- (iii). prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, that are consistently applied.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in compliance with:

International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the company and of the profit or loss for the year. 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 control.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY

.....
DIRECTOR

.....
DIRECTOR

Report of the Directors (Continued)

For the year ended 31 December, 2012

AUDIT COMMITTEE

In compliance with section 359 (4) of the Companies and Allied Matters Act of Nigeria, members of the Audit Committee were elected at the Annual General Meeting held on 13 December, 2012. Members that served on the Committee during the year comprise:

Mr E. O. Oyetunde	-	Chairman
Chief Folorunsho Daniyan		
Engr.S.I Tella		
Mr Kamar Gbadegesin Raji		
Mr Morounfolu Adedapo O Ojutiku		
Mr B O Ogunbona		

QUALITY POLICY

The company is committed to the continuous achievement of business success by maintaining its quality leadership in the paint industry.

This is driven by a quality management system designed to ensure that customers are always provided with high quality products and services that meet International Standards. Such standards are in full compliance with all statutory and regulatory requirements and are set out in writing for adherence by all staff at all times.

SHAREHOLDING ANALYSIS

The shareholding structure of the company as at 31 December, 2012 is as stated below:

Share range	No of holders	No of shares	% of holdings
1 - 1,000	8,823	3,506,632	0.68
1,001 - 5,000	4,670	8,820,293	1.72
5,001 - 10,000	1,171	4,788,081	0.93
10,001 - 50,000	1,391	13,352,539	2.60
50,001 - 100,000	217	6,798,891	1.32
100,001 - 1,000,000	150	27,884,537	5.42
1,000,001 - 5,000,000	9	35,984,021	7.00
5,000,001 - above	17	413,005,719	80.33
	<u>16,448</u>	<u>514,140,713</u>	<u>100.00</u>

Report of the Directors (Continued)

For the year ended 31 December, 2012

SUBSTANTIAL INTEREST IN SHARES

According to the register of members, the following shareholders of the company held more than 5 percent of the issued share capital of the company at 31 December, 2012.

	2 0 1 2	
	Number	%
S B C Limited	90,958,084	17.7
IP Overseas Investment Limited	65,917,317	12.9
Emmyson Nig Limited	30,799,910	6.0
Intercontinental Wapic Insurance Plc	40,170,500	7.8
Honey Badger Limited	31,104,500	6.2

DONATIONS AND SPONSORSHIP

The company made no donation during the year.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are shown in note 5 on page 30. In the opinion of the directors, the market value of the company's properties are not lower than the value shown in the financial statements.

SUBSEQUENT EVENTS AFTER YEAR END

There are no subsequent events which could have had material effect on the financial position of the Company as at 31 December, 2012 and profit attributable to equity holders on that date.

INDEPENDENT AUDITORS

In accordance with section 357 (2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, Messrs BBC Professionals [Chartered Accountants] have expressed their willingness to continue in office as Independent Auditors to the Company. A resolution will be passed at the Annual General Meeting to authorize the directors to fix the remuneration of the auditors.

Dated.....

By Order of the Board

.....
Company Secretary

Report of the Audit Committee

For the year ended 31 December, 2012

In compliance with the provisions of Section 359(6) of the Companies and Allied Matters Act CAP C20 LFN 2004, we the members of the Audit Committee of **IPWA Plc** hereby report as follows:

- (a.) We have received the scope of planning of the audit for the year ended 31 December, 2012 and we observed confirm that they were adequate.
- (b) We reviewed the external auditors' Management Control Report together with Management responses; and
- (c) We have ascertained the accounting and reporting policies of the company for the year ended 31 December 2012 are in accordance with legal requirements and agreed with ethical practices.

In our opinion, the scope and planning of the audit for the year ended 31 December 2012 was adequate and management responses to the auditors' finding were satisfactory.

.....

Chairman, Audit Committee

.....

Members of the Audit Committee

Mr Emmanuel Abiodun	-	Chairman/Shareholder
Chief Folorunsho Daniyan	-	Shareholder
Engr. S.I Tella	-	Shareholder
Mr Kamar Gbadegesin Raji	-	Director
Mr Morounfolu Adedapo O Ojutiku	-	Director
Mr B O Ogunbona	-	Director

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF IPWA PLC

We have audited the accompanying financial statements of **IPWA Plc** on pages 12 to 45 which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income , statement of cash flows, statement of changes in equity , the summary of significant accounting policies and notes to the financial statements.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, CAP C20 LFN 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the fair presentation of financial statements that are free from material mis-statement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material mis-statement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of **IPWA Plc** as at 31 December, 2012 and of its financial performance and cash flows for the year then ended in accordance with Companies and Allied Matters Act, CAP C20 LFN 2004 and International Financial Reporting Standard being Standards and Interpretations issued by International Accounting Standards Board adopted by the Financial Reporting Council of Nigeria.

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 purpose of our audit;
- (ii) in our opinion, proper books of account have been kept by the Company, so far as it appears from our examination of those books; and
- (iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Lagos, Nigeria

2014

IPWA PLC

Statement of Financial Position

for the year ended 31 December 2012

		31 December		01-Jan
	Note	2012 N'000	2011 N'000	2011 N'000
Assets				
Non-current assets				
Property, plant and equipment	7	1,220,657	1,268,763	178,699
Intangible assets	8	176	265	170
Financial assets	9	411	411	408
		1,221,244	1,269,439	179,277
Current assets				
Inventories	10	135,323	99,432	105,012
Trade and other current receivables	11	187,455	269,303	278,561
Cash and cash equivalents	12	14,601	33,539	19,811
		337,380	402,274	403,384
Total assets		1,558,623	1,671,713	582,661
Equity				
Share capital	19	257,070	257,070	257,070
Share premium	20	217,610	217,610	217,610
Retained earnings	22	748,581	876,931	-141,977
Total Equity		1,223,261	1,351,611	332,703
Non-current liabilities				
Retirement benefit obligations	13	49,838	50,566	18,473
Deferred tax liabilities	15.3	29,781	14,977	-
Total non-current liabilities		79,618	65,543	18,473
Liabilities				
Current liabilities				
Financial liabilities	14	28,686	48,790	67,307
Trade and other payables	13	205,670	178,243	142,281
Current tax liabilities	17.2	21,388	27,527	21,897
Total current liabilities		255,745	254,560	231,485
Total liabilities		335,363	320,103	249,958
Total liabilities and equity		1,558,623	1,671,713	582,661

The financial statements and notes on pages 16 to 44 were approved by the Board of Directors on.....
and signed on its behalf by:

.....
.....

