FINANCIAL STATEMENTS FOR THE QUARTER MARCH 2016

Chemical and Allied Products Plc
Financial statements
For the year ended 31 March 2016

Contents **Page(s)**

Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements * Significant accounting policies * Other notes to the financial statements	5-30

Chemical and Allied Products Plc
Financial statements
For the year ended 31 March 2016

Statement of comprehensive income

	Notes	2016 N'000	2015 N'000
Revenue	5	1,848,341	1,808,138
Cost of sales		(942,728)	(832,717)
Gross profit		905,613	975,420
Selling and distribution expenses	7i	(106,324)	(116,633)
Administrative expenses	7ii	(223,148)	(203,426)
Other income	6	16,350	16,129
Operating profit		592,491	671,491
Finance income	8	27,374	43,541
Profit before taxation		619,865	715,032
Taxation	9	(198,357)	(229,357)
Profit for the year		421,508	485,675
Other comprehensive income for the year net of taxation		-	-
Total comprehensive income for the year		421,508	485,675
Earnings per share for profit attributable to the equity holders of the company:			
Basic and diluted EPS (kobo)	11	60	69

The notes on pages 20 to 53 are an integral part of these financial statements.

Chemical and Allied Products Plc
Financial statements
For the year ended 31 March 2016

Statement of financial position

	Notes	2016 N'000	2015 N'000
Assets			
Non-current assets			
Property, plant and equipment	13	409,685	410,324
Intangible assets	14	69,727	74,708
Finance lease receivable	16	10,382	10,382
		489,794	495,414
Current assets			
Inventories	15	717,697	679,193
Trade and other receivables	16	401,930	370,248
Cash and cash equivalents	17	2,873,189	1,864,445
		3,992,817	2,913,886
Total assets		**4,482,612**	**3,409,300**
Liabilities			
Non-current liabilities			
Deferred taxation liabilities	21	55,328	55,328
Current liabilities			
Trade and other payables	18	804,121	550,672
Current income tax liabilities	9	796,302	597,945
Dividend payable	10	685,221	685,221
Borrowing		200,000	
		2,485,644	1,833,838
Total liabilities		**2,540,972**	**1,889,166**
Equity			
Ordinary share capital	19	350,000	350,000
Share premium	19	19,254	19,254
Retained earnings		1,572,386	1,150,878
Total equity		**1,941,640**	**1,520,133**
Total equity and liabilities		**4,482,612**	**3,409,300**

The financial statements on pages 1 to 30 were approved and authorised for issue by the board of directors on 19th April 2016 and were signed on its behalf by.

Chemical and Allied Products Plc
Financial statements
For the year ended 31 March 2016

Statement of Changes in Equity

	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	TOTAL EQUITY N'000
At 1 January 2015	350,000	19,254	811,319	1,180,573
Profit for the year	-	-	1,739,559	1,739,559
Total comprehensive income:	-	-	1,739,559	1,739,559
Transaction with owners:				
Dividends approved	-	-	(1,400,000)	(1,400,000)
Balance at 31 December 2015	**350,000**	**19,254**	**1,150,878**	**1,520,133**
Balance at 1 January 2016	350,000	19,254	1,150,878	1,520,133
Profit for the year	-	-	421,508	421,508
Total comprehensive income:	-	-	421,508	421,508
Transactions with owners:				
Dividends approved	-	-		-
Balance at 31 March 2016	**350,000**	**19,254**	**1,572,386**	**1,941,641**

Chemical and Allied Products Plc
Financial statements
For the year ended 31 March 2016

