

You are advised to read and understand the contents of this Rights Circular. If you are in any doubt about the actions to be taken, you should consult your Stockbroker, Accountant, Banker, Solicitor or any other professional adviser for guidance immediately. Investors are advised to note that liability for false or misleading statements or acts made in connection with the Rights Circular is provided in sections 85 and 86 of the Investments and Securities Act No 29, 2007 (the "Act")

For information concerning certain risk factors which should be considered by prospective investors, see Risk Factors on Pages 21 to 23.



Portland Paints and Products Nigeria Plc

RC76075

Rights Issue of

600,000,000

Ordinary Shares of 50 kobo each at

₦ 1.70 per Share

on the basis of **3** new Ordinary Shares
for every **2** Ordinary Shares held as at the close of business on
9 February 2016

The rights being offered in this Rights Circular are tradable on the floor of The Nigerian Stock Exchange for the duration of the Issue

Payable in full on Acceptance

ACCEPTANCE LIST OPENS: 23 January 2017
ACCEPTANCE LIST CLOSES: 01 March 2017

Issuing House:



RC1031358

This Rights Circular and the securities which it offers have been cleared and registered by the Securities & Exchange Commission. The Investments and Securities Act No 29, 2007 provides for civil and criminal liabilities for the issue of a Rights Circular which contains false or misleading information. The clearance and registration of this Rights Circular and the securities which it offers do not relieve the parties of any liability arising under the Act for false and misleading statements or for any omission of a material fact in this Rights Circular.

This Rights Circular is dated 06 January 2017

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DEFINITIONS

In this document, unless otherwise stated or clearly indicated by the context, the following words have the meanings stated opposite them.

“CAMA”	Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004
“CBN”	Central Bank of Nigeria
“CSCS”	Central Securities Clearing System Plc
“Directors”	The members of the Board of Directors of Portland Paints who at the date of this document are those persons whose names are set out on page 11 of this Rights Circular
“Federal Government”	Federal Government of Nigeria
“HSSE”	Health, Safety, Security and the Environment
“IFRS”	International Financial Reporting Standards
“ISA”	Investment and Securities Act No. 29, 2007
“Issue” or “Rights Issue”	The Rights Issue by way of provisionally allotted rights to shareholders whose names appear on the Register of Members of the Company as at the close of business on 09 February 2016, of 600,000,000 Ordinary Shares of 50 kobo each in the Company, on the basis of 3 new Ordinary Shares for every 2 Ordinary Shares held by them on that date
“Issuing House”	Stanbic IBTC Capital Limited / Stanbic IBTC Capital
“Management”	Management of Portland Paints
“NEFT”	NIBSS Electronic Funds Transfer
“NGAAP”	Nigerian Generally Accepted Accounting Practice
“NIBSS”	Nigeria Inter-Bank Settlement System
“Ordinary Shares”	The ordinary shares held by the ordinary shareholders of the Company
“Portland Paints” or the “Company”	Portland Paints and Products Nigeria Plc
“Receiving Agents”	Any of the institutions listed on Page 40 of this Rights Circular to which shareholders may return their completed Participation Forms together with payment/evidence of payment
“Receiving Bank”	Stanbic IBTC Bank PLC
“Register of Members”	The register that records the names and addresses of the ordinary shareholders of the Company
“Registrars”	Africa Prudential Registrars Plc
“Rights Circular”	This document, which is issued in accordance with the Rules and Regulations of the Commission
“SEC” or “the Commission”	Securities and Exchange Commission

DEFINITIONS

“Solicitors”	Udo Udoma & Belo-Osagie
“SON”	Standard Organisation of Nigeria
“Stockbrokers”	Stanbic IBTC Stockbrokers Limited
“The NSE” or “The Exchange”	The Nigerian Stock Exchange
“UACN Plc”	UAC of Nigeria Plc
“Working Day”	Any day other than a Saturday, Sunday or official public holiday declared by the Federal Government of Nigeria from time to time

ABRIDGED INDICATIVE TIMETABLE

The dates below, which reflect principal events, are subject to change without notice:

DATE	ACTIVITY	RESPONSIBILITY
23 January 2017	Acceptance List opens/Trading in Rights begins	Issuing House/Stockbrokers
01 March 2017	Acceptance List closes/Trading in Rights closes	Issuing House/Stockbrokers
08 March 2017	Receiving Agents make returns	Issuing House/Receiving Agents
21 March 2017	File allotment proposal and draft newspaper announcement with SEC	Issuing House
30 March 2017	Receive SEC's clearance of allotment proposal	Issuing House
31 March 2017	Pay net Issue proceeds to Portland Paints	Receiving Bank
05 April 2017	Publish Allotment announcement	Issuing House
06 April 2017	Return surplus/rejected application monies	Issuing House/Registrars
06 April 2017	Distribute share certificates/credit CSCS accounts	Registrars
06 April 2017	Forward Declaration of Compliance to The Exchange	Stockbrokers
10 April 2017	Listing of new Portland Paints shares/trading commences	Stockbrokers
28 April 2017	Forward Issue summary report to SEC	Issuing House

Portland Paints is a diversified paints company with business locations as follows:

1. Head Office

Sandtex House
105 Adeniyi Jones Avenue
Ikeja
Lagos

+234 1 291 8507-8

www.portlandpaintsng.com

2. Sandtex Paints Experience Centres

	Location	Address
1	Lekki	Km 20 Lagos-Epe Expressway, Igbo-Efon Bus-Stop, Agungi Village, Lekki, Lagos
2	Ikeja	15 Aromire Street, Ikeja, Lagos
3	Gbagada	1 Omobule Street, Ifako B/Stop, Oworonsoki-Ogudu Express, Ifako-Gbagada, Lagos
4	Festac	32/34 Old Ojo Road, Amuwo Kuje, Mazamaza, Lagos
5	Mushin	280 Agege Motor Road, Olorunsogo Bus Stop, Mushin, Lagos
6	Ibadan	Bishop Philips Academy, Iwo Road, Ibadan, Oyo
7	Ilorin	221 Ibrahim Taiwo Road, by Oko-Erin Junction, Ilorin, Kwara
8	Akure	131 Oyemekun Road, Akure, Ondo
9	Benin	45 Muritala Muhammed Way, Benin City, Edo
10	Warri	80 Effurun-Sapele Road, Warri, Delta
11	Warri	300A Effurun Sapele Road, Refinery Junction, Warri, Delta
12	Onitsha	91 Limca Road, Nkpor Junction, Onitsha, Anambra
13	Port-Harcourt	6 Forces Avenue, Old G.R.A Port Harcourt, Rivers
14	Uyo	Plot 49 Unit B, Tunde Ogbeha Drive, Ewet Housing Estate, Uyo, Akwa-Ibom
15	Wuse	Shop 23 Wuse Shopping Centre, Maputo Street, Zone3 Wuse, Abuja
16	Wuse	Sheik Tijjani Plaza, Opposite Ibro Hotel, Off Michael Okpara Street Zone 5, Wuse, Abuja
17	Karu	Plot MF 6, Opposite Water Board by Noble High Academy, Karu, Abuja
18	Gwarimpa	Anfara Plaza, Suite FF6 Opposite IBB Polo Club, Gwarimpa, Abuja
19	Kaduna	5Y Ahmed House, Ahmadu Bello Way, Kaduna
20	Kano	83 Ibrahim Taiwo Road, Oceanic Bank Compound, Kano
21	Kano	10 Zaria Road, Kano
22	Kano	237 Dorayi Babba Quarters, Gwarzo Road, Kano
23	Jos	40 Murtala Muhammed Way, Jos, Plateau
24	Sokoto	30 Ahmadu Bello Way, Sokoto, Sokoto

SUMMARY OF THE RIGHTS ISSUE

This summary draws attention to information contained elsewhere in this Rights Circular; it does not contain all of the information you should consider in making your investment decision. You should therefore read this summary together with the more detailed information, including the financial summary elsewhere in this Rights Circular.

1. **Issuer:** Portland Paints and Products Nigeria Plc.
2. **Issuing House:** Stanbic IBTC Capital Limited.
3. **Share Capital:**
 - Authorised: ₦500,000,000 divided into 1,000,000,000 Ordinary Shares of 50 kobo each.
 - Issued and fully paid: ₦200,000,000 divided into 400,000,000 Ordinary Shares of 50 kobo each.
 - Now being issued: 600,000,000 Ordinary Shares of 50 kobo each at ₦1.70 per share.
 - Gross Issue Proceeds: ₦1,020,000,000.
4. **Purpose:** The Company intends to raise funds via the Rights Issue to pay down its loan facilities, upgrade its existing Production and HSSE facilities (replacement of old High Speed Dispenser machines in its Ewekoro Factory in Ogun State) in line with new technology, reconstruct its existing warehouse, improve brand awareness through extensive marketing campaign and meet working capital needs.
5. **Use of Proceeds:** After the deduction of estimated Issue costs and expenses of ₦39,795,935 (representing 3.90% of the Issue proceeds), the net Issue proceeds of ₦980,204,065 will be applied as follows:

Utilisation	₦'000	%	Expected Completion date
1. Repayment of existing finance facilities	450,000	46	Q1 2017
2. Upgrade of existing Production and HSSE facilities/new plants	150,000	15	Q4 2017
3. Marketing campaign to improve brand awareness	50,000	5	Q3 2017
4. Acquisition / renovation of new warehouse	100,000	10	Q1 2018
5. Working capital	230,204	23	Q1 2017
	980,204	100	

A more detailed description on the use of proceeds is provided on Page 34.

6. **Capacity Utilisation:** As at 30 September 2016, the average capacity utilisation of the Company's factory was approximately 88.74%.
7. **Method of Issue:** By way of rights to existing shareholders.

SUMMARY OF THE RIGHTS ISSUE

8. **Provisional Allotment:** 3 new Ordinary Shares for every 2 Ordinary Shares of 50 Kobo each held as at the close of business on 09 February 2016 for those shareholders whose names appear on the Register of Members and transfer books of the Company.
9. **Issue Price per share:** ₦1.70.
10. **Payment:** In full on acceptance.
11. **Market capitalisation at Rights Issue Price (Pre-Issue):** ₦640,000,000.
12. **Market capitalisation at Rights Issue Price (Post-Issue):** ₦1,600,000,000.
13. **Opening Date:** 23 January 2017.
14. **Closing Date:** 01 March 2017.
15. **Application for Additional Shares:** Ordinary Shares which are not taken up by 01 March 2017 will be allotted on a pro-rata (equal) basis to existing shareholders who applied and paid for additional shares over and above their provisional allotment. Shareholders, who do not accept their provisional allotment in full, may have their shareholding in the Company diluted.
16. **Underwriting:** At the instance of the Issuer, this Issue is not underwritten.
17. **Financial Summary:**

	₦'millions					
	30 Sept 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Turnover	1,359	2,168	2,798	2,721	2,866	2,584
Profit before taxation	(31)	(258)	194	73	(199)	253
Profit after taxation	(46)	(233)	149	57	(228)	174
Retained profit	353	400	633	484	485	809
Share capital	200	200	200	200	200	200
Net assets	645	692	925	776	777	1,079
Total assets	1,913	1,899	2,278	2,073	2,386	2,286
Basic Earnings per share (kobo)	(12)	(58)	37	14	(56)	48
Diluted Earnings per share (kobo)	(12)	(58)	37	14	(56)	48

18. **Quotation:** Portland Paints' entire issued and paid-up share capital is listed on The Exchange. An application has been made to The Council of The Exchange for the admission to its Daily Official List of the 600,000,000 Ordinary Shares being offered by way of rights.
19. **Status:** The shares being issued will rank *pari passu* in all respects with the existing issued Ordinary Shares of the Company.
20. **Indebtedness:** As at 30 September 2016, the Company had debts of ₦610 million, which include:
 - ₦350 million inter-group working capital facility obtained from UACN Plc at an interest rate of 1.5% plus MPR

- ₦100 million inter-group working capital facility obtained from UAC Foods Limited at an interest rate of 1.5% plus MPR
- ₦116 million loan obtained from Bank of Industry through First City Monument Bank Limited at an interest rate of 10% expiring 30 September 2018
- ₦45 million loan obtained from Bank of Industry through Ecobank Nigeria Limited at an interest rate of 7% expiring 31 December 2017

21. Claims and Litigation:

The Company is, in its ordinary course of business, involved in three (3) cases. The Company is a Defendant in one of the cases and is a Claimant in one. In the case that was commenced by the Company as the Claimant, the Defendant has raised a counter claim which makes the Company a Defendant to the Counter Claim. The Company has also filed an appeal against a judgment that was delivered against it by the High Court of Lagos State.

