



**IPWA plc.**

RC. 2432

*- the Prime Paint manufacturers*

THE NIGERIAN STOCK EXCHANGE  
LIBRARY

2005 & 2006:  
**Annual Reports  
&  
Accounts**

## CONTENTS

	2005 Pages	2006 Pages
Notice of Meeting	2	30
Directors, professional advisers, etc.	3	31
Chairman's Statement	4 -5	-
Report of the directors	6 - 10	32 - 36
Report of the auditors	11	37
Report of the audit committee to shareholders	12	38
Statement of significant accounting policies	13	39
Balance sheet	14	40
Profit and loss account	15	41
Statement of cash flows	16	42
Notes to the financial statements	17 - 24	43 - 49
Statement of value added	25	50
Five-year financial summary	26	51
Proxy	27	52

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 46th Annual General Meeting of the Company will be held at the Company's Head Office, Plot 1, Oba Akran Avenue, Ikeja Industrial Estate, Ikeja, Lagos State on Thursday, 13 September, 2007 at 11.00 a.m to transact the following business:

### Ordinary Business

1. To receive and consider the accounts for the year ended 31 December, 2005, and the report of the Directors, Auditors and Audit Committee thereon.
2. To re-elect Directors
3. To approve the re remuneration of the Directors.
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.
6. **SPECIAL NOTICE**  
Special Notice is hereby given pursuant to the provisions of Sections 236 and 256 of the Companies and Allied Matters Act CAP C20 LFN 2004 to consider, and if thought fit, to pass the following as an ordinary resolution:

"That Chief (Dr.) S. B. Daniyan, notwithstanding that he has attained the age of 70, be and he is hereby re-elected a Director of the Company".

BY ORDER OF THE BOARD

CROWNSEC CONSULTS LIMITED  
(Secretaries)

*c/o Plot 1, Oba Akran Avenue, Ikeja Industrial Estate  
Ikeja, Lagos State.*

*21 June, 2007*

### NOTE:

- 1) Proxies  
A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. All proxy forms should be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.
- 2) Nomination for Audit Committee  
Any member may nominate a shareholder as a member of the Audit Committee of the Company by giving notice in writing of such nomination to the secretaries, c/o IPWA plc, Oba Akran Avenue, Ikeja, at least 21 days before the Annual General Meeting.

## DIRECTORS, PROFESSIONAL ADVISERS, ETC.

### BOARD OF DIRECTORS

- Chief (Dr.) Silas Bandele Daniyan, CON - Chairman  
Engr. Sulaimon Ibikunle Tella - Managing/Chief Executive (Appointed with effect from 8/5/06)  
Chief Henry Oluwatoyin Sunday Kayode - (Retired with effect from 6/2/06)  
Chief Emmanuel Olatunji Adesoye  
Sir Michael Onwuka Okeke  
James Alexander Melrose - British  
Patrick Chinweike Abuka  
Chief Folorunsho Daniyan  
Oluwagbemiga Babatunde Adesoye - Alternate to Chief E. O. Adesoye  
Mary Abike Daniyan - (Appointed with effect from 2/2/06)

### SECRETARY

Crownsec Consults Limited  
(Company Secretaries)  
67, Awolowo Way, (Top Floor, Rear)  
Ikeja

### REGISTRARS

Union Registrars Limited  
2, Burma Road  
Apapa

### REGISTERED OFFICE

Plot 1, Oba Akran Avenue  
Ikeja Industrial Estate  
Ikeja

### BANKERS

First Bank of Nigeria Plc  
Intercontinental Bank Plc  
Skye Bank Plc  
Union Bank of Nigeria Plc

### AUDITORS

Balogun Badejo & Co.  
(Chartered Accountants)  
6, Ilupeju Bye-Pass  
Ilupeju  
Lagos

### SOLICITORS

T B Akinyeye & Co.  
17, Ibadan Street (West)  
Ebute-Metta  
P. O. Box 1867, Lagos

## CHAIRMAN'S STATEMENT

Fellow Shareholders,  
Representatives of the Regulatory Authorities  
Invited Guests,  
Ladies and Gentlemen

I welcome you once again to a combined Annual General Meeting for years 2005 and 2006. It is indeed a pleasure seeing you again since last year that we met for similar purpose, but I am assuring you that henceforth our Annual General Meeting will be restored to a yearly affair.

Before I present the Financial Statements for each year of the two years ended 31 December 2005 and 2006 respectively, I wish to discuss some of the circumstances that impinged on the operation of your Company since year 2005, while reviewing the result for the two years and intimate you with our strategies for the way forward.