Statement of cash flows

	Notes	2016 N'000	2015 N'000
Cash flows from operating activities			
Cash generated from operations	20	799,844	847,548
Tax Paid	9	-	-
Net cash flow generated from operating activities		799,844	847,548
Cash flows from investing activities			
Interest received on short term bank deposits	8	27,374	43,541
Dividend received			-
Proceed from sale of property,plant and equipment		8,364	269
Purchase of intangible assets	14	-	-
Purchase of property, plant and equipment	13	(26,839)	(23,268)
Interest Income		-	-
Net cash generated from/(used) in investing activities		8,899	20,541
Cash flows from financing activities			
Employment benefit paid		-	-
Dividend paid		-	-
Borrowing		200,000	
Proceeds from borrowings			
Repayment of borrowings			
Net cash flow used in financing activities		200,000	-
Net increase/(decrease) in cash and cash equivalents		1,008,743	868,089
Net foreign exchange difference - gains/(loss)		-	-
Cash and cash equivalents at the beginning of the year		1,864,445	1,091,337
Cash and cash equivalents at the end of the year	17	2,873,189	1,959,425

The notes on pages 20 to 53 are an integral part of these financial statements.

Notes to the financial statements

1. General information

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

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

2. Summary of significant accounting policies

2.1.1 Basis of preparation

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

Going Concern

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

2.1.2 Amended accounting standards adopted

The following standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2015:

(a) Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities
This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Company financial statements.

(b) ii) Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets.
This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment did not have a significant effect on the Company financial statements.

(c) iii) IFRIC 21, 'Levies'
IFRIC 21 sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Company.

Notes to the financial statements

2.1.3 New standards, amendments and interpretations not yet adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable,when they become effective:

IFRS 9 Financial Instruments
IFRS 15, 'Revenue from contracts with customers'
IFRS 14 Regulatory Deferral Accounts
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
IAS 19 Employee Benefits
IFRS 7 Financial Instruments: Disclosures
Amendments to IAS 1-IAS 1Disclosures Initiative
IFRS 16 - Leases
IAS 12 – Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28
IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27

i) *IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities*

The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

2.1.3 New standards, amendments and interpretations not yet adopted (continued)

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

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

iii) IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. The Company is assessing the impact of IFRS 7.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively. The Company is assessing the impact of IFRS 7.

Notes to the financial statements

2.2 Segment reporting

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment

PPE componentisation polciy

The company componentizes its plant as follows:

Parts No of years

These are parts that have costs that are significant in relation to the total cost of the asset. The company identifies the significant parts of the asset on initial recognition in order for it to depreciate the asset properly. An existing part of an asset is derecognised when it is replaced regardless of whether it has been depreciated separately, and the carrying value of the part has been replaced is estimated, if necessary. 'Where it is not practicable for the company to determine the carrying amou nt of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

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

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

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

Building on leasehold land	Shorter of useful life and lease terms (44 to 99 years)
Plant and machinery	3 to 43 years
Furniture and fittings	3 to 6 years
Tinting equipment	4 years
Motor vehicles	4 to 6 years

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

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

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

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

2.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.
Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related
expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

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

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

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

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

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.6 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.
When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

2.7 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets.All financial assets are recognised initially at fair value plus in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the company commits to purchase or sell the asset.

Subsequent measurement

(i) Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement profit or loss in finance costs for loan and in the cost of sales or other operating expenses for receivables.The company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 16 and 17).

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when: The rights to receive cash flows from the asset have expired or the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without materials delay under a 'pass through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement.

Impairment of financial assets

The company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset, has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.7 Financial assets

2.7.3 Offsetting financial instruments

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

2.7.4 Impairment of financial assets

Assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed
financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss)
continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

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

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.7.5 Trade receivables

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

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

2.7.6 Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction cost

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

Trade payables

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

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

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.8 Inventories

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

2.9 Cash and cash equivalents

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

2.10 Share capital

Ordinary shares are classified as equity.

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

2.11 Current and deferred income tax

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

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

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.11 Current and deferred income tax (continued)

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

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

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

2.12 Employee benefits

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

(a) Defined contribution schemes
i) Statutory contributions (Note 8): The Pensions Reform Act of 2014 requires all companies to pay a minimum of 10% of employees monthly emoluments to a pension fund on behalf of all full time employees.