The total value of claims against the Company in the cases instituted against it and the Counter Claim is the sum of ₦611,416.39. There is however, an unsatisfied judgment debt against the Company in the sum ₦50,000,000.00.

The Solicitors to the Issue are of the opinion that the contingent liability to which the Company may likely be exposed to on account of the above-mentioned matters are not likely to exceed the sum of ₦50,611,416.39. They are also of the opinion that the Company has good chances of succeeding in its appeal and successfully defending the claims made against it including the counterclaim.

The Directors of the Company are of the opinion that none of the aforementioned cases would have any material adverse effect on the Company or on the Issue, and save for the cases aforementioned, they are not aware of any other pending and/or threatened claim or litigation matter against the Company which would have any material adverse effect on the Issue.

22. Settlement:

The CSCS accounts of Shareholders will be credited not later than 15 working days from the date of allotment. Shareholders are hereby advised to state the name of their respective stockbrokers, their Clearing House Numbers and CSCS account numbers in the relevant spaces on the Participation Form. Certificates of Shareholders that do not provide their CSCS account details will be dispatched by registered post not later than 15 working days from the date of allotment.

THE RIGHTS ISSUE

A copy of this Rights Circular and the documents specified herein have been delivered to the Securities & Exchange Commission for clearance and registration.

This Rights Circular is issued in compliance with the provisions of the Investments and Securities Act No 29, 2007, the Rules and Regulations of the Commission and the listing requirements of The Exchange and contains particulars in compliance with the requirements of the Commission and The Exchange for the purpose of giving information to the public with regards to the Rights Issue of 600,000,000 Ordinary Shares of Portland Paints and Products Nigeria Plc by Stanbic IBTC Capital. An application has been made to the Council of The Exchange for the admission to its Daily Official List of the 600,000,000 Ordinary Shares being offered via the Rights Issue.

The Directors of Portland Paints individually and collectively accept full responsibility for the accuracy of the information contained in this Rights Circular. The Directors have taken reasonable care to ensure that the facts contained herein are true and accurate in all respects and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no material facts the omission of which would make any statement herein misleading or untrue.

The shares to be issued by the Company pursuant to the Rights Issue will rank pari passu in all respects with the existing issued Ordinary Shares of the Company.

STANBIC IBTC CAPITAL LIMITED

RC1031358

on behalf of

PORTLAND PAINTS AND PRODUCTS NIGERIA PLC

RC76075

is authorised to receive acceptances for the

RIGHTS ISSUE OF

600,000,000 ORDINARY SHARES OF 50 KOBO EACH

AT ₦1.70 PER SHARE

on the basis of **3** new Ordinary Shares for every **2** Ordinary Shares held as at the close of business on
09 February 2016

Payable in full on Acceptance

The Acceptance List for the shares now being issued will open on 23 January 2017 and close on 01 March 2017.

SHARE CAPITAL AND RESERVES OF THE COMPANY AS AT 30 SEPTEMBER 2016

(Extracted from the September 2016 Management Accounts)

		₦'000
AUTHORISED	1,000,000,000 Ordinary Shares of 50 kobo each	<u>500,000</u>
ISSUED AND FULLY PAID	400,000,000 Ordinary Shares of 50 kobo each	<u>200,000</u>
EQUITY	Called-up Share Capital	200,000
	Other capital reserve	91,923
	Retained Earnings	<u>353,209</u>
	TOTAL EQUITY	<u>691,617</u>

Chairman

Mr Larry Ettah
Sandtex House
105 Adeniyi Jones Avenue
Ikeja
Lagos

Company Secretary

Mr Adeleke Yusuff
UAC House 1-5
Odunlami Street
Lagos

Managing Director/Chief Executive Officer

Alhaji Mukhtar Yakasai
Sandtex House
105 Adeniyi Jones Avenue
Ikeja
Lagos

Registered Office

Sandtex House
105 Adeniyi Jones Avenue
Ikeja
Lagos

Non-Executive Directors

Mr Abdul Bello
Sandtex House
105 Adeniyi Jones Avenue
Ikeja
Lagos

Mr Bayo Osibo
Sandtex House
105 Adeniyi Jones Avenue
Ikeja
Lagos

Mrs Adeline Ogunfidodo
Sandtex House
105 Adeniyi Jones Avenue
Ikeja
Lagos

Engineer Dipo Ashafa (Independent)
Sandtex House
105 Adeniyi Jones Avenue
Ikeja
Lagos

PROFESSIONAL PARTIES TO THE ISSUE

Issuing House

Stanbic IBTC Capital Limited
I.B.T.C. Place
Walter Carrington Crescent
Victoria Island
Lagos

Solicitors

Udo Udoma & Belo-Osagie
St Nicholas House (10th & 13th Floors)
Catholic Mission Street
Lagos

Stockbrokers

Stanbic IBTC Stockbrokers Limited
I.B.T.C. Place
Walter Carrington Crescent
Victoria Island
Lagos

Auditors

PriceWaterhouseCoopers
252E Muri Okunola Street
Victoria Island
Lagos State

Registrars

Africa Prudential Registrars Plc
220B Ikorodu Road
Palmgrove
Lagos

Receiving Bank

Stanbic IBTC Bank PLC
I.B.T.C. Place
Walter Carrington Crescent
Victoria Island
Lagos

THE CHAIRMAN'S LETTER

The following is the text of a letter received by Stanbic IBTC Capital Limited from Mr Larry Ephraim Ettah, Chairman, Board of Directors of Portland Paints and Products Nigeria Plc.



04 January 2017

Dear Shareholders

RIGHTS ISSUE OF 600,000,000 ORDINARY SHARES OF 50 KOBO EACH AT ₦1.70 IN PORTLAND PAINTS AND PRODUCTS NIGERIA PLC

The Nigerian Paints industry has developed over the years and has become more relevant to the economy, evolving from being an industry focused on just paint into a diversified industry servicing the building and construction, oil and gas industries, and more recently, the automobile industry. With the recent wave of industrialization in Nigeria, there has been significant growth of construction and infrastructure, and the paints industry is quickly becoming a strategic growth market.

The performance of Portland Paints in 2015 and the current financial year has been negatively impacted by the prevailing macroeconomic environment. The Company's profit after tax declined from a profit of ₦149 million in 2014 to a loss of ₦233 million in 2015 and a nine-month loss of ₦46 million as at September 2016.

The currency devaluation, foreign exchange scarcity and volatility, higher interest rates, a decline in real GDP, weak financial markets and increase in cost of imported raw materials have all contributed to the declining financial performance of the Company.

In view of the economic situation and in accomplishing our goal of improving returns to shareholders, Portland Paints is in the process of modifying its strategies. We believe that numerous opportunities abound for our Company with the ongoing local content drive in Nigeria. Our focus is on improving our manufacturing and distribution processes. We plan on increasing the use of computerized tinting machine paint technology at our boutique stores. This technology will finish the product at the point of sale, make for more consistent quality, provide instant delivery and increase our speed to market in order to have more satisfied customers. We also plan to upgrade our plant to enable increased capacity.

In the bid to increase our market share and maintain our position as one of the top players in the industry, shareholders authorized the Board to raise up to ₦2,000,000,000 additional equity via a Rights Issue. The Rights issue will be offered to shareholders whose names appear on the Company's register as at 09 February 2016, in the proportion of 3 new Ordinary Shares for every 2 Ordinary Shares held. The shares being issued have been registered with the Securities & Exchange Commission and listing approval has been granted by The Nigerian Stock Exchange. The shares will rank *pari passu* in all respects with the existing issued shares of the Company. Instructions for participating in the Rights Issue, including acceptance, payment, trading and renunciation of your provisional rights, are contained in the provisional allotment letter from the Company Secretary set out on Page 37 of the Rights Circular.

On behalf of the Board of Directors, I solicit your support for the Rights Issue to enable the Company achieve its objectives and continue to maintain its competitive position in the market to deliver on its promises to you.

Yours faithfully

Larry Ettah
Chairman

1. HISTORICAL OVERVIEW

Portland Paints and Products Nigeria Plc is a leading paints company in Nigeria with decades of experience in manufacturing, distributing and marketing of a wide range of decorative, automotive and industrial paints, marine and protective coatings that support the building, construction and oil and gas industries in Nigeria.

The Company originated as a division of West African Portland Cement Plc (“WAPCO”), a large cement manufacturing company. It was incorporated as a limited liability company in 1985, became an independent entity in 2004 and was listed on The NSE on 09 July 2009. In June 2013, UAC of Nigeria Plc acquired a 51% equity stake in the Company, following which Portland Paints became a subsidiary of UACN Plc.

UACN Plc is one of Nigeria’s leading conglomerates operating in foods and beverage, real estate, paints and logistics sectors of the economy. UACN Plc has been active in Nigeria since 1879. UACN Plc’s portfolio includes leading brands such as Gala Sausage Roll, Mr Biggs, Village Kitchen, Funtime Coconut Chips, Supreme Ice Cream, Swan Natural Spring Water, Gossy Warm Spring Water, Sandtex Dulux, Grand Soya Oil, Grand Groundnut Oil, Vital Feeds and Livestock Feeds.

Portland Paints has a competitive edge over other Nigerian paint manufacturing companies in diversification and quality of its products. Its array of products includes Sandtex Paints, Sandtex Microbial paint, Crown Trade and Hempel Coatings, with each product having its varieties. Portland Paints offers a 5-year guarantee on the quality of their products. As evidence of its commitment to quality, the Company is a recipient of the prestigious ISO 9001:2008 Quality Management System Certification.

Portland Paints is one of the few paints companies that have actively taken advantage of the local content initiative of the Federal Government, which promotes the use of locally manufactured products in the oil and gas sector. Its major customers include state governments and the Federal Government, thus providing more security for its revenues.

The Company distributes Hempel paints in Nigeria, enabling it service the marine coating needs of the oil and gas sector.

The Company carries out its operations via two business segments namely Portland Decorative Paints and Portland Marine. Portland Decorative Paints is the largest contributor to Portland Paints’ total revenue; accounting for 74% of total revenues in 2015.

The Company currently employs over 200 people and has its production factory in Ewekoro, Ogun State.

2. BUSINESS UNITS

Portland Paints is organised into business segments based on its products. Its two core business segments are as follows:

- **Portland Decorative Paints Segment:**

This segment involves manufacturing and marketing of various ranges of decorative paints.

- **Portland Marine Segment:**

This segment involves importation and marketing of various ranges of marine protective paints which services oil and gas and shipping industries for the protection of infrastructure exposed to corrosive and hostile environments.

3. PRODUCT OFFERING

Portland Paints is a diversified company offering various paints products to meet the needs of its customers, some of which include:

- **Sandtex Paints**

Portland Paints produces the widest range of decorative paints in Nigeria, collectively known as Sandtex Paints, which is a product under the Portland Decorative Paints segment. This brand of paint is designed to be durable and gives a perfect finish, thus giving customers real value for their money. The Sandtex brand also includes specially designed exterior finishes - Sandtex Trowel, Sandtex Matt and Sandtex Textured, all of which have a five-year guarantee.

- **Crown Trade**

Crown Trade is a product under the Portland Decorative Paints segment. The renowned Crown Trade line of professional coating is from the United Kingdom's largest paint manufacturer, Crown Paint. Customers can mix and create any colour in two minutes, from over 15,000 colours available, using the computerized tinting machine paint technology. Portland Paints is the sole distributor in Nigeria and the product is available in Sandtex Paints Colour Boutiques located nationwide.

- **Hempel Paint**

Portland Paints is the Nigerian representative for Hempel (South Africa) Pty Limited, a renowned paint company known for its marine/protective paints and coatings. Portland Paints offers Hempel marine/protective coatings to the Oil & Gas and Shipping industries. This line of protective coatings provide essential protection for infrastructure exposed to corrosive and hostile environments.