Directors

IPWA PLC

Statement of Comprehensive Income

For the year ended 31 December 2012

		31 December	
	Note	2012 N'000	2011 N'000
Revenue	19	466,282	382,562
Cost of sales		(303,915)	-277,066
Gross profit		162,367	105,496
Other income	20	1,137	27,144
Selling and distribution expenses		(116,941)	-112,752
Administrative expenses		(135,766)	-157,579
Results from operating activities		-89,203	-137,691
Finance income		1,318	23
Finance costs		(2,832)	-18,740
Net finance (cost)/income		-1,515	-18,717
Loss before taxation		-90,718	-156,408
Taxation	17.1	(21,611)	-22,318
Loss for the year		-112,329	-178,726
Loss for the period recognised in the income statement		-112,329	-178,726
Property, Plant and Equipment revaluation surplus	23	-	1,197,634
Total comprehensive income		-112,329	1,018,908
Loss per share			
Loss per share (kobo)		26	34

The notes on pages 16 to 44 form an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December, 2012

	Share capital N'000	Share premium N'000	Retained earnings N'000	Total equity N'000
To 1 January, 2011	257,070	217,610	-141,977	332,703
Comprehensive income	-	-	1,018,908	1,018,908
To 31 December, 2011	<u>257,070</u>	<u>217,610</u>	<u>876,931</u>	<u>1,351,611</u>
	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>
To 1 January, 2012	257,070	217,610	876,931	1,351,611
Other comprehensive income			-112,329	-112,329
Other movements			-16,022	-16,022
To 31 December, 2012	<u>257,070</u>	<u>217,610</u>	<u>748,581</u>	<u>1,223,261</u>
	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>

The notes on pages 16 to 44 form an integral part of these financial statements.

IPWA PLC

Statements of Cash Flows

for the year ended 31 December 2012

	Note	2012 N'000	2011 N'000
Cash flows from operating activities			
Cash generated from operations	16	6,305	-28,163
Net cash flows generated from operating activities		6,305	-28,163
Cash flows from investing activities			
Interest received		1,318	23
Purchase of intangible assets		-	-215
Purchase of property, plant and equipment		(3,626)	-577
Proceeds on disposal of property, plant and equipment		-	80,477
Net cash flows from investing activities		(2,308)	79,708
Cash flows from financing activities			
Interest payment		(2,832)	-18,740
Dividend paid		-	-559
Cash generated from financing activities		-2,832	-19,299
Net decrease in cash and cash equivalents		1,165	32,246
Cash and cash equivalents at 1 January		-15,250	-47,496
Cash and cash equivalents at 31 December	12	-14,085	-15,250

The notes on pages 16 to 44 form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December, 2012

1 REPORTING ENTITY

IPWA Plc was incorporated as a public limited liability company on 23 July, 1961. Its shares were listed on the Nigerian Stock Exchange (NSE) in November 1979.

IPWA Plc is a company domiciled in Nigeria. The company is principally engaged in the manufacture and marketing of paint and paint related products.

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) being Standards and Interpretations issued by the International Accounting Standards Board (IASB) in force at 31 December, 2012. They have been prepared in line with IFRS accounting policies selected by the Company on transition to IFRS. These are the Company's first set of full IFRS Financial Statements and first-time adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows to the Company is provided in note 16. The financial report should be read in conjunction with the comparative reconciliation provided in Note 16.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis, except for items measured at fair value and the use of actuarial methods for estimating certain employee benefits.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

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

- measurement of defined benefit obligations; and
- provisions and contingencies.

3. New accounting standards issued but not yet adopted

The following new standards, amendments and interpretations have been issued by the IASB but are not yet effective for the financial year beginning 1 January, 2011 and have not been early adopted by IPWA Plc (the list does not include information about new pronouncements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to the Company).

The Directors anticipate that the new standards, amendments and interpretations will be adopted in the company's financial statements when they become effective. The company has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

i. Ammendments to IAS 1 *Presentation of Items of Other Comprehensive Income* :

These ammdments improve the presentation of the components of other comprehensive income, mainly the Company will be required to group items presented in Other Comprehensive Income based on whether or not they will be reclassified to profit or loss subsequently. They are effective for annual periods beginning on or after 1 July, 2012.

Notes to the financial statements (Continued)

ii. *Amendment to IAS 1 Presentation of Financial Statements :*

The amendment clarifies that additional comparative information is not necessary for periods beyond the minimum required by IAS 1, however if voluntarily presented, it should be in accordance with IFRS, without triggering a requirement to provide a complete set of financial statements. It also clarifies that, in the case of changes in accounting policies retrospectively or a retrospective restatement or reclassification which has a material effect on the information in the statement of financial position at the beginning of the preceding period, the Company should present the statement of financial position at the end of the current period and the beginning and end of the preceding period. However, other than disclosure of certain specified information, related notes will not be required to accompany the opening statement of financial position as at the beginning of the preceding period. The amendment is effective for annual periods beginning on or after 1 January, 2013.

iii. *Amendments to IAS 32 titled Offsetting Financial Assets and Financial Liabilities :*

The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32, mainly by clarifying the meaning of currently has a legally enforceable right of set-off and that some gross settlement systems may be considered equivalent to net settlement. They are effective for annual periods beginning on or after 1 January 2014.

iv. *Amendments to IAS 32 Financial Instrument Presentation :*

The amendment clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12. It is effective for annual periods beginning on or after 1 January, 2013.

v. **IFRS 9 Financial Instruments :**

This standard introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and

vi. *Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.*

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is recognised in profit or loss.

The derecognition provisions are carried over almost unchanged from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January, 2015. the Directors anticipate that IFRS 9 will be adopted in the Company's financial statements when it becomes mandatory and that the application of the new Standard might have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statements of financial position at 1 January 2011 for the purposes of the transition to IFRSs, unless otherwise indicated.