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

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.12 Employee benefits (continued)

(a) Defined contribution schemes (continued)

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

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

2.13 Revenue recognition

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

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

(ii) Interest Income
Interest income is recognised using the effective interest method.

(iii) Rendering of services
Revenue arises from the use of assets and provision of technical support to the agents. Revenue is recognized when services are rendered.

2.14 Leases

Finance lease
Leases that transfer substantially all the risks and rewards incidenatal to ownership of an asset to another party, the lessee, are classified as finance leases. Title may or may not eventually be transferred. Where the company is the lessor, assets subject to finance leases are initially reported as receivables at an amount equal to the net investment in the lease. Lease income from finance lease is subsequently recognised as earned income over the term of the lease based on the effective interest rate method.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date of a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of porfit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership of the by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Company as a lessor
Leases in which the company does not transfer substantially all the risks and ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contigent rents are recognised as revenue in the period in which they are earned.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.15 Fair value measurement

The Company measures financial instruments, such as, Investment in equity at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or

(b) In the absence of a principal market, in the most advantageous market for the asset or

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(a) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
(b) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(c) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.16 Dividend distribution

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

2.17 Risk management

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

3. Financial risk management

3.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

(a) Market risk
(i) Foreign exchange risk
The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar as a result of importing key raw materials. Foreign exchange risk arises from future commercial transactions. There are limited exposures to recognised assets and liabilities.

The company does not make use of derivatives to hedge its exposures. Letters of credit are issued by the company to the foreign suppliers for the purchase of materials.The Company does not hedge but buys from the official market to mitigate the difference between the official and parallel markets.

The company's concentration of foreign exchange risk is as follows:

	2016	2015
Cash and short term deposits:	N '000	N '000
Naira	2,849,836	1,838,279
USD	843	715
GBP	22,510	25,451
Total cash and short term deposits	2,873,189	1,864,445

Notes to the financial statements

4. Significant judgements and estimates

4.1 Significant estimates

The preparation of financial statement in conformity with IFRS requires the use of certain critical accounting estimates. In the process of applying the Company's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the financial statements. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas where judgment and estimates are significant to the financial statements are as follows:

Property, plant and Equipment
Estimates are made in determining the depreciation rates and useful lives of these property, plant and equipment. These financial statements have, in the management's opinion been properly prepared within reasonable limits of materiality and within the framework of the summarised significant accounting policies.

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

4.2 Significant judgements

No significant judgements were made during the year. There are no assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

5. Analysis by revenue

The Company

The chief operating decision-maker has been identified as the executive directors. The executive directors review the company's internal reporting on monthly income statement and financial position in order to assess performance and allocate resources.

The company's reportable segment has been identified as one i.e. production and sale of paints.

The executive directors assess performance of the operating segment based on profit from operations.

Entity wide information:	**2016**	**2015**
Analysis of revenue:	**N'000**	**N'000**
Sale of paint products	1,848,341	1,791,015
Revenue from services		17,123
	1,848,341	1,808,138
Analysis of revenue by geographical location:		
Nigeria	1,848,341	1,808,138

Revenue from services relates to application of paints for some customers

Concentration risk

Three customers who are agents of the company contributed 32% of the turnover.

Notes to the financial statements

6. Other income

	2016	2015
	N'000	N'000
Sale of scrap items		449
(Loss)/Profit on sale of PPE	1,648	200
Management fees	13,704	13,272
Exchange gain/Other income	998	2,207.66
	16,350	16,129

Management fees represent income generated from management services rendered to the agents of the company.