- **Anti-Microbial Paint**

Sandtex Microbial paint is an anti-microbial paint that reduces the level of bacterial contamination on wall surfaces and decreases cross contamination between surfaces resulting in a more hygienic environment. The product is suitable for restaurants, laboratories, hospitals, kitchens, and schools. It is available in emulsion, gloss and satin. Anti-Microbial Paint is under the Portland Decorative Paint segment.

- **Automotive and Industrial Coatings**

Portland Paints' wide range of industrial coatings is suitable for protecting steel structures, plants and machineries amongst others. The industrial coatings include the red oxide primer, bright aluminum paints, floor paints, primers, road marking paint (reflective and non-reflective), cellulose paints, Autoflex etc. The product is under the Portland Marine and Portland Decorative Paints segments.

4. KEY STRENGTHS

Portland Paints has a number of key strengths.

Industry experience

Portland Paints has been in existence since 1985, initially functioning as a paint division of West African Portland Cement. The Company became an independent entity in 2004 and was listed on The NSE in 2009. After years of operating in the Nigerian paint industry, Portland Paints has established itself as a superior paint company with a wide range of products which include decorative, automotive and industrial paints, marine and protective coatings, and sanitary wares that support building, construction and oil and gas industries in Nigeria.

Quality product offering and wide product range

Portland Paints produces the widest range of decorative products under its Sandtex Paints brand. The Company's key competitive advantage is its diversified product range and high quality

products. Each of Portland Paints' products have undergone extensive research to produce the best quality paints, providing long-term protection and aesthetics to its customers.

International partnerships

Portland Paints' international partnerships has led to the sustained development of the Company over time. Its partnership with Crown Paint in the United Kingdom and Hempel in South Africa, has enabled the Company offer its customers a wider range of products and services.

Crown Trade is the professional coating service derived from Portland Paints partnership with Crown Paint, the largest paint manufacturer in the UK. With Crown Trade, customers can mix and create any colour of their choice. Over 15,000 colours are available to our customers to choose from.

Hempel is a paint company renowned for marine and protective coatings. Through a distribution agreement with Hempel (South Africa) Pty Limited, Portland Paints now distributes marine/protective coating to the Oil and Gas and Shipping industries in Nigeria.

Renowned certifications

Portland Paints is certified by recognized bodies both locally and internationally. The Company is a recipient of the prestigious Standard Organisation of Nigeria (SON) ISO 9001:2008 Quality Management System Certification and Mandatory Conformity Assessment Program (MANCAP).

Wide geographical footprint

With so many Sandex Experience Centres, Experience Shops and distribution centres across Nigeria, Portland Paints has a wide geographical reach locally, and is present in all geographical zones of the country.

5. BOARD AND MANAGEMENT

BOARD

The Board comprises the Chairman, one Executive Director, who is the Managing Director/ Chief Executive Officer, three non-Executive Directors and one Independent non-Executive Director.

Mr Larry Ettah – Chairman

Mr Larry Ettah holds a bachelor's degree in Industrial Chemistry and an MBA, both from the University of Benin, which he attained in 1985 and 1988 respectively. He is a graduate of the renowned Executive Programme of Ross School of Business, University of Michigan and has attended Executive Education Programmes at Graduate School of Business, Stanford University, Harvard Business School, USA, and IMB Lausanne, Switzerland. He is currently the President of Nigeria Employers Consultative Association ("NECA").

He started his career in 1988 as a Management Trainee in UACN Plc where he served in various capacities; he was the Divisional Meal and Meal Components Director and the Divisional Snacks and Meals Director at UAC Foods Limited, the acting Divisional Managing Director and the pioneer Divisional Managing Director of then Mr Bigg's Division, Executive Director of UACN Plc amongst others, before being appointed to his current position as Chief Executive Officer and Group Managing Director of UACN Plc in January 2007.

Mr Ettah holds non-executive roles in other prominent companies; he is the Chairman of Chemical and Allied Products Plc ("CAP PLC"), one of the leading companies in the chemical and paints industry in Nigeria; the Chairman of the Board of Livestock Feeds Plc, the pioneer company in the manufacturing of animal feeds in Nigeria; and the Chairman of UACN Property Development Company Plc, a real estate company that provides solutions in the area of property development and management in Nigeria.

Mr Ettah was appointed to the Board of Portland Paints in June 2013 as a Non-Executive Director and appointed Chairman in August 2013.

Alhaji Mukhtar Yakasai – Managing Director / Chief Executive Officer

Alhaji Mukhtar Yakasai obtained a Bachelor's degree in Agricultural Economics and an MBA from Ahmadu Bello University, Zaria, in 1984 and 1998 respectively. He has attended various national and international courses and is an alumnus of Ashridge Business School, United Kingdom. He holds an honorary fellowship of the Institute of Administrative Management of Nigeria ("FIAMN"), and is also an associate member of the Nigerian Institute of Management.

He joined Chemical and Allied Products Plc, now a subsidiary of UACN Plc in July 1985, where he served in various positions, including Regional Sales Manager, National Sales Coordinator, Business Manager-Flame Guard and CAP Decorators, General Manager Business Development, and General Manager Paints. He was appointed the Managing Director of Spring Waters Nigeria Limited (SWAN) in February 2005 and Managing Director of Warm Spring Waters Nigeria Limited (GOSSY) in July 2009. Before his recent appointment as Managing Director of Portland Paints, he was the Special Projects Manager at UACN Plc with the responsibility for Strategy and other strategic initiatives of the UACN Group.

Alhaji Yakasai was appointed to the Board of Portland Paints as a non-Executive Director in June 2013 and became the Managing Director / Chief Executive Officer on 23 October 2015.

Mr Abdul Akhor Bello – Non-Executive Director

Mr Bello became a member of the Institute of Chartered Accountants of Nigeria in 1986. He has attended leadership programmes at Cranfield School of Management, UK (2005); The Wharton School of the University of Pennsylvania (2011), Harvard Business School (2013) and IMD, Switzerland (2015). He is an alumnus of Oxford University's Advanced Management and Leadership Programme which he completed in 2009.

Mr Bello is a holder of the Higher National Diploma in Accountancy from Yaba College of Technology, Lagos (1983) and has acquired varied business experience as Chief Accountant, Inlaks Plc; Chief Accountant and Financial Controller, Grand Cereals Limited; Senior Group Accountant, UACN Plc; Finance Director & Company Secretary and later Managing Director of CAP Plc, Managing Director of UPDC Plc and currently the Executive Director/Chief Financial Officer of UAC of Nigeria Plc.

He was appointed to the Board of Portland Paints in June 2013.

Mr Bayo Osibo – Non-Executive Director

Mr Bayo Osibo obtained his Bachelor's degree in Biochemistry from the University of Ibadan in 1976, and an MBA from the University of Lagos in 1978. He is a Life Fellow of the Chartered Institute of Corporate Management as well as a fellow of the Institute of Marketing.

He joined Portland Paints Nigeria Limited, then a subsidiary of West Africa Portland Cement Plc, in 1984 as the National Sales Manager. While working at the Company, he served in various positions and was later appointed the Managing Director in March 2004. He served in this role for 9 years before his retirement in 2013. He was the Chairman of Paints Manufacturers Association of Nigeria from 1993 to 2003.

After his retirement, Mr Osibo was appointed as a Non-Executive Director of Portland Paints.

Mrs Adeline Ogunfidodo – Non-Executive Director

Mrs Adeline Ogiunfidodo obtained her Bachelor's degree in Agricultural Economics from the University of Calabar in 1987 and is a Fellow of both the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Taxation of Nigeria.

Mrs Ogunfidodo joined UACN in February 1996 as UACN's Group Auditor and has held several management positions since then which include: Financial Accountant, UPDC Plc, Divisional Commercial Director MDS Logistics, Finance Director GM Nigeria Limited and Group Treasurer of UACN Plc. She was the Finance Director of CAP Plc from March 2011 till October 2015, when she was transferred to UAC Foods.

She was appointed the Finance Director of UAC Foods Limited on 16 December 2015 and also doubles as the Finance Director of Spring Waters Nigeria Limited.

Mrs Ogunfidodo was appointed to the Board of Portland Paints as a non-Executive Director in March 2016.

Engr. Dipo Ashafa – Independent Non-Executive Director

Engr. Dipo Ashafa obtained his Bachelor's degree in Civil engineering at the University of Lagos in 1975, and obtained a Masters of Engineering degree in 1981 at the California State Polytechnic University, Pomona, USA. He is a fellow of the Nigerian Society of Engineers and also a fellow of Nigerian Institute of Management.

He started his career at Sswed Associates in 1976. He has also served in various governmental roles; he served in the Federal Ministry of Works and Housing from 1988 to 1994 and became a Commissioner and Member of the Lagos State Government Executive Council in 1994 where he was accountable for Agricultural/ Rural Development & later the Environment/ Physical Planning. He was appointed Sole Administrator, Lagos State Development and Property Corporation in 1996.

Engineer Ashafa is the Chairman of Solid Homes Limited, a real estate and property development company.

He was appointed to the Board of Portland Paints as a non-Executive Director in 2004.

MANAGEMENT

Mr Olanrewaju Ilori – Human Resource Manager

Mr Olanrewaju Ilori obtained a BA (Hons) degree in Philosophy from Obafemi Awolowo University Ife in 1998 and an MBA in Human Resources Management from Delta State University, Abraka in 2000. He is a member of the Chartered Institute of Personnel Management of Nigeria.

He has 26 years of experience in human resource management. He has worked at President Paints Nigeria Limited, Churchgate Group Limited, Print Inks Nigeria Limited and Nidogas Co Limited amongst others.

Mr Ilori joined the Company as the Human Resources Manager in 2005. He oversees personnel planning, sound recruitment, insurance and security.

Mr Elvis O. Phillips – Supply Chain Manager

Mr Elvis Phillips obtained his Bachelor's degree in Computer Science from the University of Port Harcourt in 2000 and an MBA in Strategic and Project Management from the Paris Graduate School of Management in 2015. He is a Certified International Trade Logistics Specialist.

He started his career in August 2003 as a management trainee in UACN Plc and served as a Systems Manager in the UAC Foods Limited from 2004 to 2006. He became the Supply Chain Manager for Springs Water Nigeria Limited in 2007 and held this position until 2011 when he was appointed Logistics Manager for beverages at the UAC Foods Limited.

Mr Phillips was appointed the Supply Chain Manager for Portland Paints in February 2014. He is responsible for sourcing, supplier and selection and relationships, planning and logistics.

Mr Abdulwasiiu Taiwo – Finance Manager

Mr Wasiu Taiwo obtained a Higher National Diploma in Accountancy from Lagos State Polytechnic, Isolo in 1988. He is a Fellow of the Institute of Chartered Accountants of Nigeria and an Associate Member of the Nigerian Institute of Management.

He began his career in 1989 with Midland Galvanizing Products Limited as an Accounts Officer before moving to UACN as an Internal Check Manager in 1992. He then worked in the Central Audit Department of UAC as an Auditor before joining UAC Foods Limited as an Operations Accountant in 2000. He was promoted to the position of the Management Accountant of UAC Foods in 2003 before his appointment as Commercial Manager of UAC Dairies and later MDS Logistics. Prior to his most recent appointment, he held the position of the Finance Manager, Unico CPFA Limited from 2010 till 2015.

Mr Taiwo was appointed as the Finance Manager for Portland Paints in December 2015.

Mrs Nnenna Azuka- Onwuka – Sales and Marketing Manager

Mrs Nnenna Azuka-Onwuka obtained a Higher National Diploma degree in Mass Communication from the Federal Polytechnic Oko, Anambra State in 2000 and an MBA in Marketing from the University of Lagos in 2005.

She started her career working at Insight Communications in January 2004, gaining experience in public relations, advertising, and strategic planning. In April 2009, she joined the defunct Oceanic Bank (now Ecobank) as a product manager overseeing youth and women banking. She joined UAC Restaurants in March 2010 as the Marketing Manager, overseeing the five food brands within the company. Mrs Azuka-Onwuka, amongst other ventures, has been a member of the Advertising Practitioners Council of Nigeria and Chartered Institute of Marketing (UK).

She joined Portland Paints as the Marketing and Sales Manager in October 2014 and is responsible for managing the marketing and sales portfolios of Portland Paints.

Mr Abdul-Mojeed Adegbite – Operations Manager

Mr Abdul-Mojeed Adegbite holds a Higher National Diploma in Food Technology from Yaba College of Technology which he obtained in 2000, a PGD in Management and an MBA in Financial Management, both from Ladoke Akintola University of Technology, Ogbomosho which he obtained in 2004 and 2014 respectively.