Notes to the financial statements (Continued) for the year ended 31 December, 2012

(a) Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company continues to adopt the going concern basis in preparing its financial statements.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

(c) Foreign currency transactions

Foreign currency transactions are translated into Naira using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

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

(d) 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 deemed cost at the date of transition to IFRS less accumulated depreciation and any accumulated impairment losses.

For the purpose of application of IFRS 1, the cost of certain items of property, plant and equipment was determined by reference to previous valuation prior to the date of transition to IFRS. The Company elected to apply the optional exemption to use previous valuation as deemed cost as at 1 January, 2011, the date of transition to IFRS.

All other assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. All other Property, Plant and Equipment are stated at historical cost or valuation less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/ losses on qualifying cash flows hedges of foreign currency purchases of Property, Plant and Equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

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

An item of Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses on disposal or de-recognition of an item of Property, Plant and Equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, Plant and Equipment, and are recognized in income statement.

Depreciation is provided on components that have homogenous useful lives by using the straight line method so as to depreciate the initial cost down to the residual value over the estimated useful lives. The useful lives are as follows:

Land	NIL
Buildings	50 years
Furniture/Fittings and equipment	5 years
Vehicles	3 years
Plant and machinery	10 years
Computer equipment	4 years

Notes to the financial statements (Continued) for the year ended 31 December, 2012

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

Where an indication of impairment exists, an asset's carrying amount is written down immediately to its recoverable amount

(e) Intangible assets

(i) *Computer Software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives. Costs associated with maintaining computer software programmes are recognized as an expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

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

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditure that do not meet these criteria are recognized as an expenses as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives.

(ii) *Amortisation of Intangible assets*

(f) Financial assets classification:

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. the Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement.

Notes to the financial statements (Continued)

for the year ended 31 December, 2012

- *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) **Recognition and measurement:**

Regular purchases and sales of financial assets are recognized on the trade-date the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are substantially carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within 'other (losses) / gains - not in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Company's right to receive payments is established. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Company's right to receive payments is established.

(iv) **Impairment of financial assets**

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial
- adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlates on the assets in the portfolio.

Notes to the financial statements (Continued)

for the year ended 31 December, 2012

The Company first assesses whether objective evidence of impairment exists. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price. If in an subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognized in the income statement.

(v) Impairment of non - financial assets

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

(g) Inventories

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

Spare parts and servicing equipment are usually carried as inventory and recognized in profit or loss as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when the Company expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment. Such classified spares are depreciated as property, plant and equipment over the useful life on a straight line basis.

Notes to the financial statements (Continued)

for the year ended 31 December, 2012

(h) Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. The collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognized in the income statement.

(i) Research and development

Research and development expenditure is charged against profits in the year in which it is incurred, unless it meets the criteria for capitalisation set out in IAS 38 'Intangible assets'.

(j) Cash, cash equivalents and bank overdrafts

Cash, cash equivalents and bank overdrafts includes cash at bank and in hand plus short-term deposits less overdrafts. Short-term deposits have a maturity of less than three months from the date of acquisition. Bank overdrafts are repayable on demand and form an integral part of the Company's cash management.

(k) Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

(l) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payments are due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(m) Investments

Investments are classified as either held-to-maturity, held-for-trading, loans and receivables or available-for-sale. Held-to-maturity investments and loans and receivables are measured at amortised cost. Held-for-trading and available-for-sale investments are measured at subsequent reporting dates at fair value. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in the income statement for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statements for the period.

(n) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation and the amount has been reliably estimated. Provisions for restructuring costs are recognised when the Company has a detailed formal plan for the restructuring that has been communicated to affected parties. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be acquired to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the financial statements (Continued)

for the year ended 31 December, 2012

(o) **Tax**

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

(i) **Current tax:**

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

- Companies Income tax - This relates to tax on revenue and profit generated by the company during the year, to be taxed under the Companies Income Tax Act Cap C21, LFN 2004 as amended to date.
- Tertiary Education tax - Tertiary education tax is based on assessable income of the Company and is governed by the Tertiary Education Trust Fund (Establishment) Act LFN 2011.

(ii) **Deferred tax:**

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(iii) **Tax exposures:**

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expenses in the period that such determination is made.

(p) **Employee benefits:**

(i) **Defined contribution scheme:**

The Company operates a defined contribution plan which is funded by contributions from the Company and the employees. The company's contribution is recognised as employee benefit expenses and charged to the income statement. The contributions of both the company and the employees are paid on a monthly basis to a pension fund administrator. The company has no legal or constructive obligation to pay further contributions if the pension fund administrator does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due.

Notes to the financial statements (Continued)

for the year ended 31 December, 2012

(ii) **Short-term employee benefit:**

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plan if the Company has a present legal or constructive obligation to pay this amount as a result of past services [provided by the employee, and the obligation can be estimated reliably.

(q) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below:

i) **Sale of goods**

The company manufactures and sells a range of products to the distributors and dealers. Sale of goods are recognised when the company has delivered product to the customers and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been shipped to the specified locations; the risks of obsolescence and loss have been transferred to the customers and either the customers have accepted the products in accordance with the sales contract, the company has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with discounts and rebates. Sales are recorded based on the price specified on the sales invoice net of the discounts, rebates and returns at the time of sale.

Sales are also recognised when the customer self-collect the product directly at the company premises during which the risks and rewards of ownership passes to the customer at the point of loading after the customer's delivery truck leaves the company premises.

No element of financing is deemed present where sales are made on agreed credit terms which are consistent with the market practice.

ii) **Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

ii) **Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Notes to the financial statements (Continued)

for the year ended 31 December, 2012

(r) **Dividend distribution**

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

(s) **Earnings per share**

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year.