7. Expenses by nature

	2016	2015
	N'000	N'000
Change in inventories of finished goods and work in progress	835,072	766,180
Directors' emoluments (Note 8iii)	1,744	15,251
Staff costs excluding directors' emoluments (Note 8i)	196,432	123,742
Auditors' fees	6,431	5,397
Depreciation of fixed assets (Note 13)	20,760	20,251
Royalty fees (Note 24a)	27,052	24,627
Commercial service fees (Note 24b)	20,407	20,014
Computer charges	7,439	2,687
General risk insurance premium	4,280	2,086
Marketing, communication & entertainment	27,910	55,987
Other expenses	124,674	116,554
	1,272,200	1,152,776

	2016	2015
Cost of sales	942,728	832,717
Selling and distribution expenses	106,324	116,633
Admininstrative expenses	223,148	203,426
	1,272,200	1,152,776

8 Finance income

	2016	2015
	N'000	N'000
Interest income on short-term bank deposits	27,374	34,850
Interest income on loan to related party		5,721
Interest income on Dividend Deposit		2,970
Interest income on finance lease assets		
	27,374	43,541

Notes to the financial statements

9 Taxation

	2016 N'000	2015 N'000
Current tax		
Nigeria corporation tax charge for the year	198,357	229,358
Deferred tax		
Temporary differences, origination and reversal		
Adjustments in respect of prior periods	-	-
Total deferred tax (Note 21)	-	-
Income tax expense	198,357	229,358

Nigeria corporation tax is calculated at 30% (2013: 30%) of the estimated assessable profit for the year.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2016 N'000	2015 N'000
Accounting Profit before tax	**619,865**	**2,570,021**
Tax at the Nigeria corporation tax rate of 30% (2013: 30%)	198,357	771,006
Impact of disallowable expenses	-	40,412
Impact of Education tax		55,833
Prior year under provision		9,998
Utilisation of previously unrecognised tax losses		(46,787)
	198,357	**830,462**
Effective tax rate	32%	32%
Income tax recognised in profit or loss		
Tax at the Nigeria corporation tax rate of 30% (2013: 30%)	185,960	783,613
Education tax	12,398	55,832
Prior Year Under Provision		9,998
Deferred tax writeback for the year		(18,981)
Tax charge for the year	**198,357**	**830,462**

Notes to the financial statements

9 Taxation (continued)

	2016 N'000	2015 N'000
Per income statement		
Income tax	185,960	783,613
Education tax	12,398	55,833
Prior Year Under Provision		9,998
Deferred taxation (Note 21)		(18,981)
	198,357	830,462
Per statement of financial position:		
Balance 1 January		
Income tax	597,945	736,977
Education tax		50,719
Capital gains tax	-	-
	597,944	787,695
(Payments)/writeback during the year:		
Income tax		(978,477)
Education tax		(50,719)
Back duty tax		(9,998)
	1	(1,039,194)
Provision for the year:		
Income tax	185,960	783,613
Education tax	12,398	55,833
Prior Year Under Provision		9,998
	198,357	849,443
Balance as at 31 December	796,302	597,945

Notes to the financial statements

10 Dividends

Amounts recognised as distributions to ordinary shareholders in the year comprise:

	2016 N'000	2015 N'000
At 1 January	312,231	312,231
*Final dividend	595,000	595000
**Interim dividend	805,000	805000
***Dividend refunded	372990	372990
Payments during the year	(1,400,000)	(1,400,000)
At 31 December	685,221	685,221

11 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Weighted average number of ordinary shares in issue ('000)	700,000	700,000
Profit attributable to ordinary equity shareholders (N'000)	421,508	485,675
Basic earnings per share (kobo)	60	69
(b) Diluted	60	69