He has about 18 years of experience in manufacturing companies working across quality assurance, production management and supply chain management. He joined UAC Foods Limited in 2011 as the Operations Manager.

Mr Adegbite is a member of Association of Operations Management and Supply Chain and completed the “leading people to higher performance” program at Cornell University in 2012.

He joined Portland Paints as the Operations Manager in June 2015 and is responsible for production, engineering, research and development, and quality assurance.

6. FUTURE PLANS

Portland Paints’ overall strategy is to emerge as the leading paints company in Nigeria, manufacturing and distributing high quality products to ensure customer satisfaction, through innovation and efficiency.

In order to achieve its objectives, the Company intends to place strong emphasis on the following:

Defend and grow its market share

Governments at various levels have identified infrastructural decay as a major hinderance to growth. With planned infrastructural development projects in Nigeria, there will be increased demand for paints products. The Company will position itself to take advantage of opportunities by upgrading its facilities through capacity expansion and improving quality.

Diversify its business through strategic cross-border partnerships

In collaboration with partners, the Company intends to establish a plant for the production of marine and industrial coatings in line with the Local Content Law of the Federal Government of Nigeria.

Improve distribution efficiency

Portland Paints intends to improve its distribution mechanisms through innovation and the introduction of new technologies.

The Company recently introduced a point of sale paint tinting technology which completes the production of paints at the point of sale with the production of up to 5,000 colours. The Company will expand coverage of this technology throughout Nigeria.

Improve health and safety standards

The Company will continue to invest in upgrading its health and safety facilities to ensure a safe work environment for its stakeholders and compliance with regulatory standards.

7. THE NIGERIAN PAINT INDUSTRY

The Information contained in this section has mainly been extracted from MSI Industry Survey Report 2013 and Meristem Chemical and Paints Industry Report 2014. Portland Paints makes no representation as to its accuracy.

Overview of the Paint Industry

The worldwide demand for paints and coatings has been growing steadily since the last decade on the back of rapid industrialization and continuous recovery of the global economy. The industry largely depends on the end-user industries it serves, such as steel, automobiles, furniture and construction industries. The paints and coatings industry can be broadly categorized into two markets: decorative/architectural and industrial paints and coatings. The industry is dominated by decorative/architectural paints and coatings segment, followed by industrial coatings which also account for a significant share of the global market.

In recent years, the global decorative paints and coatings market has been on the threshold of enormous growth especially in emerging nations of the world. The growth of the segment is driven by emergence of infrastructure projects in emerging Asian countries, growth of global automobile industry and increasing urbanization. However, factors such as mounting raw material prices, environmental impact and regulations and threat of product substitution are posing challenges to the industry's growth. Major trends prevailing in the market are consolidation in the industry and emergence of environmentally friendly decorative paints. The global paint industry grew by ~ 22% in 2013 mainly driven by the growth in developing emerging markets.

The Nigerian Paints Industry has evolved over the years from manual based methods to more technologically advanced production methods. With the largest economy in Africa, Nigeria has become a choice destination for investors who intend to embark on developmental projects hence driving the growth of the paints industry in the country. The rapid growth in the industry has also been driven by rising income of the middle class, steady economic growth, increased consumer spending and rising urbanization trends.

The industry is estimated at ₦53 billion with an estimated average growth rate of 12.5% annually. Even at this growth rate, paint consumption per capita in Nigeria remains low at 2.8 litres in comparison to South Africa, where the per capital consumption is 5.6 litres. The industry has an estimated full production capacity of approximately 282million litres with an estimated market size of 133million litres (operating at an average capacity utilization of 47%) and about 148 structured players. According to the Paints Manufacturers Association of Nigeria, 90% of the companies in the industry operate in the formal market while 10% operate within the unstructured market.

The Nigerian paint industry contributes ~1% to the manufacturing sector of Nigeria which produces an estimated annual output of ₦5.83 trillion. The Nigerian market in line with global trends is broadly split into decorative and industrial segments accounting for 88% and 12% of the industry revenues respectively. Decorative paints are more common and are used by individuals to provide aesthetic preferences and finishings to homes and offices. Industrial paints however, are applied to outputs of industries and companies to protect the equipment or product from regular wear and tear, and to prevent degradation from exposure to moisture and chemical substances.

Industry drivers

Major drivers of the paint industry include:

1. **Existence of local vibrant supporting industries:** The complementary nature of the paint product to other industries such as oil and gas, construction, marine, steel and automotive industries ensures that the development and growth of these industries have a parallel effect on the paint industry. With the rapid development of certain sectors of the

economy such as construction and real estate, the paints industry is expected to grow in tandem in the coming years.

2. **Government policies and regulations:** The Nigeria Industrial Revolution Plan (“NIRP”) introduced by the Federal Government in 2014, has fundamentally transformed Nigeria’s industrial sector by boldly addressing the structural issues hindering the manufacturing sector. The NIRP is expected to develop the downstream segment of the oil and gas sector thereby unleashing the country’s abundant hydrocarbon reserves.

Over the years, the Federal Government of Nigeria has focused more on the nominal sector, injecting capital and providing infrastructure to support growth. However, recent developments have shown that there is an increase in the Federal Government’s fiscal spending on the manufacturing sector. For example, the rapid growth of the Nigerian economy, serves as an anchor for the growth and the resulting development of the paint industry in Nigeria. The high demand for real estate properties and construction of such properties, drives sales and turnover. These opportunities encourage paint manufacturers to introduce aggressive competitive strategies in a bid to attract a larger market share and ensure market dominance.

3. **Local content policy:** Local Content Policy in the oil and gas industry compels oil companies to engage local operators in the provision of certain services which include paints and coatings.

Regulators

The Standard Organization of Nigeria currently regulates the Paints Industry in Nigeria. SON is required to ensure that production is in conformity with approved standards. Given the proliferation of sub-standard paints in the Nigerian market, there is the growing demand for stricter regulations and effective enforcement on the part of regulators.

Industry Challenges

Challenges facing the paint industry include the high cost of energy and power supply. Companies operating in the industry have resorted to independent power generation through the use of diesel generators which constitutes ~15% of operating cost. Companies operating in the industry import raw materials used in production as such materials are not in abundance locally. High import taxes and adverse exchange rate fluctuations affect the price of imports and this is in turn largely transferred to the final consumer.

Outlook

Despite the existing challenges, the Nigerian paint industry is expected to grow exponentially in the coming years. It is expected that the proposed deregulation and privatisation of the downstream petroleum sector will spur growth in the Nigerian paint industry. There is expected to be cost saving measures for paint manufacturers as raw materials will be sourced locally.

The market leaders in the Nigerian paint industry have maintained their market share through innovation and research, targeted at producing high-quality, environmental friendly paints. Portland Paints, a recognized market leader, is also striving to be at the forefront of innovation in the Nigerian paint industry.

8. RISKS AND MITIGATING FACTORS

Business risks – These are the risks associated with the business activities of the Company

The Company’s relative low capacity in the industrial segment of the Paints and Coatings sector could hinder its ability to take advantage of the future growth of the industrial segment.

The Nigerian Paints and Coatings sector is predominantly comprised of decorative paints, which accounts for 70% of the paints consumed in the market. The industrial segment, albeit accounting for only 30% of the sector, is projected to drive the future growth of the Paints and Coatings sector due to increased demand for paints from industrial companies.

Portland Paints currently caters to the Decorative paints segment of the Paints and Coatings sector, with the segment accounting for 74% of the Company’s revenues in 2015. The Company is also exposed to the Industrial segment of the Paints and Coatings sector through the Marine Paints

segment, which currently accounts for only 25% of the Company's revenues, hence, there is a need for the Company to be positioned to leverage the growth opportunities that the industrial sector is expected to provide in the years ahead.

Liquidity risk – This is the risk that the Company may be unable to settle outstanding financial obligations

Portland Paints' liquidity risk arises mainly from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. As at 30 September 2016, the Company had outstanding trade payment and bank loans of ₦1.0 billion and ₦160 million respectively. The potential inability of Portland Paints to generate the required cash flows to meet these obligations when due would impact the operations of the Company.

Credit risk – These are risks of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations

As at 30 September 2016, Portland Paints was exposed to gross credit risk of ₦671 million. The Company's credit exposure is mainly from credit sales and bank balances, each representing ₦568 million and ₦103 million respectively. Default by any of the counterparties indebted to Portland Paints could significantly impact the Company's operations.

Commodity price risk – The Company is affected by the volatility of certain commodities

The operations of Portland Paints involve the manufacturing and distribution of paints. The Company requires a continuous supply of commodities such as resins, titanium dioxide and calcium carbonate for the production of paints. Volatility in the price of these commodities can cause uncertainty in the Company's cost structure and as a result of increased raw material costs, could potentially reduce the Company's profits.

Regulatory risk – Increase in the production of substandard goods due to limited regulation in the industry may lead to loss of sales

The Paints and Coatings industry in Nigeria is regulated mainly by Standards Organisation of Nigeria, which is responsible for maintaining product standards among manufacturers in the country. In spite of this, there is limited enforcement of regulation in Nigeria's Paints and Coatings industry to control production and prevailing product standards. There is thus a proliferation of substandard, counterfeit paint products in the Nigerian paints market. These products could impact the Company's operations through the loss of potential sales.

In addition, unfavourable government policies such as exchange rate policies, could impact on cost of importing of raw materials.

Slow or non-passage of the Petroleum Industry Bill into law could impact the growth of the Company's future earnings

The bulk of raw materials used in the production of paints and coatings are petro-based chemicals that occur naturally in Nigeria. However, the country currently has only one petrochemical plant with an installed capacity of 0.3MMT for the production of olefins and 0.25MMT for the production of propylene. Due to the inefficiencies in the downstream sector, paint manufacturers typically resort to importing raw materials, despite unfavourable exchange rates.

The passage of the Petroleum Industry Bill is expected to deregulate the downstream oil and gas sector and unlock growth potential for the Paints and Coatings industry, which sources raw materials from the downstream oil and gas sector.

The non-passage of the bill poses a risk to the profitability and operations of the Company.

Underdeveloped power and transport infrastructure continues to hinder the cost-effective manufacture of paints and coatings

The Paints and Coatings sector is power-intensive. Despite ongoing efforts by the Nigerian Government to privatise the power sector, problems with power generation, transmission and distribution and congested ports persist and severely constrain the development of the Paints and Coatings sector. Many paint manufacturers rely on alternative electricity and water supplies, increasing overall business costs. The unstable pricing and scarcity of fuel for power generation also increases operational challenges businesses encounter, contributing to the potential fluctuation of overheads.

In addition, poor rail and road networks limit land based transport, further increasing the overall business costs for paint manufacturers.

Competition risk – The Company's market share in the Paints and Coating sector could decrease due to the activity of other competitors, the potential entry of global paint companies into the Nigerian Paints and Coating market and a potential shift of consumer demand to paint substitutes

The Paints and Coatings sector in Nigeria is highly competitive for several reasons, including the homogenous nature of the product, low barriers to entry resulting from low start-up capital requirements and sparse regulatory enforcement of quality and standards control. In addition, the presence of substitute products such as wall papers and bricks compete with paints for consumer sales. Although Portland Paints is the third largest paints and coating company in Nigeria with a market share of ~9%, there is a possibility of the Company ceding market share to any of its present competitors who employ improved technologies or implement more efficient distribution and marketing strategies in the future. The Company's market share is further threatened by the potential entry of new domestic paint companies and major global players seeking to take advantage of the positive demographic features and growth outlook of the Nigerian economy. Finally, Portland Paints' sales could decline as a result of consumers shifting purchases to paint substitutes.

Macro Risk – High dependence of the Paints and Coating Sector on other sectors exposes the Company's financial performance to the economic activities in those sectors

The growth of sales and profits in the Paints and Coating sector depends on the supply of raw materials and demand from other industries, as Paints and Coatings products serve as manufactured products to sellers and complimentary products to buyers. Paints and Coating industry sales are therefore highly correlated with activity in the larger economy and other industries such as Construction, Real Estate and Oil and Gas. Receding or sparse economic activity in any of these sectors will therefore reduce the demand for paints, thus hampering the sales of paints and coating companies.