### ECONOMIC SITUATION:

The price of raw materials continued to rise significantly in 2006. Due to political tensions in the Middle East and unrest in the Niger Delta, Crude Oil prices rose sharply in August to a yearly high of \$78.4 per barrel, although it subsequently dipped by year end. The rise in Oil prices that peaked at \$78.4 per barrel against \$35 per barrel which was the basis for the 2006 budget resulted in a quantum rise in the external reserves to \$42.6 as at the year end. The exchange rate stabilized at ₦126 to \$1 by December 2006.

Towards the end of the year 2006, Political activities had become so volatile and had resulted in so much anxiety, tension, insecurity and violence that the business situation became unpredictable. Many businesses were at a standstill. The conflicts and tussles between the President, the Vice and Legislature were so profound, making it difficult to predict the final outcome of all the issues. The Federal Government, who normally is the biggest spender, was not doing anything again that could inject funds into the economy. It was a state of stagnation for the economy and business in general. Both MAN (Manufacturers Association of Nigeria) and OPS (Organized Private Sector) were very vehement in opposing the economic indices and statistical postulation reeled out by the Federal Government in readiness for the electioneering campaigns. The claims by the Federal Government that the country inflation rate had gone down from over 6% to about 3%, and the improvements on the GDP were all refuted by these two organizations.

### OPERATING ENVIRONMENT:

Despite the Federal Government efforts on improvement of the infrastructure and the energy sector, the frequent power outages in 2006 continued unabated. Besides, the inability of the Federal Government to pay the local debts, which as at the end of 2006, was about ₦1.3 trillion had a very bad effect on the economic situation in the country. Also the actions of the Economic and Financial Crime Commission (EFCC) brought to many people a negative impact on trade and business activities throughout the year 2006. "The fear of EFCC has become the beginning of wisdom". Many people were afraid to transact business with the Federal Government while also a lot of Federal Government Agencies were afraid to give out contracts or jobs that could benefit the manufacturing sector during the year. These had terrible adverse effects on business generally during the year 2006.

In fact managing the existing heavy loan profile of the Company as well as servicing the related interest obligations took a major toll on management's valuable time to the detriment of productive efforts.

During the same period under review, the price hike of petroleum products by the Government and the Marketers of Petroleum Products almost forced some companies to close down, but our moving train kept moving, albeit slowly, and it is closer to our destination of turning our company around from a loss to a profit situation.

## CHAIRMAN'S STATEMENTS (Cont'd)

### PRESSURE FOR DEBT REPAYMENT:

A secured creditor threatened a unilateral action to appoint a Receiver Manager for the Company in the year 2006 but due to the funds received from our Oregon Depot disposal, and my financial assistance, we were able to reduce our exposures.

However, this problem is not yet over, but I am assuring you that the approximately 153 million warehoused shares would be sold to enable us pay off some of the creditors, particularly the Banks.

### OPERATING RESULT:

Regrettably enough, under the forgoing environment, the Company was not able to record positive results but once again I am assuring you that, all things being equal, these would be the last negative results for our Company.

In the year 2005, the turnover stood at ₦253,971,000.00 compared with the figure of ₦291,903,000.00 in 2004. Similarly the turnover for the year 2006 stood at ₦303,920,000.00 with a percentage increase of 19.7% to that of 2005. A further marginal improvement was also recorded in our gross profit percentage. On the other hand the losses for the years 2005 and 2006 were mostly the result of compounded financial charges (interest on loans and overdraft).

However there is every indication that from July 2007 onward our Company would record better results that would gladden the hearts of the shareholders.

We are grateful to two of our major Banks, i.e the First Bank of Nigeria Plc and the Union Bank of Nigeria Plc in waiving large portions of our indebtedness to them. This enabled us to make full and final payment of our debt to one of them while the other has agreed to restructure the outstanding balance after a waiver to forty eight monthly instalmental payments.

### BOARD CHANGES:

Since our last Annual General Meeting in 2006 there have been some changes on the Board of Directors of the Company. Engr. S. I. Tella was appointed the Managing Director of the Company from 8th May, 2006 and Mr. J. A. Melrose resigned from the Board on 27th February, 2006. Miss M. A. Daniyan was appointed on 2nd February 2006. I am sure you will join me in welcoming them to the Board and to wish Mr. Melrose success in his new endeavour.

### FUTURE PLAN/PROSPECTS:

In spite of the poor working capital situation, your Board and Management are committed to meeting challenges through a combination of strategies.