There were no potentially dilutive shares outstanding at 31 March 2016

Notes to the financial statements

13. Property, plant and equipment

Cost	Leasehold Land N'000	Buildings on leasehold land N'000	Tinting equipment N'000	Plant and Machinery N'000	Furniture and fittings N'000	Motor vehicles N'000	WIP N'000	Total N'000
At 1 January 2015	11,472	53,524	125,763	379,212	109,476	174,515	11,312	865,274
Reclassification						-	-	-
Additions	-	322	15,548	37,062	17,189	31,064	(6,312)	94,873
Disposals	-	-	(5,189)	(1,002)	(5,619)	(25,155)	-	(36,965)
At 31 December 2015	11,472	53,846	136,122	415,272	121,046	180,424	5,000	923,182
At 1 January 2016	11,472	53,846	136,122	415,271	121,046	180,424	5,000	923,181
Reclassification	-	-	-	-	-	-	-	-
Additions		-	22,747	3,144	948	-		26,839
Disposals	-	-			(27)	(10,645)	-	(10,672)
At 31 March 2016	11,472	53,846	158,869	418,415	121,967	169,779	5,000	939,348
Accumulated depreciation								
At 1 January 2015	-	14,455	103,726	170,946	86,048	90,353	-	465,528
Charge for the year	-	1,749	14,737	26,496	13,861	23,840	-	80,683
Impairment charge							-	-
Disposals	-	-	(4,468)	(992)	(5,533)	(22,360)	-	(33,353)
At 31 December 2015	-	16,204	113,995	196,451	94,376	91,833	-	512,858
At 1 January 2015	3,862	12,342	113,994	196,452	94,373	91,834	-	512,857
Charge for the year	-	441	4,113	6,867	3,076	6,263	-	20,760
Impairment charge	-	-	-		(26)	(3,929)	-	(3,955)
Disposals							-	-
At 31 March 2016	3,862	12,783	118,107	203,320	97,423	94,168	-	529,662
Net book values								
At 31 March 2016	7,610	41,063	40,762	215,095	24,544	75,611	5,000	409,685
At 31 December 2015	11,472	37,642	22,127	218,821	26,670	88,591	5,000	410,324

Leasehold properties have an unexpired tenure of between 44 and 65 years.
Work in progress (WIP) relates to the amount incurred for factory extension which is yet to be completed.

14. Intangible assets

Cost of software:	z	**2016** N'000	**2015** N'000
At 1 January		99,611	99,611
Additions		-	-
Balance at 31 December		**99,611**	**99,611**
Amortization of software			
At 1 January		24,902	4,981
Amortization of software during the year		4,981	19,922
Balance at 31 December		**29,883**	**24,903**
		69,727	**74,708**

Notes to the financial statements

15. Inventories

	Valued at:	2016 N'000	2015 N'000
Raw materials	Cost	200,056	139,571
Intermediates	Cost	12,527	10,445
Technical stocks and spares	Cost	12,629	10,187
Containers and labels	Cost	20,570	22,765
Consumable stocks	Cost	9,188	9,752
Finished goods	Cost	473,184	496,791
		728,153	689,510
Less: provision for impairment of inventories		(10,457)	(10,317)
		717,697	679,193

16. Trade and other receivables

Receivables due within one year	2016 N'000	2015 N'000
Trade receivables	234,963	64,756
Less: provision for impairment of trade receivables	(20,943)	(21,114)
Net trade receivables	214,019	43,642
Receivables from related parties (Note 22)	19,624	26,323
Impairment on receivables from related parties	(5,856)	(6,690)
Witholding tax receivable	58,105	65,818
Impairment on witholding tax receivable	(47,364)	(52,933)
	10,741	12,885
Witholding tax credit notes received	62,743	49,301
Other receivables	122,876	29,560
Impairment on other receivables	(22,561)	(24,275)
	100,315	5,285
Advances to staff	344	344
Import prepayment	-	166,318.00
Other prepayments		72,841.00
Impairment on Other prepayments		-
	401,930	370,248

Movements in the provision for impairment of trade receivables are as follows:

	2016 N'000	2015 N'000
At 1 January	21,114	21,980
Provision for receivables impairment		3,276
Receivables written off/write back during the year	(172)	(186)
Unused amounts reversed		(3,956)
	20,942	**21,114**