Foreign exchange risk – The Company is exposed to currency risks and is affected by changes in the value of the Naira against other currencies

Following the decline in the price of crude oil which has resulted in the scarcity of foreign exchange, the CBN decided in June 2016 to implement a floating exchange rate policy, which has in turn led to a volatile exchange rate in the interbank market.

Due to the inadequate Oil and Gas infrastructure present in Nigeria, Portland Paints imports raw materials required for the production of its paint products. The Company's operations are consequently affected by the relative movements of Naira inflation and exchange rates. Further depreciation or devaluation of the Naira will increase the Company's raw material costs and negatively impact profits.

Political risks – These are risks associated with the political climate

Nigeria's diverse political, religious and ethnic landscape has led to struggles for power between rival groups. In addition, inspite of Government's efforts, there have been continued criminal and militant activities and terrorist attacks.

Continued criminal activity, unrest and political and religious conflicts in the country may lead to lower oil production, deter investments in the country and lead to increased political instability that could have a material adverse effect on Nigeria's economy and therefore, the operations of Portland Paints.

Environmental risk – These are losses that arise due to natural occurrences in the environment

The Company's production plant may be affected in the event of fires and natural disasters such as flooding

Portland Paints' production plant is located in Ogun State and the Company has 5 warehouses spread across Nigeria. Any natural disaster, power outages or other events affecting the plants or the warehouses may cause disruptions or damages to the Company's facilities, adversely affecting the operations of the Company.

General Risk Disclosure

Shareholders of the Company should consult their advisers if in any doubt as to the nature of this investment and its suitability in the light of their particular circumstances. The value of any securities traded (whether listed or not) are subject to investment risks, which can and do fluctuate, and any individual security may experience upward or downward movements. There is an inherent risk that losses may be incurred rather than a profit of buying and selling securities. Past performance is not a guide to future performance. Certain types of investments may not be suitable for some investors.

LETTER FROM THE DIRECTORS ON THE GOING CONCERN STATUS



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23 October 2015

The Directors
Stanbic IBTC Capital Limited
I.B.T.C. Place
Walter Carrington Crescent
Victoria Island
Lagos

Dear Sirs

CONFIRMATION OF GOING CONCERN STATUS OF PORTLAND PAINTS AND PRODUCTS NIGERIA PLC:

PROPOSED RIGHTS ISSUE BY PORTLAND PAINTS AND PRODUCTS NIGERIA PLC (THE "ISSUE")

The Directors of Portland Paints and Products Nigeria Plc ("Portland Paints" or the "Company") are required to prepare financial statements at the end of each financial period, which give a true and fair view of the state of affairs, and of the profit or loss of the Company. They are also responsible for maintaining proper accounting records and taking reasonable steps to prevent and detect fraud and other irregularities. The Directors are also responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable.

The applicable International Financial Reporting Standards ("IFRS") have been followed and Portland Paint's financial statements are prepared using accounting policies, which comply with generally accepted accounting standards in Nigeria and the Companies and Allied Matters Act, 2004.

The Directors of the Company, having made appropriate enquiries, reviewed budgets, projected cash flows and other relevant information, consider that adequate resources will exist for the business to continue in operational existence for the foreseeable future and therefore, it is appropriate to adopt the going concern basis in preparing the financial statements.

Yours faithfully


Mukhtar Yakasai
Managing Director


Adeleke Yusuff, Esq
Company Secretary

OUR BRANDS:



DIRECTORS: Larry Ettah (Chairman) | Olufemi Oguntade (Managing) | Engr. Dipo Ashafa | Abdul Bello | Bayo Osibo | Mukhtar Yakasai



11 November 2016

The Directors
Portland Paints and Products Nigeria Plc
Sandtex House
105 Adeniyi Jones Avenue
Ikeja
Lagos

And

The Directors
Stanbic IBTC Capital Limited
I.B.T.C. Place
Walter Carrington Crescent
Victoria Island
Lagos

Dear Sirs

**PROPOSED RIGHTS ISSUE BY PORTLAND PAINTS AND PRODUCTS NIGERIA PLC
(THE "ISSUE") – CONFIRMATION OF GOING CONCERN STATUS.**

We have audited the financial statements of Portland Paints and Products Nigeria Plc (the "Company") for the year ended 31 December 2015.

The financial statements which comprise the statements of financial position as at 31 December 2015 and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, were prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Based on our audit of the financial statements of the Company for the year ended 31 December 2015 on which we expressed our opinion on 31 March 2016 and the representation received from the Directors of the Company, nothing has come to our notice that makes us believe that the Company will not continue as a going concern in the next twelve months from the date of the year-end financial statements in operations as a going concern.

Yours faithfully

For PricewaterhouseCoopers
Chartered Accountants
Lagos Nigeria

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

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FINANCIAL INFORMATION

The following documents which have previously been published and have been filed with the SEC, shall be incorporated in, and form part of, this Rights Circular:

- a) the financial statements of Portland Paints for the period ended 30 September 2016;
- b) the audited financial statements of Portland Paints for the year ended 31 December 2015;
- c) the audited financial statements of Portland Paints for the year ended 31 December 2014;
- d) the audited financial statements of Portland Paints for the year ended 31 December 2013;
- e) the audited financial statements of Portland Paints for the year ended 31 December 2012; and
- f) the audited financial statements of Portland Paints for the year ended 31 December 2011;

Copies of the documents incorporated by reference will be available for inspection during normal business hours on any weekday (except public holidays), from 23 January 2017 to 01 March 2017, at the registered office of Portland Paints and Products Nigeria Plc located at 105 Adeniyi Jones Avenue, Ikeja, Lagos State and its website at www.portlandpaintsng.com. They would also be available at the office of Stanbic IBTC Capital Limited located at I.B.T.C. Place, Walter Carrington Crescent, Victoria Island, Lagos.

FINANCIAL INFORMATION

1. STATEMENT OF FINANCIAL POSITION

	30 Sept 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000	31 Dec 2011 N'000
ASSETS:						
Non - current assets:						
Property, plant and equipment	430,134	456,203	547,040	555,701	650,086	642,359
Intangible assets	86,035	124,687	164,160	203,633	243,103	189,989
Investment in Associate	-	-	-	-	2,842	3,345
Prepayments	13,402	10,789	25,032	26,518	38,008	-
Total non - current assets	529,570	591,679	736,232	785,852	934,039	835,693
Current assets:						
Inventories	735,759	616,286	756,540	687,853	818,528	803,376
Trade and other receivables	504,916	467,700	504,841	476,721	482,202	455,089
Prepayments	39,676	62,174	54,895	53,512	71,804	65,200
Cash and short term deposit	103,095	161,444	225,051	69,284	79,449	126,709
Total current assets	1,383,445	1,307,604	1,541,326	1,287,370	1,451,983	1,450,374
Total assets	1,913,016	1,899,283	2,277,558	2,073,222	2,386,022	2,286,067
Equity and liabilities:						
Equity:						
Issued share capital	200,000	200,000	200,000	200,000	200,000	200,000
Other capital reserve (Revaluation Reserve)	91,923	91,923	91,923	91,923	91,923	69,945
Retained earnings	353,209	399,694	632,680	484,038	484,643	808,787
Equity attributable to owners of the parent	645,131	691,616	924,602	775,961	776,567	1,078,733
Non current liabilities:						
Borrowings	53,053	101,571	237,407	302,200	140,473	163,485
Government grants	13,856	32,238	69,663	81,271	55,389	69,237
Employee Benefit liability	-	-	-	-	-	87,880
Deferred tax liabilities	19,106	19,108	74,280	83,944	82,613	91,158
Total non current liabilities	86,016	152,917	381,350	467,415	278,475	411,760
Current liabilities:						
Trade and other payables	1,018,184	885,194	428,008	581,012	949,875	460,636
Interest bearing loans and borrowings	107,027	124,297	462,384	180,526	295,722	264,911
Government grants	24,516	24,516	11,609	24,534	13,848	13,848
Income tax payable	32,142	20,741	69,608	43,774	71,537	56,180
Total current liabilities	1,181,868	1,054,750	971,609	829,846	1,330,981	795,574
Total liabilities	1,267,885	1,207,667	1,352,959	1,297,261	1,609,456	1,207,334
Total equity and liabilities	1,913,016	1,899,283	2,277,558	2,073,222	2,386,023	2,286,067

FINANCIAL INFORMATION

2. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	30 Sept 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
	N'000	N'000	N'000	N'000	N'000	N'000
Revenue	1,358,687	2,168,480	2,798,166	2,721,020	2,865,582	2,584,183
Cost of Sales	(754,152)	(1,270,822)	(1,492,342)	(1,462,748)	(1,684,498)	(1,476,364)
Gross Profit	604,535	897,658	1,305,824	1,258,272	1,181,084	1,107,819
Other Operating Income	80,631	53,300	102,469	28,869	44,695	75,246
Selling and distribution expenses	(306,853)	(414,557)	(486,580)	(463,784)	(413,016)	(309,223)
Administrative expenses	(336,910)	(673,506)	(617,216)	(649,048)	(687,695)	(512,439)
Other Operating Expenses	-	-	-	-	(255,887)	(47,259)
Profit from Operations	41,404	(137,105)	304,497	174,309	(130,819)	314,144
Finance Income	859	3,276	4,860	3,649	2,198	3,012
Finance Expenses	(73,679)	(124,540)	(115,060)	(104,494)	(70,039)	(65,313)
Share of (Loss) / Profit of an Associate	-	-	-	-	(503)	1,345
Net Finance Expenses	(72,820)	(121,264)	(110,200)	(100,845)	(68,344)	(60,956)
Profit Before Taxation	(31,416)	(258,369)	194,297	73,464	(199,163)	253,188
Taxation	(15,070)	25,384	(45,654)	(16,118)	(29,199)	(79,336)
Profit from Continuing Operations	(46,486)	(232,985)	148,643	57,346	(228,362)	173,852
Other Comprehensive Income	-	-	-	-	6,199	17,124
Total Comprehensive Income	(46,486)	(232,985)	148,643	57,346	(222,163)	190,976
Earnings per share for profit attributable to owners of the parent during the year:						
Basic (Kobo)	(12)	(58)	37	14	(56)	48
Diluted (Kobo)	(12)	(58)	37	14	(56)	48

FINANCIAL INFORMATION

3. STATEMENT OF CHANGES IN EQUITY

	Share capital N'000	Revaluation Surplus N'000	Retained earnings N'000	Total equity available to owners of parent N'000
At January 2010	200,000	-	669,885	869,885
Dividend paid			(48,000)	(48,000)
Loss for the year			131,624	131,624
Other Comprehensive Income		-	-	-
As at 31st December 2010	200,000	-	753,509	953,509
At January 2011 (as restated)	200,000	69,945	681,811	951,756
Dividend paid			(64,000)	(64,000)
Loss for the year			173,852	173,852
Other Comprehensive Income		-	17,124	17,124
As at 31st December 2011	200,000	69,945	808,787	1,078,732
At January 2012	200,000	69,945	808,787	1,078,732
Dividend paid			(80,000)	(80,000)
Loss for the year			(228,365)	(228,365)
Other Comprehensive Income		21,978	(15,779)	6,199
At 31st December 2012	200,000	91,923	484,643	776,566
1 January 2013 as previously reported	200,000	91,923	484,643	776,566
Impact of restatement	-	-	(57,952)	(57,952)
1 January 2013 as restated	200,000	91,923	426,691	718,614
Profit for the year	-	-	57,346	57,346
As at 31st December 2013	200,000	91,923	484,037	775,960
Profit for the year 2014	-	-	148,643	148,643
As at 31st December 2014	200,000	91,923	632,679	924,602
Loss for the year 2015			(232,985)	(232,985)
As at 31st December 2015	200,000	91,923	399,694	691,617
Loss for the period ended 30 Sept 2016			(46,486)	(46,486)
As at 30th September 2016	200,000	91,923	353,209	645,131