(t) **Share Capital**

The company has only one class of shares. Ordinary shares which are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

5 **Risk management**

Risk management is inherent in the business operations of the company. Management has set up processes and systems to identify, assess, monitor and control business risks including the following :-

(a) **Credit risk:-**

This refers to the risk that a trade debtor will default by failing to make payments in accordance with the agreed credit terms and conditions. The possible impact of the credit risk is poor Account Receivable assets quality arising from high level of bad and doubtful debts and possible impairment of shareholders' funds. The carrying amount of financial assets represents

Mitigating Measures:-

- Credit application follows rigorous and extensive credit review and approval process.
- All credits are secured by insurance or bank bonds.
- Once conditions are precedent to credit utilization are met by the customer, the approved credit is updated, monitored and
- Credit utilization report are prepared and monitored on a daily basis.

b) **Liquidity risk:-**

This refers to the risk of company's inability to finance its operation and meet its obligation when they become due without incurring unacceptable losses. liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

Mitigating Measures:-

- Efficient and effective working capital management.
- Efficient Naira facility management
- Efficient funds management to eliminate idle funds, meet obligations as they fall due and reduce interest expenses to the
- Liquidity and working capital management reports are prepared and monitored on daily basis.
- The Treasury Department is well structured and equipped under the management of a very experienced and well trained

Notes to the financial statements (Continued)

for the year ended 31 December, 2012

c) **Market risk:-**

Market risk is the risk of financial loss due to the change in value of the market risk factors. The company is faced with the following market risk factors.

- Current risk:- The risk that foreign exchange rates will fluctuate unfavorably at the foreign exchange market.
- Commodity risk:- The risk that paint prices will significantly increase at the Nigerian commodity markets.

Mitigating Measures:-

- Efficient management of exchange and interest rate risks including generation of relevant risk management reports for the monitoring and review on a daily and weekly basis.
- Monitor the money, capital and foreign exchange markets including micro and macroeconomic environment on a daily basis.
- Efficient management of the commodity risk by the Logistics and Supplies Department with a full-fledged experienced and well trained Team in the area of paint dynamics and procurement strategies.
- We monitor price dynamics and changes at the relevant Commodity Exchange Boards on a real time basis and take proactive decisions on a timely basis.
- The commodity risk affects the paint industry as the paint prices are determined at the Nigerian commodity markets. We

d) **Operational Risk :-**

This relates to the risk of loss resulting from inadequate or failed internal processes, controls, procedures, people, and systems. Operational risk is inherent in the business activities. These include risk of inadequate haulage partners required to achieve the company's objectives in terms of sales volume and profit; risk of wastages, downtime and other associated losses arising from inefficient plant operations; risk of breakdown of ERP and IT infrastructure or outright loss of critical operational/business data and information; risk of loss of company assets due to unexpected disaster which may affect business operations; risk of breakdown of internal control systems and misstatement of financial statements.

Mitigating Measures:-

- Efficient and effective maintenance culture to prevent down time and inefficient production operations.

Control activities are an integral part of the company's day to day operations and are defined at every business area.

- Existence of robust ERP and comprehensive computerisation of internal business processes, systems and procedures.
- Existence of robust IT business continuity and disaster recovery programmes
- All insurable business risks are assessed, identified and adequately covered/insured.
- Existence of documented standard operating procedures for all business activities.
- All key positions have a minimum of one under-study who can assume the roles immediately with minimum support, and eventually grow into the position.
- We continually train talents to meet our future skill requirements.
- Continuous recruitment of qualified haulage contractors to meet corporate requirements and prevent shortage of delivery
- We also have a strong, active and experienced Internal Audit Team. Internal Audit Reports highlighting control weaknesses
- The company's internal control and risk management systems ensure that material errors or incisistencies in the financial
- Financial statements are prepared periodically on monthly and quarterly bases for the review of the Management and the Board. Performance are monitored and compared with budgets.

Notes to the financial statements (Continued)

for the year ended 31 December, 2012

6. SIGNIFICANT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing its financial statements, the Company has made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Company periodically monitors such estimates and assumptions and make sure that they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue recognition

The Company makes provisions for trade discounts, volume rebates and charge back for product returns allowed by the sale contracts when recognising the revenue derived from sales of its products. Such deductions represent estimates, which are subject to judgements and assumptions based on past experience as well as the company's knowledge available at the time the estimate is made.

Allowance for doubtful receivables

The determination of the recoverability of the amount due from customers involves the identification of whether there is any objective evidence of impairment. Bad debts are written off when identified, to the extent that it is feasible that impairment and uncollectibility are determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. As a consequence, the way individual and collective evaluations are carried out and the timing relating to the identification of objective evidence of impairment require significant judgement and may materially affect the carrying amount of receivables at the reporting date.

Asset impairment tests

A financial asset or a group of financial assets, other than those categorised at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Impairment exists only when the Company ascertains that a "loss event" affecting the estimated future cash flows of the financial asset has occurred. It may not be possible to identify a single, discrete event that caused the impairment and moreover to determine when a loss event has occurred might involve the exercise of significant judgement.

The amount of impairment loss recognised for financial assets carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The impairment analysis of intangible assets (Computer Software) requires an estimation of the value in use of the asset or the cash-generating unit to which the assets are allocated. Estimation of the value in use is primarily based on discounted cash flow models which require the Company to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of the cash flows.

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is written down to their estimated realisable value when their cost may no longer be recoverable, such as when inventories are damaged or become wholly or partly obsolete or their selling prices have declined. In any case, the realisable value represents the best estimate of the recoverable amount, is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of write-downs to net realisable value include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and may materially affect the carrying amount of inventories at the reporting date.

Notes to the financial statements (Continued)

for the year ended 31 December, 2012

Deferred tax estimation

Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits being available in the future. Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Company making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

Actuarial assumptions on defined benefit retirement plans

Accounting for defined benefit plans may be complex because actuarial assumptions are required to measure the obligation and the expense, with the possibility that actual results differ from the assumed results. These differences are known as actuarial gains and losses. Defined benefit obligations are measured using the Projected Unit Method, according to which the Company has to make a reliable estimate of the amount of benefits earned in return for services rendered in current and prior periods, using actuarial techniques.