Steps duly taken in 2007 will reduce the negative effects of the finance burden and, combined with measures being adopted to rationalize and optimize resources through internal restructuring, will ultimately lead us to greater financial stability.

### CONCLUSION

I cannot end this statement without thanking the staff, both senior and junior, who have shown such understanding of the problems by co-operating so much with the Board and Management. I also want to express my appreciation to you shareholders for your patience and understanding. I am sure some of you would have taken advantage of the shares appreciation lately.

Last but not the least, my special thanks go to our valued customers, suppliers, creditors, advisers and bankers and I hope they will continue to support us.

I thank you all and God bless.

Chief (Dr.) S. B. Daniyan, CON

**REPORT OF THE DIRECTORS**  
FOR THE YEAR ENDED 31 DECEMBER, 2005

**FINANCIAL STATEMENTS**

The directors have pleasure in presenting to the members of the company their report together with the audited financial statements for the year ended 31 December, 2005.

<b>1. RESULTS FOR THE YEAR</b>		N'000
Turnover		<u>253,974</u>
(Loss) for the year after taxation transferred to revenue reserve		<u>(44,144)</u>

**2. PRINCIPAL ACTIVITIES**

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

**3. DIVIDEND**

The directors have not recommended the declaration of any dividend because of the loss sustained.

**4. LEGAL FORM**

The company was incorporated as a public limited liability company on 23 January, 1961 and was listed on the Nigerian Stock Exchange in November, 1979.

**5. DIRECTORS AND DIRECTORS' INTEREST IN SHARES**

.1 The names of the current directors are listed on page 3

.2 Interest of directors (direct or indirect) in the issued shares of the company are as follows:

	Indirect	Direct	Number of shares	
			2005	2004
Chief (Dr.) Silas Bandele Daniyan (SBD Limited)	90,958,084	15,750,578	106,708,662	106,708,662
Chief H O S Kayode	-	2,375,000	2,375,000	2,375,000
Sir Michael O. Okeke (M & T Investment Limited)	213,202	305,206	518,408	518,409
Chief E. O. Adesoye (Adesoye Holding Limited)	31,886,200	-	31,886,200	31,886,200
Chief Folorunsho Daniyan	-	40,900	<u>40,900</u>	<u>-</u>

There were no changes in the above holdings as at 30 September, 2006.

**.3 Retirement age**

Chief (Dr.) S. B. Daniyan, having attained the age of 70 years, is to be re-elected by special notice in accordance with the provisions of section 256 of the Companies and Allied Matters Act, CAP C20 LFN, 2004.

**.4 Record of directors attendance**

In accordance with section 258(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the record of the directors attendance at directors' meeting during the year is available for inspection at the annual general meeting.

**6. BOARD CHANGES**

In accordance with Article 88 of the Articles of Association, Chief Folorunsho Daniyan and Chief E. O. Adesoye retire by rotation and being eligible offer themselves for re-election.

**7. DIRECTORS' INTEREST IN CONTRACTS**

None of the directors has notified the company for the purpose of section 227 of the Companies and Allied Matters Act, CAP C20 LFN 2004 of any disclosable interest in contracts with which the company was involved during the year ended 31 December, 2005.

## REPORT OF THE DIRECTORS (Cont'd)

### 8. DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation of the annual financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year, and of the profit or loss for the financial year and comply with the Companies and Allied Matters Act, CAP C20 LFN 2004. In doing so they ensure that:

- proper accounting records are maintained;
- internal control procedures instituted which as far as is reasonably possible, safeguard the assets and prevent and detect fraud and other irregularities;
- applicable accounting standards are followed;
- suitable accounting policies are adopted and consistently applied;
- judgements and estimates made are reasonable and prudent; and
- the going concern basis is used unless it is inappropriate to presume that the company will continue in business.

### 9. MAJOR SHAREHOLDERS

The issued share capital of the company was ₦179,393,617 made up of 358,787,235 ordinary shares of 50k each held as follows at 31 December:

	2005		2004	
	Number	%	Number	%
IP Overseas Investment, IP Overseas	37,281,375	10.3	37,281,375	10.3
IP Overseas Investment Limited	28,635,942	8.0	28,635,942	8.0
Nigerian Industrial Development Bank	6,956,250	1.9	6,956,250	1.9
Nigeria Social Insurance Trust Fund	8,892,276	2.5	8,892,276	2.5
Adesoye Holdings Limited	31,886,200	8.9	31,886,200	8.9
S B D Limited	90,958,084	25.3	90,958,084	25.3
Krest Investment Ltd.	28,571,429	8.0	28,571,429	8.0
Emmyson Nig Ltd	30,797,004	8.6	30,797,004	8.6
Nycil Nigeria Ltd	14,376,350	4.0	14,376,350	4.0
Other Nigerian citizens and associations	78,057,326	21.8	78,057,326	21.8
	<u>356,412,236</u>	<u>99.3</u>	<u>356,412,236</u>	<u>99.3</u>