FINANCIAL INFORMATION

4. STATEMENT OF CASH FLOWS

	30 Sept 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000	31 Dec 2011 N'000
Cash flows from operating activities:						
Cash receipts from customers	1,431,509	2,257,326	2,863,439	2,757,792	2,876,302	2,635,067
Payment to suppliers and employees	(1,259,144)	(1,899,287)	(2,581,185)	(2,579,910)	(2,512,742)	(2,200,875)
VAT Paid	(43,488)	(30,015)	(30,253)	(12,952)	(32,071)	(28,051)
Gratuity payment	-	-	(46,619)	(88,218)	(4,766)	-
Cash generated from operations	128,878	328,024	205,382	76,712	326,723	406,141
Income Tax paid	(3,670)	(78,655)	(29,484)	(42,553)	(31,141)	(91,829)
Interest paid	(73,679)	(124,540)	(115,060)	(104,494)	(70,690)	(46,508)
Net cash generated from Operating activities	51,529	124,829	60,838	(70,335)	224,892	267,804
Cash flows from investing activities:						
Purchase of Property, Plant and Equipment	(30,560)	(34,895)	(121,495)	(40,311)	(38,845)	(286,403)
Purchase of intangible assets	-	-	-	-	(56,404)	(140,964)
Purchase of investment	-	-	-	-	-	(1,550)
Finance income	859	3,276	4,860	3,649	2,198	3,012
Proceeds from sale of property, plant and equipment	9,296	19,562	19,191	9,511	254	8,393
Long term prepayment	-	-	-	-	(38,008)	-
Net cash used in Investing activities	(20,405)	(12,057)	(97,444)	(27,151)	(130,805)	(417,513)
Cash flows from financing activities:						
(Repayment) / proceed from borrowing	(89,472)	(176,380)	261,805	107,652	(54,279)	334,703
Dividend paid	-	-	-	-	(80,000)	(64,000)
Net cash used / generated from financing activities	(89,472)	(176,380)	261,805	107,652	(134,279)	270,703
Net increase/(decrease) in cash and cash equivalents	(58,348)	(63,608)	225,199	10,165	(40,192)	120,995
Cash and cash equivalents brought forward	161,444	225,052	(147)	(10,312)	29,880	(91,115)
Cash and cash equivalents	103,095	161,444	225,052	(147)	(10,312)	29,880

STATUTORY AND GENERAL INFORMATION

1. INCORPORATION AND SHARE CAPITAL HISTORY

Portland Paints was incorporated in Nigeria as a private limited liability company on 03 September 1985, converted to a public company on 24 April 2008 and listed on The Nigerian Stock Exchange on 09 July 2009.

Portland Paints has an authorised share capital of ₦500,000,000 comprising 1,000,000,000 Ordinary Shares of 50 kobo each, and an issued share capital of ₦200,000,000 comprising 400,000,000 Ordinary Shares of 50 kobo each. The changes in the share capital of the Company since inception are summarised below:

Year	Authorised (₦)		Issued & Fully Paid-up (₦)		Consideration
	Increase	Cumulative	Increase	Cumulative	
1985	2,000,000	2,000,000	2,000,000	2,000,000	N/A
2004	18,000,000	20,000,000	18,000,000	20,000,000	Cash
2008	180,000,000	200,000,000	180,000,000	200,000,000	Bonus
2015	300,000,000	500,000,000	-	200,000,000	N/A

2. SHAREHOLDING STRUCTURE

Pre-Issue

As at 30 September 2016, Portland Paints' issued share capital of 400,000,000 Ordinary Shares of 50 kobo each was beneficially held as follows:

Shareholder	Ordinary Shares held	%
UAC of Nigeria Plc	286,821,125	71.71
Others	113,178,875	28.29
	<u>400,000,000</u>	<u>100.00</u>

As at 30 September 2016, except as stated above, no other shareholder held more than 5% of the issued share capital of the Company.

Post-Issue

It is expected that on completion of the Issue, if all shareholders take up their rights in full, the Company's paid-up share capital should increase to ₦500,000,000 comprising 1,000,000,000 Ordinary Shares of 50 kobo each, to be beneficially held as follows:

Shareholder	Ordinary Shares held	%
UAC of Nigeria Plc	717,052,813	71.71
Others	282,947,188	28.29
	<u>1,000,000,000</u>	<u>100.00</u>

3. DIRECTORS' BENEFICIAL INTERESTS

The interests of the Directors in the issued share capital of the Company as recorded in the Register of Directors' Interests or as notified by them for the purpose of section 275(1) of CAMA as at 31 December 2015 are as follows:

<i>Director</i>	<i>Direct Shareholding</i>	<i>Indirect Shareholding</i>	<i>Total Shareholding</i>	<i>%</i>
Larry Ettah	Nil	Nil	Nil	Nil
Mukhtar Yakasai	Nil	Nil	Nil	Nil
Bayo Osibo	Nil	Nil	Nil	Nil
Eng Dipo Ashafa	238,877	Nil	238,877	0.06%
Abdul Bello	Nil	Nil	Nil	Nil

4. INDEBTEDNESS

As at 30 September 2016, the Company had debts of ₦610 million, which include:

- ₦350 million inter-group working capital facility obtained from UACN Plc at an interest rate of 1.5% plus MPR
- ₦100 million inter-group working capital facility obtained from UAC Foods Limited at an interest rate of 1.5% plus MPR
- ₦116 million loan obtained from Bank of Industry through First City Monument Bank Limited at an interest rate of 10% expiring 30 September 2018
- ₦45 million loan obtained from Bank of Industry through Ecobank Nigeria Limited at an interest rate of 7% expiring 31 December 2017

Apart from the foregoing, the Company has no outstanding debenture, mortgage, charges or other similar indebtedness other than in the ordinary course of business.

5. OFF BALANCE SHEET ITEMS

As at 30 September 2016, the Company had no off balance sheet items.

6. CLAIMS AND LITIGATION

The Company is, in its ordinary course of business, involved in three (3) cases. The Company is a Defendant in one of the cases and is a Claimant in one. In the case that was commenced by the Company as the Claimant, the Defendant has raised a counter claim which makes the Company a Defendant to the Counter Claim. The Company has also filed an appeal against a judgment that was delivered against it by the High Court of Lagos State.

The total value of claims against the Company in the cases instituted against it and the Counter Claim is the sum of ₦611,416.39. There is however, an unsatisfied judgment debt against the Company in the sum ₦50,000,000.00.

The Solicitors to the Issue are of the opinion that the contingent liability to which the Company may likely be exposed to on account of the above-mentioned matters are not likely to exceed the sum of ₦50,611,416.39. They are also of the opinion that the Company has good chances of succeeding in its appeal and successfully defending the claims made against it including the counterclaim.

The Directors of the Company are of the opinion that none of the aforementioned cases would have any material adverse effect on the Company or on the Issue, and save for the cases aforementioned, they are not aware of any other pending and/or threatened claim or litigation matter against the Company which would have any material adverse effect on the Issue

7. PURPOSE OF ISSUE AND USE OF PROCEEDS

Portland Paints intends to take advantage of the infrastructure growth and local content laws in Nigeria by collaborating with world-class coating companies.

The Company intends to use part of the Issue proceeds to upgrade its existing Production and HSSE facilities; specifically, the replacement of old High Speed Disperser (HSD) Machines in its Ewekoro factory in Ogun State, and to deploy more of its computerized tinting machine to its outlets nationwide. This technology enables the production of a variety of up to 15,000 colours at the point of sale which will result in more efficient distribution, customer satisfaction and increased revenues.

The Company also intends to repay its existing loan facilities in order to optimize its balance sheet (details in Section 4) and reconstruct and expand its warehouse located in Ewekoro for the proper storage of its raw materials and manufactured goods.

Portland Paints intends to utilise part of the proceeds to meet its working capital needs and also embark on a targeted brand awareness and marketing campaign to potentially boost sales in an increasingly competitive environment.

After the deduction of estimated Issue costs and expenses of ₦39,795,935 (representing 3.90% of the Issue proceeds), the net Issue proceeds of ₦980,204,065 will be applied as follows:

Utilisation	N'000	%	Expected Completion Date
1 Repayment of existing finance facilities	450,000	46	Q1 2017
2 Upgrade of existing Production and HSSE facilities/ new plants	150,000	15	Q4 2017
3 Marketing campaign to improve brand awareness	50,000	5	Q3 2017
4 Acquisition / renovation of new warehouse	100,000	10	Q1 2018
5 Working capital	230,204	23	Q1 2017
	980,204	100	

8. COSTS AND EXPENSES

The costs, charges and expenses of and incidental to the Issue including fees payable to SEC and The NSE, professional parties, brokerage, and printing and distribution expenses, are estimated at about ₦39,795,935, representing 3.90% of the Issue proceeds and are payable by Portland Paints.

9. MATERIAL CONTRACTS

The following agreements have been entered into and are considered material to this Issue:

- A Vending Agreement dated 06 January 2017 under the terms of which Stanbic IBTC Capital has agreed, on behalf of the Company, to offer by way of rights of 600,000,000 Ordinary Shares of 50 kobo at ₦1.70 per share on the basis of 3 new Ordinary Shares for every 2 Ordinary Shares in Portland Paints.
- A Distribution Agreement dated 02 May 2012, between Portland Paints and Hempel (South Africa) Pty Limited

Other than as stated above, the Company has not entered into any material contract except in the ordinary course of business.

10. UNCLAIMED DIVIDENDS

The total amount of unclaimed dividends as at 30 September 2016 was ₦20,009,026.21. The unclaimed dividends are deposited in a deposit account with United Bank for Africa.

In addressing the issue of unclaimed/unpaid dividend, the Company has put in place various measures to create awareness, which includes, sending the list of unclaimed dividends to shareholders and making it available at the Annual General Meetings. In addition, the Company places notices on its website and encourages shareholders to open e-dividend accounts to enable payments directly into shareholders' accounts on every dividend payment date.

11. OVERVIEW OF CORPORATE GOVERNANCE

Portland Paints is committed to best practice and procedures in Corporate Governance. It complies with Corporate Governance standards established by the Securities and Exchange Code of Corporate Governance for Public Companies in Nigeria as well as international best practices. The full extent of the Company's compliance with the Code of Corporate Governance is detailed below:

Composition of the Board

The Board comprises the Chairman, one Executive Director, who is the Managing Director/ Chief Executive Officer, three non-Executive Directors and one Independent non-Executive Director.

Chairman Position

There is a separation between the role of the Chairman and the Managing Director. The Company has a non-Executive Chairman and a Managing Director who is also the Chief Executive Officer.

Responsibility of the Board of Directors

The Board of Directors has the responsibility to determine the Company's strategies and ensure programmes are implemented to achieve the Company's objectives.

Board Appointments

The process of appointing Directors involves a declaration of a vacancy at a Board meeting; this involves sourcing of curriculum vitae of suitable candidates depending on the required skills, competence and experience, reference to the Risk and Governance Committee for necessary background checks, informal interviews and reference to the Board of Directors. A Director appointed is presented at the next annual general meeting for election in line with the statutory requirements.

Frequency and Attendance of Meetings

Board meetings are held quarterly. However, special or emergency Board meetings are convened when the need arises.

The Board Committees are:

Risk and Governance Committee

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

Audit Committee

The Audit Committee is composed of two shareholders and two non-Executive Directors and meets at least four times a year. The Committee is responsible for ascertaining whether the accounting and reporting policies of the Company are in accordance with the legal requirements and agreed ethical practices, amongst others.

12. RESEARCH AND DEVELOPMENT

Portland Paints spent ₦3.5 million on market research on the paints sector conducted together with Chemical and Allied Products Plc in 2014, to determine the size of the paints industry in Nigeria and estimate their market share. This research is expected to assist the Company in formulating suitable strategies to increase its market share.

13. MERGERS AND TAKEOVERS

Following UACN Plc's acquisition of a 51% equity stake in Portland Paints in June 2013, the company is required to make a Mandatory Takeover Bid to the remaining shareholders of Portland Paints in accordance with the provisions of Section 131 of the ISA and Rule 445 of the SEC Rules and Regulations.

As at the date of this Rights Circular, the Company is not aware of any attempt by any other investor to acquire a majority shareholding in the Company, other than as stated above.

14. RELATIONSHIP BETWEEN THE COMPANY AND ITS ADVISERS

As at the date of this Rights Circular, there is no relationship between the Company and its advisers except in the ordinary course of business.