Notes to the financial statements

for the year ended 31 December, 2012

7. PROPERTY, PLANT AND EQUIPMENT

	Factory Land N'000	Building N'000	Plant and machinery N'000	Motor vehicles N'000	Computer Equipment N'000	Furniture And Equipment N'000	Total N'000
COST							
At 1 January, 2011	27,200	1,096,326	155,093	35,816	1,223	4,159	1,319,817
Of additions	-	-	-	-	-	-	-
At 31 December, 2011	<u>27,200</u>	<u>1,096,326</u>	<u>155,093</u>	<u>35,816</u>	<u>1,223</u>	<u>4,159</u>	<u>1,319,817</u>
At 1 January, 2012	27,200	1,096,326	155,093	35,816	1,223	4,159	1,319,817
Of additions	-	-	693	-	405	2,528	3,626
At 31 December, 2012	<u>27,200</u>	<u>1,096,326</u>	<u>155,786</u>	<u>35,816</u>	<u>1,628</u>	<u>6,687</u>	<u>1,323,443</u>
DEPRECIATION							
To 1 January, 2011	-	-	-	-	-	-	-
Charge for the year	-	22,470	15,509	11,937	306	832	51,054
To 31 December, 2011	<u>-</u>	<u>22,470</u>	<u>15,509</u>	<u>11,937</u>	<u>306</u>	<u>832</u>	<u>51,054</u>
To 1 January, 2012	-	22,470	15,509	11,937	306	832	51,054
Charge for the year	-	22,471	15,579	11,938	407	1,337	51,732
To 31 December, 2012	<u>-</u>	<u>44,941</u>	<u>31,088</u>	<u>23,875</u>	<u>713</u>	<u>2,169</u>	<u>102,786</u>
CARRYING AMOUNT							
At 31 December, 2012	<u>27,200</u>	<u>1,051,385</u>	<u>124,698</u>	<u>11,941</u>	<u>915</u>	<u>4,518</u>	<u>1,220,657</u>
At 31 December, 2011	<u>27,200</u>	<u>1,073,856</u>	<u>139,584</u>	<u>23,879</u>	<u>917</u>	<u>3,327</u>	<u>1,268,763</u>
At 1 January, 2011	<u>27,200</u>	<u>133,026</u>	<u>10,418</u>	<u>3,250</u>	<u>558</u>	<u>4,154</u>	<u>178,606</u>

8. INTANGIBLE ASSETS

COST/VALUATION	Software N'000
At 1 January 2011	384
Addition	<u>215</u>
At 31 December 2011	<u>599</u>
At 1 January 2012	599
Addition	<u>-</u>
At 31 December 2012	<u>599</u>
AMMORTISATION	
At 1 January 2011	213
Addition	<u>120</u>
At 31 December 2011	<u>333</u>
At 1 January 2011	333
Addition	<u>90</u>
At 31 December 2011	<u>423</u>
CARRYING AMOUNT	
At 31 December, 2012	<u>176</u>
At 31 December, 2011	<u>265</u>
At January, 2011	<u>170</u>

Notes to the financial statements

For the year ended 31 December, 2012

9 FINANCIAL ASSETS

Long term deposit at 31 December, 2011	
Accrued interest income	
Fair value of long term deposit at 31 December 2011	

2 0 1 2	2 0 1 1
₦'000	₦'000
411	388
-	23
411	411
=====	=====

10 INVENTORIES

Raw materials and consumables
Work-in-progress
Packaging materials
Finished goods

2 0 1 2	2 0 1 1
₦'000	₦'000
54,128	42,455
985	3,055
9,956	9,325
70,255	44,597
135,323	99,432
=====	=====

This excludes spare parts which are to be classified as property, plant and equipment

11 TRADE AND OTHER CURRENT RECEIVABLES

Trade Receivables (Net)

Other current receivables

Payment on account of suppliers
Prepayments
Other debtors
Withholding tax recoverable

2 0 1 2	2 0 1 1
₦'000	₦'000
140,816	200,323
268	22,179
522	672
20,067	23,954
25,782	22,175
46,640	68,980
187,455	269,303
=====	=====

There is no material difference between the fair value of receivables and their carrying amount.

Analysis of trade receivables

The analysis below analyses changes in the allowances for impairment losses in the year.

Trade receivables
Total trade receivables
Impairment provision for Trade Receivable
Net

2 0 1 2	2 0 1 1
₦'000	₦'000
237,020	291,728
-96,405	-91,405
140,615	200,323
=====	=====

Notes to the financial statements

For the year ended 31 December, 2012

	2012	2011
	₦'000	₦'000
12 CASH AND CASH EQUIVALENT		
Bank and cash balances	14,601	33,539

There is no material difference between the fair value and the carrying amount of cash equivalents.

	2012	2011
	₦'000	₦'000
13 TRADE PAYABLES AND OTHER CURRENT LIABILITIES		
Trade creditors	55,856	53,818
Unclaimed dividends	1,652	1,152
Provisions and accruals	13,164	12,205
Other creditors	116,972	109,742
Directors current account	18,026	1,326
	<u>149,815</u>	<u>124,425</u>
	<u>205,670</u>	<u>178,243</u>
	=====	=====

The carrying amount of trade and other payables and accrued liabilities is considered to be in line with their fair value at the reporting date.

	2012	2011
	₦'000	₦'000
14 FINANCIAL LIABILITIES		
Bank overdrafts	28,686	28,542
Commercial papers	-	11,893
Bank short term loan	-	8,355
	<u>28,686</u>	<u>48,790</u>
	=====	=====

Notes to the financial statements

For the year ended 31 December, 2012

15 RETIREMENT BENEFIT OBLIGATIONS

The company has both defined benefit and defined contribution plans.

Defined contribution plan

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

The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Defined benefit plan

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of planned assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The amounts recognised in the statement of financial position are determined as follows:

	2012	2011
	₦'000	₦'000
Present value of retirement benefit obligation	49,838	50,566
	=====	=====

The defined benefits obligation is calculated annually by independent actuaries.