### 10. ANALYSIS OF SHAREHOLDING

Range	No of holders	No of shares	% of holding
1 - 500	6,003	1,640,141	0.46
501 - 1,000	2,562	1,862,956	0.52
1,001 - 5,000	4,057	8,731,266	2.43
5,001 - 10,000	590	4,312,760	1.20
10,001 - 50,000	540	10,760,251	3.00
50,001 - 100,000	63	4,311,708	1.20
100,001 - 500,000	56	11,420,831	3.18
500,001 - 1,000,000	5	3,164,627	0.88
1,000,001 - 5,000,000	8	17,840,868	4.97
5,000,001 and above	11	294,741,827	82.16
	<u>13,895</u>	<u>358,787,235</u>	<u>100.00</u>

11. FIXED ASSETS

Movements in fixed assets during the year are shown in Note 1 on page 17. In the opinion of the directors, the market value of the company's properties is not less than the value shown in the financial statements.

12. DONATIONS

The company made no donation during the year.

13. ACQUISITION OF OWN SHARES

The company did not acquire its own shares for any reason whatsoever during the year.

14. POST BALANCE SHEET EVENTS

There are no post balance sheet events which could have had material effect on the financial affairs of the company as at 31 December, 2005.

15. COMPANY'S CUSTOMERS

The names of the company's main customers are as follows:

Names	Locations
CITEC Nigeria Limited	Abuja
Godab Limited	Abuja
Nicon Hilton Hotel Limited	Abuja
Sheraton Hotels Limited	Abuja
Dantata & Sawae Construction Company Ltd	Abuja
Nicon Noga Hilton Hotel	Abuja
Solel Boneh Nigeria Ltd (RCC)	Abuja
IITA	Ibadan
Nigeria Breweries Plc	Ibadan
Armeco Limited	Kaduna
KRPC	Kaduna
Woodcraft Nigeria Limited	Kaduna
Aeromaritime Authority	Lagos
Cappa & D'Alberto Plc	Lagos
Dorman Long & Amal Engr. Co. Limited	Lagos
Ambico Sendrian Nigeria Limited	Lagos
Maggiore Structure	Lagos
Vicon Resources Limited	Lagos
Continental Shipyard	Lagos
Naval Dockyard	Lagos
Nigerdock Nigeria Plc	Lagos
Stabilini Visiononi Company Limited	Lagos
Vita Construction Limited	Lagos
Vitafoam Nigeria Plc	Lagos
NLNG, Bonny	Port-Harcourt
Eleme Petrochemical	Port-Harcourt
Total Marine Support Services	Port-Harcourt
GSDA Limited	Kaduna
Beta Glass Nigeria Limited	Warri
Daewoo Nigeria Limited,	Warri
Nigeria Dredging & Marine Limited	Warri

16. SUPPLIERS

The company's significant overseas and local suppliers are;

Chizzy Nigeria limited  
Danmayo Ventures Limited  
Emmyson Nigeria Limited  
Lonela Chemical Limited  
Funmice Nigeria Limited  
Nycil Nigeria Limited  
Pastec Industries Limited  
Nampak Plc  
Trisa Nigeria Limited  
Phobica Chemical Limited  
Avon Crown caps & Containers (Nig.) Plc  
Robinson Ventures Nigeria Limited  
Fluid Resources Nigeria Limited

The company is not associated with any of its local suppliers and obtain all its materials at arms length.

17. EMPLOYMENT AND EMPLOYEES

1. Employment of disabled persons

It is the policy of the company not to discriminate unfairly in considering applications for employment including those from disabled persons. All employees whether disabled or not are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers. The company has in its employment a number of people with varying degrees of disability.

2. Health, safety and welfare of employees

The company takes a keen interest in the health, safety and welfare of its work force by providing free medical services, first aid boxes at strategic locations, safety boots and other protective devices as appropriate; subsidised staff canteen at Ikeja factory; contributory provident schemes and generous gratuity schemes for all staff.