15. RELATED PARTY TRANSACTIONS

The Company has entered into certain transactions with related entities. These related party transactions as at 30 September 2016 are as follows:

<i>Name of Party</i>	<i>Transaction Type</i>	<i>Relationship</i>	<i>Amount Granted (₦)</i>	<i>Status</i>
MDS Logistics Limited	Service fee	Affiliate company	3,168,080	Outstanding
UAC Foods Limited	Service fee	Affiliate company	648,604	Outstanding
UAC of Nigeria Plc	Inter-group working capital facility	Principal	350,000,000	Outstanding
UAC Foods Limited	Inter-group working capital facility	Affiliate company	100,000,000	Outstanding
TOTAL			453,816,684	

16. DECLARATIONS

Except as otherwise disclosed in this Rights Circular:

- No share of Portland Paints is under option or agreed conditionally or unconditionally to be put under option;
- No commissions, discounts, brokerages or other special terms have been granted by Portland Paints to any person in connection with the Issue or sale of any share of the Company;
- Save as disclosed herein, the Directors of Portland Paints have not been informed of any holding representing 5% or more of the issued share capital of the Company;
- There are no material service agreements between Portland Paints or any of its Directors and employees other than in the ordinary course of business;
- No Director of the Company has had any interest, direct or indirect, in any property purchased or proposed to be purchased by the Bank in the three years prior to the date of this Rights Circular; and
- No Director of the Company is or has been involved in any of the following:

- A petition under any bankruptcy or insolvency laws filed (and not struck out) against him/her or any partnership in which he/she is or was a partner or any company of which he/she is or was a Director or key personnel;
- A conviction in a criminal proceeding or is named subject of pending criminal proceedings relating to fraud or dishonesty; and

The subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty, restraining him/her from acting as an investment adviser, dealer in securities, Director or employee of a financial institution and engaging in any type of business or activity.

17. CONSENTS

The following have given and not withdrawn their written consents to the issue of this Rights Circular with their names and reports (where applicable) included in the form and context in which they appear:

Directors of the Company	Mr Larry Ettah Alhaji Mukhtar Yakasai Mr Abdul Bello Mr Bayo Osibo Mrs Adeline Ogunfidodo Engineer Dipo Ashafa
Company Secretary	Mr Adeleke Yusuff
Issuing House	Stanbic IBTC Capital Limited
Stockbrokers	Stanbic IBTC Stockbrokers Limited
Auditors	PriceWaterhouseCoopers
Solicitors	Udo Udoma & Belo-Osagie
Registrars	Africa Prudential Registrars Plc
Receiving Bank	Stanbic IBTC Bank PLC

18. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents can be inspected at Stanbic IBTC Capital Limited's office located at I.B.T.C. Place, Walter Carrington Crescent, Victoria Island, Lagos, during normal business hours on any weekday (except public holidays), from 23 January 2017 to 01 March 2017:

- i. The Certificate of Incorporation of the Company;
- ii. The Memorandum and Articles of Association of the Company;
- iii. The Rights Circular issued in respect of the Issue;
- iv. The management accounts of the Company for the period ended 30 September 2016;
- v. The audited financial statements of the Company for each of the five years ended 31 December 2015;
- vi. The Shareholders' Resolutions authorising the Issue;
- vii. The Board Resolution authorising the Issue;
- viii. The list of outstanding claims and litigation referred to in Section 6 on page 32;
- ix. The material contract referred to in Section 9 on page 34;
- x. The written consents referred to in Section 17 on page 37;
- xi. Letter of approval from SEC; and
- xii. Letter of approval from The NSE.



06 January 2017

RIGHTS ISSUE OF 600,000,000 ORDINARY SHARES OF 50 Kobo EACH AT ₦1.70 PER SHARE IN PORTLAND PAINTS AND PRODUCTS NIGERIA PLC

Dear Sir/Madam

1. Provisional Allotment

The letter dated 04 January 2017 from the Chairman, which is provided, on Page 13 of this Rights Circular contain particulars of the Rights Issue now being made. The Directors have provisionally allotted to you the number of new shares set out on the first page of the enclosed Participation Form, representing 3 new Ordinary Shares for every 2 Ordinary Shares registered in your name at the close of business on 09 February 2016. The new Ordinary Shares will rank *pari passu* in all respects with the existing Ordinary Shares of the Company.

You may accept all or some of the shares allotted to you or renounce your rights to all or some of them. If you are accepting the provisional allotment in full, kindly complete box A of the Participation Form, while if renouncing your rights partially or in full, kindly complete box B of the form. You may also apply for additional shares over and above your provisional allotment as described in 2(c) below.

2. Acceptance and Payment

The receipt of payment with your Participation Form will constitute an acceptance of all or part of this allotment on the terms of this letter, subject to the Memorandum and Articles of Association of the Company and the clearance of the Securities & Exchange Commission. If payment is not received by 01 March 2017, the provisional allotment will be deemed to have been declined and will be cancelled. You may participate in the Rights Issue through any of the following methods:

a) Full Acceptance

If you wish to accept this provisional allotment in full, please complete box A of the Participation Form. The completed Participation Form together with a cheque or bank draft for the full amount payable must be submitted to any of the Receiving Agents listed on Page 40 of this document not later than 01 March 2017. **The cheque or draft must be made payable to the Receiving Agent and crossed "PORTLAND PAINTS RIGHTS"** with your name, address and mobile number written on the back of the cheque or draft. All cheques and drafts will be presented for payment on receipt and all Participation Forms in respect of which cheques are returned unpaid for any reason will be rejected and returned through the registered post.

Shareholders that intend to make electronic payments or with a value exceeding ₦10 million that requires payments to be made via SWIFT, RTGS or NEFT should contact the Issuing House as follows, for the payment instructions:

Issuing House	E-Mail	Telephone
Stanbic IBTC Capital Limited	projectsilk@stanbicibtc.com	+234 1 422 8709 +234 1 422 8120

Such payment must include the following transfer instruction narrative:
"[FULL NAME OF SHAREHOLDER] PORTLAND PAINTS RIGHTS".

b) Partial Acceptance

To accept your provisional allotment partially, please complete box B of the Participation Form and submit the completed Participation Form to any of the Receiving Agents listed on Page 39

PROVISIONAL ALLOTMENT LETTER

of this document together with full amount payable in respect of the number of shares you wish to accept. Payment should be made in accordance with 2(a) above.

c) Applying for Additional Shares

This may be done by **completing item (ii) and (iii) of box A of the Participation Form**. Payment should be made in accordance with 2(a) above.

Shareholders who apply for additional shares using the Participation Form will be subject to the allotment process and may therefore be allotted less than the number of additional shares applied for (see item 4 below).

3. Trading in Rights on The NSE

The approval of The NSE has been obtained for trading in the rights of the Company. The rights will be tradable between 23 January 2017 and 01 March 2017 at the price at which the rights are quoted on The NSE. If you wish to renounce your rights partially or in full, you may trade such renounced rights on the floor of The NSE between these dates. Please complete item (iii) of box B of the Participation Form and contact your stockbroker for assistance. If you wish to purchase renounced rights, please contact your stockbroker who will guide you regarding payment and the procedure for purchasing Portland Paints' Rights. Shareholders who trade their rights partially can also apply for additional shares by completing box A of the Participation Form.

4. Allotment of Additional Shares

Allotment of shares will be made first to shareholders who accepted their rights partially or in full, and to investors who purchased rights on the floor of The NSE. Ordinary Shares which are not taken up by 01 March 2017 will be allotted on a pro-rata (equal) basis to existing shareholders who applied and paid for additional shares over and above their provisional allotment.

Shares not taken up by shareholders after allotment will be returned to the Company's authorised share capital as part of its un-issued shares.

5. Subscription Monies

Participation Forms must be accompanied with the full amount due on acceptance in accordance with 2 above. All subscription monies will be retained in an interest yielding bank account by Stanbic IBTC Bank PLC.

6. Surplus Application Monies

If any application for additional shares is not accepted or accepted for fewer shares than the number applied for, a cheque for the value of the additional shares not accepted including applicable interest will be sent by registered post or electronic payment into the affected subscriber's account as stated in the Participation Form not later than 5 working days after the date of allotment.

7. Rounding Principle

Provisional allotment of shares will be such that shareholders will not be allocated a fraction of a share and as such any shareholding giving rise to a fraction of less than one share will be rounded down to the nearest whole number.

8. Settlement

The CSCS accounts of Shareholders will be credited not later than 15 working days from the date of allotment. Certificates of Shareholders that do not provide their CSCS account details will be dispatched by registered post not later than 15 working days from the date of allotment.

Yours faithfully

Adeleke Yusuff
Company Secretary

RECEIVING AGENTS

A copy of the Rights Circular has been forwarded to each of the shareholders whose names appeared in the Company's Register of Members as at 09 February 2016. The completed Participation Forms may be returned to any of the following Receiving Agents to whom brokerage will be paid at the rate of 50 kobo per ₦100 worth of shares allotted in respect of Participation Forms bearing their official stamp.

The Issuing House cannot accept responsibility for the conduct of any of the institutions listed below. Shareholders are therefore advised to conduct their own enquiries before choosing an agent to act on their behalf. Evidence of lodgement of funds at any of the Receiving Agents listed below, in the absence of corresponding evidence of receipt by the Issuing House cannot give rise to a liability on the part of the Issuing House under any circumstances.

BANKS

Access Bank Plc Citibank Nigeria Limited Diamond Bank Plc Enterprise Bank Limited Ecobank Nigeria Plc Fidelity Bank Plc	First Bank of Nigeria Plc First City Monument Bank Limited Guaranty Trust Bank Plc Heritage Bank Plc Keystone Bank Limited	Mainstreet Bank Limited Skye Bank Plc Stanbic IBTC Bank Plc Standard Chartered Bank Nigeria Limited Sterling Bank Plc	Union Bank of Nigeria Plc United Bank for Africa Plc Unity Bank Plc Wema Bank Plc Zenith Bank Plc
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STOCKBROKERS AND OTHERS