Notes to the financial statements

For the year ended 31 December, 2012

16 PROFIT BEFORE TAXATION

The following items have been charged/(credited) in arriving at profit before tax:

	2 0 1 2	2 0 1 1
	₦'000	₦'000
Depreciation	51,732	51,054
Allowance for bad and doubtful debts	4,800	4,800
Auditors' remuneration	2,000	1,500
Directors' emoluments:		
Fees	652	652
Others	1,380	3,313
Finance cost	2,832	18,740
And crediting		
Profit on disposal of fixed assets	-	25,718
Finance income	1,318	23
	=====	=====

17 TAXATION

.1 Income Statement

	2 0 1 2	2 0 1 1
	₦'000	₦'000
Current company income tax	6,807	7,341
Education tax	-	-
	6,807	7,341
Deferred tax provision on origination and reversal of temporary differences	14,804	14,977
	21,611	22,318
	=====	=====

.2 Current tax liabilities

The movement in current tax balance is as follows:

	2 0 1 2	2 0 1 1
	₦'000	₦'000
At 1 January	27,527	20,186
Charge for the year	6,807	7,341
	34,334	27,527
Payment during the year	(12,946)	-
At 31 December	21,388	27,527
	=====	=====

The provision for income tax is based on the provision of the Companies Income Tax Act (LFN CAP 60) as amended to date while education tax is based on Education Tax Act No. 7 CAP E4 LFN, 2004.

Notes to the financial statements

For the year ended 31 December, 2012

	2012	2011
Other tax liabilities	£'000	£'000
Taxation	21,388	27,527
	<u>21,388</u>	<u>27,527</u>
	=====	=====
3 Deferred tax	£'000	£'000
Per income statement		
Charge to income statement for the year	14,804	14,977
	<u>14,804</u>	<u>14,977</u>
	=====	=====
Per statement of financial position		
The movement in deferred tax is as follows:		
Deferred tax liability:		
At 1 January	14,977	-
Charge for the year	14,804	14,977
	<u>14,804</u>	<u>14,977</u>
	=====	=====
At 31 December	29,781	14,977
	=====	=====

18 STATEMENT OF CASH FLOWS

The Statement of Cash Flows has been drawn up using the indirect method. Working capital comprises inventories, receivables and current liabilities (excluding bank overdrafts). The cash flow from investing activities relates to the net amount of investments

	2012	2011
1 Cash flows from operating activities	£'000	£'000
Reconciliation of net profit to operating profit before working capital changes		
Loss after tax	(112,329)	(178,726)
Adjustments for non cash items:		
Depreciation of property, plant and equipment	51,732	51,054
(Profit) on disposal of property, plant and equipment	-	(25,718)
Amortisation of intangible assets	90	120
Interest income	(1,318)	(23)
Interest expense	2,832	18,740
Taxation	21,611	22,318
Adjustments	4,081	
Net charge in retirement benefit obligations	(728)	32,093
Operating profit before working capital changes	-34,028	-80,142
2 Working capital changes		
(Increase)/decrease in inventories	(35,891)	5,580
Increase in deferred income and accruals	-	-
(Increase)/decrease in trade and other receivables	81,848	9,258
Increase/(decrease) in trade and other payables	7,323	37,141
	<u>53,279</u>	<u>51,979</u>
	<u>19,251</u>	<u>-28,163</u>
Tax Paid	(12,946)	-
Cash generated from operations	6,305	-28,163

Notes to the financial statements

For the year ended 31 December, 2012

	2012	2011
	₦'000	₦'000
19 Revenue by geographical location of customers:		
Domestic (within Nigeria)	466,282	382,562
	=====	=====
All sales were within Nigeria		
	2012	2011
	₦'000	₦'000
20 OTHER INCOME		
Other income comprises the following:		
Profit on sale of fixed assets	-	25,718
Sale of scraps	1,137	1,426
Provision no longer required	-	-
	1,137	27,144
	=====	=====
	2012	2011
	₦'000	₦'000
21 SHARE CAPITAL		
Authorised		
520,000,000 ordinary shares of 50k each	260,000	260,000
	=====	=====
Issued and fully paid		
514,140,713 ordinary shares of 50k each	257,070	257,070
	=====	=====
	2012	2011
	₦'000	₦'000
22 SHARE PREMIUM		
At 31 December	217,610	217,610
	=====	=====
	2012	2011
	₦'000	₦'000
23 REVALUATION RESERVE		
At 1 January	-	-
Surplus on revaluation	-	1,725,105
Transfer to retained earnings	-	(1,725,105)
	-	-
At 31 December	-	-
	=====	=====

Notes to the financial statements

For the year ended 31 December, 2012

24 RETAINED EARNINGS

Revenue reserve as per NGAAP at 31 December

Add back

Transfer to retained earnings

Loss for the year

Unreconciled balance

Balance at 31 December as per IFRS

2012	2011
₦'000	₦'000
876,931	(669,448)
-	1,725,105
-112,329	(178,726)
-16,022	
748,581	876,931
748,581	876,931
=====	=====

25 CHAIRMAN'S AND DIRECTORS' EMOLUMENTS, PENSIONS AND COMPENSATION FOR LOSS OF OFFICE

The remuneration paid to Directors was

.1 Fees:

Director's Fees

Director's Expenses

.2 Fees and other emoluments disclosed above include amount paid as:

Fees

Other emoluments

.3 Number of directors (excluding the chairman) whose emoluments were within certain ranges were:

N100,000 and above

.4 Waived emoluments

Number of directors who have waived their rights to receive emoluments

Aggregate of those emoluments

.5 Pensions of directors and past directors

Aggregate amount of directors' or past directors or past directors' pensions

Other pensions

2012	2011
₦'000	₦'000
652	652
1,380	3,313
2,032	3,965
=====	=====
2,032	3,965
-	-
2,032	3,965
=====	=====
Number	Number
-	-
=====	=====
1	1
=====	=====
-	-
=====	=====
1	1
-	-
=====	=====

Notes to the financial statements

For the year ended 31 December, 2012

6 Compensation to directors for loss of office

and the Chairman that form part of the leadership team (Chief operating officers).

As directors
As executives

2	0	1	2	2	0	1	1
			-				-
			-				-
			=====				=====

26 EMPLOYEES AND RELATED REMUNERATION

Number of employees in receipt of emoluments
excluding allowances were within the following
ranges:

N120,001	-	N220,000
N220,001	-	N320,000
N320,001	-	N420,000
N420,001	-	N520,000
N520,001	-	N620,000
N620,001	-	N720,000
Above		N720,000

2	0	1	2	2	0	1	1
			Number				Number
			47				-
			48				28
			6				40
			1				7
			4				30
			2				2
			4				7
			112				114
			=====				=====

Notes to the financial statements

For the year ended 31 December, 2012

27 CONTINGENT LIABILITIES, GUARANTEES AND OTHER FINANCIAL COMMITMENTS

i Charges

The company did not charge any of its assets to secure liabilities of third parties.

ii Financial commitments

The Directors are of the opinion that all known liabilities and commitments have been taken into account in the preparation of the financial statements under review. These liabilities are relevant in assessing the company's state of affairs as at 31 December, 2012.

iii Legal charges

There is a contingent liability in respect of six cases (2010 - two cases) pending at the law court against the company.