Notes to the financial statements

16. Trade and other receivables (continued)

Receivables due after one year, finance lease receivables

	2016 N'000	2015 N'000
Gross investment in lease	94,600	94,600
Unearned finance income	(84,218)	(84,218)
Net investment in lease	10,382	10,382

Gross investment in lease		
Gross finance lease receivable - minimum lease receivable		
- No later than 1 year	2,200	2,199
- 2 to 5 years	11,000	8,800
- More than 5 years	81,400	88,002
	94,600	99,001
Future finance income on lease	(84,218)	(88,618)
Present value of finance lease receivable	10,382	10,382
The present value is analysed as follows:		
- No later than 1 year	1,612	1,612
- 2 to 5 years	4,308	4,308
- More than 5 years	4,462	4,462
	10,382	10,382

The company has entered into a finance lease for a warehouse to a related party, MDS Logistics. The lease is for a total period of 51 year; of this period 44 years remain in the contract. The property reverts to the company at the end of the lease period.

17. Cash and cash equivalents

	2016 N'000	2015 N'000
Cash at bank and in hand	41,955	197,176
Short-term deposits	2,831,234	1,667,269
	2,873,189	**1,864,445**

Notes to the financial statements

18. Trade and other payables

	2016 N'000	2015 N'000
Trade payables	194,133	85,986
Royalty accrual	128,414	101,362
Amounts owed to related parties (Note 22)	-	-
	322,547	**187,347**
Provision for employee leave	5,637	1,074
VAT payable	29,395	18,880
Witholding tax payable	1,541	14,965
Other payables	10,836	10,902
Income received in advance	37,675	107,304
Accrued marketing expenses	19,408	23,714
Other accruals	377,082	186,485
	804,121	550,670

	2016	2015
Average credit period taken for trade purchases (days)	30	30

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The directors consider the carrying amount of trade and other payables to approximate its fair value.

19 Share capital

	2016		2015	
	Number '000	Amount N'000	Number '000	Amount N'000
Authorised:				
Ordinary shares of 50k each	840,000	420,000	840,000	420,000
Issued and fully paid:				
Ordinary shares of 50k each	700,000	350,000	700,000	350,000

Movements during the year:	Number of shares '000	Ordinary shares N'000
Balance at 1 January 2015	560,000	280,000
Bonus issue	140,000	70,000
At 31 December 2015	700,000	350,000
Bonus issue	-	-
At 31 March 2016	700,000	350,000

Share premium	N'000
Balance at 1 January 2015	19,254
movement during the year	-
At 31 December 2015	19,254
movement during the year	-
At 31 March 2016	19,254

Nature and purpose of reserves

The share premium reserve is used to recognise the amount above the par value of issued and fully paid ordinary share of the Company.

Notes to the financial statements

20 Reconciliation of profit before tax to cash generated from operations:

	2016 N'000	2015 N'000
Profit before tax	619,865	715,031
Depreciation of fixed assets	20,760	20,251
Impairment of fixed assets	0	-
Net foreign exchange difference - gains/(loss)	0	
Amortization of Intangible assets	4,981	4,981
Loss / (Profit) on disposal of fixed assets	(1,648)	(200)
Interest income	(27,374)	(43,541)
Operating cash flows before movements in working capital	616,585	696,524
Movements in working capital:		
Increase in stocks	(38,504)	(264,136)
Increase in trade and other receivables	(31,682)	421,933
Increase in trade and other payables	253,446	(6,772)
Cash generated from operations	**799,844**	**847,548**

21 Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Statement of financial position:	2016 N'000	2015 N'000
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	(55,328)	(55,329)
	(55,328)	(55,329)

The movement on the deferred income tax account is as follows:

	2016 N'000	2015 N'000
At 1 January	(55,328)	(55,328)
Income statement charge (Note 10)		0
	(55,328)	(55,328)