Adamawa Securities Limited Adonai Stockbrokers Limited African Alliance Stockbrokers Limited Afrinvest (West Africa) Limited AIMS Asset Management Limited Alangrange Securities Limited Allbond Investment Limited Alliance Capital Managt Co. Limited Altrade Securities Limited Aryn Investments Limited Anchorage Sec & Finance Limited Anchoria Inv & Securities Limited Apel Asset Limited APT Sec. & Funds Limited Arian Capital Management Limited ARM Securities Limited Associated Asset Managers Limited Atlas Portfolio Limited Belfry Stockbrokers Limited Bestlink Investment Limited Bestworth Assets & Trust Limited BFCL Assets & Sec Limited BIC Securities Limited Bytofel Trust & Securities Limited Cadington Securities Limited Calyx Securities Limited Camry Securities Limited Capital Asset Limited Capital Bancorp Limited Capital Express Securities Limited Capital Trust Brokers Limited Cardinal Stone Securities Limited Cashcraft Asset Mgt. Limited Cashville Inv & Sec. Limited Centre-Point Inv. Limited Century Securities Limited Chapel Hill Denham Securities Limited Chartwell Securities Limited Citi Investment Capital Limited City-Code Trust & Inv Limited Clearview Inv Co. Limited Colvia Securities Limited Compass Inv and Sec. Limited Consolidated Inv Limited Consortium Investments Limited Cordros Capital Limited Core Trust & Investment Limited Covenant Securities & Asset Management Limited Cowry Asset Mgt Limited Cradle Trust Fin & Sec. Limited Crane Securities Limited Crossworld Securities Limited Crown Capital Limited CSL Stockbrokers Limited Dakal Securities Limited Davandy Finance & Sec Limited DBSL Securities Limited De-canon Investments Limited Deep Trust Investment Limited De-Lords Securities Limited Dependable Securities Limited Diamond Securities Limited Dolbic Finance Limited Dominion Trust Limited DSU Brokerage Services Limited Dunbell Securities Limited Dunn Loren Merrifield Securities Limited Dynamic Portfolios Limited ECL Asset Management Limited EDC Securities Limited Edgefield Capital Management Limited Emerging Capital Limited EMI Capital Resources Limited Empire Securities Limited Enterprise Stockbroker Plc Epic Investment Trust Limited	Equity Capital Solutions Limited Eurocomm Securities Limited Excel Securities Limited Express Discount Asset Mgt Limited Express Portfolio Services Limited FCSL Asset Management Company Limited Falcon Securities Limited FBC Trust & Securities Limited FBN Securities Limited Financial Trust Company Nigeria Limited Fidelity Securities Limited FinBank Securities Limited Finmal Finance Company Limited First Inland Capital Limited First Inland Sec. & Asset Mgt. Limited FIS Securities Limited Fittco Securities Limited Foresight Sec. & Inv Limited Forte Financial Limited Forthright Securities & Investments Limited Fortress Capital Limited FSDH Securities Limited Fund Matrix & Assets Mgt Limited Future view Financial Services Limited Future view Securities Limited Gem Assets Mgt Limited Genesis Securities & inv. Limited Gidauniya Inv. & Sec Limited Global Assets Mgt (Nig) Limited Global Inv. & Sec. Limited Global View Consult & Investment Limited GMT Securities Golden Securities Limited Gombe Securities Limited Gosord Securities Limited Greenwich Securities Limited GTI Capital Limited Harmony Securities Limited Heartbeat Investments Limited Hedge Sec. & Inv. Co. Limited Heritage Capital Mkt Limited Horizon Stockbrokers Limited HP Securities Limited ICMG Securities Limited ICON Stockbroker Limited Imperial Assets Mgt Limited IMTL Securities Limited Independent Securities Limited Integrated Trust & Inv. Limited Intercontinental Securities Limited International Capital Sec. Limited International Standard Sec Limited Interstate Securities Limited Investment Centre Limited Investment One Financial Services Limited Investment One Stock Brokers International Limited Investors & Trust Co Limited ITIS Securities Limited Kakawa Asset Mgt Limited Kapital Care Trust & Sec. Limited Kedari Securities Limited Kinley Securities Limited Kofana Securities & Inv. Limited Kundila Finance Services Limited Laksworth Inv. & Sec Limited Lambeth Trust & Inv. Co. Limited LB Securities Limited Lead Securities and Inv. Limited Lighthouse Asset Mgt Limited Lion Stockbrokers Limited LMB Stockbrokers Limited Long Term Global Capital Limited Mact Securities Limited Magnartis Fin & Inv Limited Mainland Trust Limited	Maninvest Securities Limited Marina Securities Stockbroking Services Limited Maven Asset Mgt Limited Maxfund Invest & Sec. Limited Mayfield Investment Limited MBC Securities Limited MBL Financial Services Limited MC-Finero Investment limited Mega Equities Limited Mercov Securities Limited Meristem Securities Limited Midas Stockbrokers Limited Mission Securities Limited Molten Trust Limited Morgan Capital Sec Limited Mountain Investment & Securities Limited Mutual Alliance Investments and Securities Limited Network Capital Limited Network Securities & Finance Limited Newdevco Investments & Securities Co Limited Nigerian Intl Sec Limited Nigerian Stockbrokers Limited Nova Finance & Securities Limited Oasis Capital Omas Investments & Trust Company Limited Options Securities Limited PAC Securities Limited Parthian Partners Limited Partnership Investment Company Limited Peace Capital Market Limited Peninsula Asset Mgt & Inv Co. Limited Perfecta Inv Trust Limited Phronesis Sec Limited Pilot Securities Limited Pinefields Inv Serv Limited PIPC Securities Limited Pivot Trust and Investment Co Limited Platinum Capital Limited Plural Securities Limited PML Securities Company Limited Portfolio Advisers Limited Primera Africa Securities Prime Wealth Capital Limited Professional Stockbrokers Limited, Profund Securities Limited Prominent Securities Limited Prudential Securities Limited Pyramid Securities Limited Quantum Securities Limited, Rainbow Securities and Investment Co. Limited Readings Investment Limited Redasel Investment Limited Regency Assets Mgt Limited Regency Financings Limited Rescap Securities (Nig.) Limited Resano Securities Limited Resort Securities & Trust Limited Reward Investments and Services Limited Richmond Securities Limited Riverside Trust Limited Rivtrust Securities Limited Rostrum Inv & Sec Limited Rowet Capital Mgt Limited Royal Crest Finance Limited Royal Trust Securities Limited Santrust Securities Limited Securities Africa Financial Limited Securities Solutions Limited	Securities Trading & Investments Limited Shelong Investment Limited Sigma Securities Limited Signet Investments & Securities Limited Sikon Securities and Investment Trust Limited Skyview Capital Limited SMADAC Securities Limited Solid-Rock Securities & Investment Limited Spring Trust & Securities Limited Springboard Trust & Inv Limited Stanbic IBTC Asset Mgt Limited Stanbic IBTC Stockbrokers Limited Standard Alliance Capital & Asset Management Limited Standard Union Securities Limited Stanwal Securities Limited Strategy and Arbitrage Limited Summa Guaranty & Trust Co. Plc Summit Finance Company Limited Support Services Limited, Supra Commercial Trust Limited TFS Securities & Investment Limited The Bridge Securities Limited Tiddo Securities Limited Tomil Trust Limited Topmost Securities Limited Tower Asset Management Limited Tower Securities & Investment Co. Limited Trade Link Securities Limited Traders Trust & Investment Company Limited TransAfrica Financial Services Limited Transglobe Investment & Finance Co. Limited Transworld Investment & Securities Limited Tropics Securities Limited Trust Yields Securities Limited Trust House Investments Limited TRW Stockbrokers Limited UBA Securities Limited UIDC Securities Limited UNEX Capital Limited Union Capital Markets Limited Valmon Securities Limited Valueline Securities & Investments Limited Vetiva Capital Mgt Limited Vetiva Securities Limited Vision Trust & Investment Limited Wizetrade Capital & Asset Management Limited WSTC Financial Services Limited WT Securities Limited Yobe Inv. & Sec. Limited Yuderb Inv. & Sec. Limited Zenith Securities Limited
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PARTICIPATION FORM



PORTLAND PAINTS AND PRODUCTS NIGERIA PLC

RC 2343

Rights Issue of

600,000,000 Ordinary Shares of 50 kobo each

at ₦1.70 per share

on the basis of 3 new Ordinary Shares

for every 2 shares held as at the close of business on 09 February 2016

PAYABLE IN FULL ON ACCEPTANCE

Acceptance List Opens
23 January 2017

Acceptance List Closes
01 March 2017

INSTRUCTIONS FOR COMPLETING THE PARTICIPATION FORM

- Acceptance and/or renunciation must be made on this Participation Form.
- Allottees should complete only **ONE** of the boxes marked A and B on the reverse of this form. Shareholders accepting the provisional allotment in full should complete box A and submit their Participation Forms to any of the Receiving Agents listed on Page 40 of the Rights Circular together with a cheque or bank draft made payable to the Receiving Agent for the full amount payable on acceptance. The cheque or draft must be crossed "PORTLAND PAINTS RIGHTS", with the name, address and mobile number of the shareholder written on the back.

Any payment made electronically or with a value exceeding ₦10 million should be made via SWIFT, RTGS or NEFT into the designated Offer Proceeds Account stated below:

Account Details:	Stanbic IBTC Bank Plc
Account Name:	Portland Paints Rights Issue
Account Number:	[.]
Sort Code:	[.]
Narration:	"[Full Name of Shareholder]'s payment for Portland Paints' Rights"

Foreign currency subscribers are advised to contact the Issuing Houses for the applicable US Dollar exchange rate on the day the remittance is being effected as well as payment details.

Evidence of all electronic transfers must be submitted to the Receiving Agents and the Issuing Houses. If payment is not received by 1 March 2017, the provisional allotment will be deemed to have been declined and will be cancelled.

- Shareholders accepting their provisional allotment partially should complete box B and submit their Participation Forms to any of the Receiving Agents listed on Page 39 of the Rights Circular together with the evidence of payment transfer for the partial acceptance in accordance with 2 above.
- Shareholders renouncing the provisional allotment partially or in full, who also wish to trade their rights on the floor of The Exchange should complete item (iii) of box B. They should obtain a Transfer Form from their stockbroker, complete it in accordance with these instructions, and return it to the stockbroker together with the completed Participation Form and the amount payable/evidence of transfer for any partial acceptance in accordance with 2 above.
- Shareholders who wish to acquire additional shares over and above their provisional allotment may purchase renounced rights by contacting their stockbroker, and/or apply for additional shares by completing item (ii) and (iii) of box A.
- All cheques or bank drafts for amounts below ₦10 million will be presented for payment on receipt and all acceptances / applications in respect of which cheques are returned unpaid for any reason will be rejected and cancelled. Shareholders are advised to obtain an acknowledgement of the amount paid from the Receiving Agent through which this Participation Form is lodged.
- Joint allottees must sign on separate lines in the appropriate section of the Participation Form.
- Participation Forms of corporate allottees must bear their incorporation numbers and corporate seals and must be completed under the hands of duly authorised officials who should also state their designations.

FOR REGISTRAR'S USE ONLY

Number of Ordinary Shares Provisionally Allotted	Number of Ordinary Shares Accepted	Number of Additional Ordinary Shares applied for	Number of Ordinary Shares Renounced	Number of Additional Ordinary Shares allotted	Total number of Ordinary Shares Allotted	Total amount payable	Amount paid	Amount to be returned	Bank draft/ cheque number
						₦	₦	₦	

STAMP OF RECEIVING AGENT

Please Turn Over ↩

PARTICIPATION FORM

Care should be taken to comply with the instructions set out on the front of this form. If you are in doubt as to what action to take, you should immediately consult your Stockbroker, Accountant, Banker, Solicitor, Independent Investment Adviser or any other professional adviser for guidance.

Investor's Stockbroker.....

CHN Number.....

Stockbroker Code.....

CSCS Number.....

A. FULL ACCEPTANCE / REQUEST FOR ADDITIONAL ORDINARY SHARES																														
i. I / We accept in full, the provisional allotment shown on the front of this form																														
ii. I / We also apply for additional Ordinary Shares:																														
Number of Additional Ordinary Shares applied for															Additional amount payable at ₦1.70 per share															
															N															
I / We agree to accept the same or smaller number of additional shares in respect of which allotment may be made to me/us, in accordance with the Provisional Allotment Letter contained in the Rights Circular.																														
iii. I / We enclose my / our cheque / bank draft / evidence of payment transfer for ₦..... being the sum of the amount payable as shown on the front of this form, and the additional amount payable as shown in item (ii) above. Cheque details: Name of bank / cheque number/branch.....																														
B. RENUNCIATION OR PARTIAL ACCEPTANCE																														
1										2										3										
Number of Ordinary Shares accepted										Amount payable at ₦1.70 per share										Number of Ordinary Shares renounced										
										N																				
i. I / We accept only the number of Ordinary Shares shown in column (1) above and enclose my/our cheque / bank draft for the value shown in column (2) above. Cheque details: Name of bank / cheque number / branch.....																														
ii. I / We hereby renounce my / our rights to the Ordinary Shares shown in column (3) above, being the balance of the Ordinary Shares allocated to me / us.																														
iii. I / We confirm that I / We wish to trade my / our rights of Ordinary Shares (being my / our renounced shares as shown in Column (3) above) on the floor of The Exchange. I / We shall obtain a Transfer Form from my / our stockbroker, complete it in accordance with his instructions and return it to the stockbroker with the form.																														
MUST BE FULLY COMPLETED FOR BOTH A AND B																														
Name (s) (in block letters)																														
Next of Kin																														
Daytime Telephone Number															Mobile (GSM) Telephone Number															
Email Address																														
BANK DETAILS (FOR E-DIVIDEND)																														
Name of Bank																														
Branch																				Incorporation Number and Seal of Corporate Allottee										
Account Number																														
Signature															2 nd Signature (Joint only)															
Name of Authorised Signatory (corporate only):															Name of Authorised Signatory (corporate only):															
Designation (corporate only):															Designation (corporate only):															
C. TRADING IN RIGHTS																														
i) Shareholders who wish to trade in their rights partially or in full may trade such rights on the floor of The Exchange. The rights will be traded actively on the floor of The Exchange.																														
ii) Shareholders who wish to acquire additional shares over and above their provisional allotment may purchase traded rights (see iv), and / or apply for additional shares by completing item (ii) of box A above.																														
iii) Shareholders who purchase rights on the floor of The Exchange are guaranteed the number of shares purchased: they will not be subject to the allotment process in respect of shares so purchased. Those that apply for additional shares by completing item (ii) of box A will be subject to the allotment process i.e. they may be allotted a smaller number of additional shares than what they applied for.																														
iv) If you wish to purchase renounced rights, please contact your stockbroker who will guide you regarding payment and the procedure for purchasing Portland Paints rights.																														

STAMP OF RECEIVING AGENT