No provision has been made on four of the cases (2010 - two cases), as directors are of the opinion that the actions are not likely to succeed.

iv Capital commitments

There was no capital expenditure contracted but not provided for in the financial statements.

28 LOANS AND OTHER TRANSACTIONS FAVOURING DIRECTORS AND OFFICERS

a) During the year, the company guaranteed no loan in favour of its directors and officers.

b) No loans were given to the directors to purchase the company's shares during the year.

29 EARNINGS PER SHARE

The Earnings Per Share (EPS) is calculated by dividing the profit attributable to ordinary shareholders by the number of ordinary shares issued as at 31 December, 2012.

30 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the company on.....

Notes to the financial statements

for the year ended 31 December, 2012

31 EXPLANATION OF TRANSITION TO IFRS

i) Transition to IFRS

As stated in note 2(a), these financial statements are IPWA Plc's first financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December, 2012, the comparative information presented in these financial statements for the year ended 31 December, 2011 and in the preparation of the opening IFRS statement of financial position at 1 January, 2011.

In preparing its opening IFRS statement of financial position, IPWA Plc has adjusted amounts reported previously in financial statements prepared in accordance with Statements of Accounting Standards issued by the Financial Reporting Council of Nigeria ("SAS - Nigerian GAAP). An explanation of how the transition from Nigerian GAAP to IFRS has affected the company's financial position, financial performance and cash flows is set out in the following explanatory notes.

ii) Exemptions

In preparing these financial statements in accordance with IFRS 1, the company has applied the mandatory exceptions from full retrospective application of IFRS. The optional exemptions from full retrospective application selected by IPWA Plc are summarised below.

Optional exemptions:

- a) *Exemptions from full retrospective application*
- b) *Estimates exception*
Estimates made under IFRS 1 at 1 January, 2010 should be consistent with estimates made for the same date under Nigerian GAAP, unless it is established that those estimates were made in error.
- c) *Derecognition of financial assets and liabilities exception*
Financial assets and liabilities derecognised before 1 January, 2004 are not re-recognised under IFRS
- d) *Hedge accounting exception*
The exception requires the Company to apply hedge accounting only if the hedge relationship meets the entire accounting criteria under IAS 39. The Company has not applied hedge accounting under IFRS.

Mandatory exceptions:

- a) *Classification and measurement of financial assets exception*
The assessment of whether IPWA Plc financial assets meet the requirements to be measured at amortised cost, as set out in IFRS 9, was performed at 1 January, 2010.
- b) *Fair value as deemed cost*
This exception is applicable to any individual items of property, plant and equipment, or intangible assets that meet the recognition criteria under IFRS.

When the exemption is applied, the fair value or revalued amount is the deemed cost at the date of the revaluation for subsequent accounting under IFRS, if the revaluation was broadly comparable to fair value or cost or depreciation cost under IFRS.

IPWA elected to apply the fair value or revalued amount as deemed cost at the date of revaluation for subsequent accounting under IFRS.

32 (a)

Notes to the financial statements

for the year ended 31 December, 2012

Reconciliation of Equity as at 1 January, 2011 and 31 December, 2011

		31 December			1 January		
	NOTE	N-GAAP N'000	Adjustment N'000	IFRS N'000	N-GAAP N'000	Adjustment N'000	IFRS N'000
Assets							
Non-current assets							
Property plant and equipment	(i)	1,267,781	982	1,268,763	178,699		178,699
Intangible assets	(ii)	-	265	265	-	170	170
Financial assets	(iii)	338	74	412	338	70	408
				-			-
		1,268,119	1321	1,269,440	179,037	240	179,277
Inventories		99,432		99,432	105,012	-	105,012
Trade and other current receivables		269,303	-	269,303	278,561	-	278,561
Cash and cash equivalents		33,539	-	33,539	19,811	-	19,811
		402,274	-	402,274	403,384	-	403,384
Total assets		1,670,393	1321	1,671,714	582,421	240	582,661
Liabilities							
Current liabilities							
Trade and other payables		151,879	-	151,879	142,281	-	142,281
Financial liabilities		48,790	-	48,790	67,307	-	67,307
Current tax liabilities		53,891	-	53,891	21,897	-	21,897
		254,560	-	254,560	231,485	-	231,485
Non-current liabilities							
Retirement benefit obligation	(iv.)	50,566	-	50,566	18,473	-	18,473
Deferred tax liabilities		14,977	-	14,977	-	-	-
Non-current liabilities		65,543	-	65,543	18,473	-	18,473
Total liabilities		320,103	-	320,103	249,958	-	249,958
Equity							
Share capital		257,070	-	257,070	257,070	-	257,070
Share premium		217,610	-	217,610	217,610	-	217,610
Retained earnings		-271,889	1,148,820	876,931	-669,448	527,471	-141,977
Revaluation reserve	(v)	1,147,499	-1,147,499	-	527,231	-527,231	-
Total Equity		1,350,290	1321	1,351,611	332,463	240	332,703
Net equity and liabilities		1,670,393	1321	1,671,714	582,421	240	582,661

Notes to the financial statements

for the year ended 31 December, 2012

32(c) EXPLANATORY NOTES TO THE RECONCILIATION (IFRS 1 ADJUSTMENTS)**i) Property, Plant and Equipment (PPE)**

The Company has elected to report its PPE in its opening IFRS Financial Position as at 1 January, 2011 at a deemed cost. The deemed cost was determined by revaluation of the PPE as at 31 December, 2011 at the aggregate fair value. The aggregate fair value of the PPE as at 31 December, 2011 was determined to be N957,729 million as compared to the then carrying amount of N441,954 million which resulted in a revaluation surplus of about N515,775 million. Land and building contributed significantly to the revaluation surplus at about N779,092 million.

Under IFRS, the componentization of each item of PPE was carried out and each component was depreciated separately using straight line method, based on the estimated economic useful life and residual value. The residual values and useful lives of PPE are expected to be reviewed and adjusted as appropriate, at the end of each reporting date.

ii) Intangible Assets

The company normally classifies computer software as part of PPE under N-GAAP. Under IFRS, computer software is recognized as an intangible asset unless it can be considered to be an integral part of PPE. As a result, the company reclassified computer software as a separate intangible asset under IFRS.

iii) Financial Assets

The company has a fixed deposit with Intercontinental Bank Plc to mature in 2015 previously classifies as part of Cash and Bank balances under N-GAAP. Under IFRS, the deposit is recognized as a financial assets. As a result, the company reclassified computer software as a separate intangible asset under IFRS.

iv) Post-employment Benefits

The Company operates a gratuity scheme based on employee's length of service. The benefit arrangement is non-contributory and unfunded, but a provision is made in the Company accounts to meet the cost of future benefits payout under the benefit arrangement. Under IFRS, actuarial valuation of the post-employment gratuity scheme were not conducted by actuarial valuation and no adjustment for the Company was passed.

v. Revaluation Reserves

The company has a revaluation reserves in it financial statements as at 1 January 2011 amounting to N527, 231 million which has been taken to Retained earnings and also carried out revaluation on it Tangible assets during the year end 31 December, 2012 with a revaluation report from it's valuer under N-GAAP. Under IFRS, the revaluation reserves have been reconciled and taken to retained earnings.

Reconciliation of Financial Statements

The detailed reconciliation statements of the financial position and comprehensive income statement between N-GAAP and IFRS are as shown on notes 30(a) and 30(b).

IPWA PLC

30 (b)

Notes to the financial statements

for the year ended 31 December, 2012

Reconciliation of Comprehensive Income Statement

	N-GAAP N'000	Adjustment N'000	IFRS N'000
Revenue	382,562	-	382,562
Cost of sales	(277,066)	-	(277,066)
Gross profit	105,496	-	105,496
Administration expenses	(157,845)	266	(157,579)
Distribution expenses	(112,752)	-	(112,752)
Other income	27,144	-	27,144
Results from operating activities	-137,957	266	-137,691
Finance income	-	23	23
Finance cost	(18,740)	-	(18,740)
Net finance (cost)/income	(18,740)	23	(18,717)
Profit before taxation	-156,697	289	-156,408
Taxation	(22,318)	-	-22,318
Profit after taxation	-179,015	289	-178,726
Attributable to:			
Equity holders	-35	-	-35
Other comprehensive income			
Defined benefits actuarial losses	-	-	-
Tax on other comprehensive income	-	-	-
Profit for the year	-	-	-
Total comprehensive income	-	-	-
Attributable to:			
Equity holders	-35	-	-35

IPWA PLC

Value Added Statement

for the year ended 31 December, 2012

	2012	2011	2010	2009
	N'000	%	N'000	%
Revenue	466,282		382,562	
Other revenue	1,137		27,144	
	<u>467,419</u>		<u>409,706</u>	
Bought in goods and services	(435,929)		(393,469)	
VALUE ADDED	<u>31,490</u>	<u>100</u>	<u>16,237</u>	<u>100</u>
	=====	===	=====	===
APPLIED AS FOLLOWS:				
1 To pay employees				
Salaries and wages, pension and social benefits	67,643	215	105,732	651
2 To pay providers of funds				
Finance expenses	2,832	9	18,740	115
3 To pay government				
Income and education taxes	6,807	22	7,341	45
4 To provide for maintenance and expansion of assets				
Depreciation	51,732	164	48,173	297
Deferred tax	14,804	47	14,977	92
Retained profit	(112,329)	-357	(178,726)	-1,101
VALUE ADDED	<u>31,490</u>	<u>100</u>	<u>16,237</u>	<u>100</u>
	=====	===	=====	===

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

IPWA PLC

Financial Summary for five-year ended 31 March

	IFRS				NGAAP			
	2 0 1 2	2 0 1 1	2 0 1 0	2 0 0 9	2 0 1 2	2 0 1 1	2 0 1 0	2 0 0 9
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
STATEMENT OF FINANCIAL POSITION								
Property, plant and equipment	1,220,657	1,268,763	178,699	244,635				
Intangible assets:								
Software	176	265	338	-				
Financial Assets	411	411	-	-				
Deferred costs	-	-	-	-				
Inventory	135,323	99,432	105,012	105,012				
Trade and other receivables	187,455	269,303	278,561	278,561				
Cash and bank balances	14,601	33,539	19,811	19,811				
Total assets	1,558,623	1,671,713	582,421	648,019				
Current liabilities	(255,744)	(254,560)	(231,485)	(247,189)				
Non-current liabilities	(64,815)	(65,543)	(18,473)	-				
Total net assets	1,238,064	1,351,610	332,463	400,830				
Share capital	257,070	257,070	257,070	257,070				
Share premium	217,610	217,610	217,610	217,610				
Retained earnings	770,191	876,930	(142,217)	(73,850)				
Capital employed	1,244,871	1,351,610	332,463	400,830				
STATEMENT OF COMPREHENSIVE INCOME								
Revenue	466,282	382,562	411,993	399,877				
Profit before tax & after exceptional item	(90,718)	(156,408)	(77,752)	10,867				
Taxation	(21,611)	(22,318)	18,077	(15,305)				
Profit after tax	(112,329)	(178,726)	(59,675)	(4,438)				
Transfer to revenue reserve	(112,329)	(178,726)	(59,675)	(4,438)				
Equity shareholders	(112,329)	(178,726)	(59,675)	(4,438)				
Earnings per 50k share [k]	(21.85)	(34.76)	(11.61)	(0.86)				
Net assets per 50k share [k]	242.13	262.89	64.66	77.96				

NOTE: Earnings and net assets per share are based on 514,140,713 ordinary shares of 50k each and profit after tax as at the date of these financial statements.

The balances for 2012 and 2011 have been stated in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). For all periods up to and including the year ended 31 December, 2010 the balances have been stated in accordance with Nigerian Generally Accepted Accounting Principles [N-GAAP].