3. Employees' involvement and training

Employees are fully involved in determining the fortunes of the company. This is achieved by ensuring effective communication between management and staff at all levels through regular discussions with representatives of the senior staff association and junior staff union. Consequently, the company is assured of the loyalty and support of its employees. Incentive schemes designed to meet the circumstances of certain categories of employees are in place. Management, professional and technical expertise are highly prized by the company and investments in developing such skills continue unabated. The company has a well equipped training centre.

Apart from on-the-job-training, formal internal/external management, supervisory, safety/health and occupational courses are provided yearly for employees.

18. AUDIT COMMITTEE

Although Section 359 (3) of the Companies and Allied Matters Act, CAP C20 LFN 2004, requires an audit committee of six, the company has in place as at the date of this report an Audit Committee comprising three directors and three shareholders, namely:

Alhaji Fasasi Adebola Mebude (Chairman)  
Mr. James Olaniyi Olufemi Akinyemi  
Sir Michael Onwuka Okeke  
Mr. Emmanuel Abiodun Oyetunde  
Chief Folorunsho Daniyan  
Engr. Oluwagbemiga Babatunde Adesoye

The functions of the Audit Committee are laid down in Section 359 (6) of the Companies and Allied Matters Act, CAP 20 LFN 2004.

19. AUDITORS

The auditors, Messrs Balogun Badejo & Co have indicated their willingness to continue in office in accordance with section 357 (2) of the Companies and Allied Matters Act CAP C20 LFN 2004. A resolution will be proposed authorising the directors to determine the Auditors' remuneration.

BY ORDER OF THE BOARD

Crownsec Consults Limited  
Secretary

LAGOS, NIGERIA  
7 February, 2007

REPORT OF THE AUDITORS TO THE MEMBERS OF  
IPWA PLC



Balogun Badejo & Co.  
Chartered Accountants

6. Ilupeju Bye-Pass,  
Opposite Olajire House, Ilupeju,  
G. P. O. Box 3260 Lagos, Nigeria.  
Tel: 4977941-4 Fax: +234 (0) 1 497-7940  
E-mail: bbocharter@yahoo.com

We have audited the financial statements set out on pages 13 to 24.

Respective responsibilities of Directors and Auditors

In accordance with the provisions of the Companies and Allied Matters Act, CAP C20 LFN 2004, the company's directors are responsible for the preparation of the financial statements.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with generally accepted auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements; and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and assessed whether the company's books of account had been properly kept.

Going concern

These financial statements have been prepared under the historical cost convention and on a going concern basis relying on note 22 (page 24) of the financial statements regarding the assumption that the company will continue to operate and enjoy the cooperation and support of its bankers, creditors and share holders.

Opinion

In our opinion, subject to the foregoing, the company's books of account have been properly kept, the financial statements give a true and fair view of the financial affairs of the company at 31 December, 2005 and of the loss and cash flows for the year then ended, and have been properly prepared in accordance with the companies and Allied Matters Act, CAP C20 LFN 2004 and all relevant accounting standards issued by the Nigerian Accounting Standards Board.

Lagos, Nigeria

S. Mordoh

2007

Balogun Badejo & Co.  
Chartered Accountants



16

Partners:  
P. O. Oluw J O Asaolu  
M O Olatofun F C Obi  
J O Obogwu

Member of the Public Practice Section of ICAN  
RC: 133294  
Other Offices in Nigeria:  
Abuja Akure Benin-City  
Ibadan Ilorin Kaduna

POLARIS  
INTERNATIONAL

**REPORT OF THE AUDIT COMMITTEE**  
FOR THE YEAR ENDED 31 DECEMBER, 2005

In accordance with section 359(6) of the Companies and Allied Matters Act CAP C20 LFN 2004, we have reviewed the financial reports of the company in respect of the year ended 31 December 2005 and observed as follows:

- i. That the accounting and reporting policies of the company are in agreement with legal requirements and agreed ethical practices.
- ii. That the scope and planning of the external audit are in our opinion adequate and satisfactory.
- iii. That the internal audit is in our opinion satisfactory.
- iv. That the management responses to the External Auditors' observations were satisfactory.

Alhaji Fasasi Adebola Mebude  
Chairman, Audit Committee

Other members:-

1. Mr. James Olaniyi Olufemi Akinyemi
2. Mr. Emmanuel Abiodun Oyetunde
3. Chief Folorunsho Daniyan
4. Sir Michael Onwuka Okeke
5. Engr. Oluwagbemiga B. Adesoye

Dated: May 15, 2007

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies adopted by the company in the preparation of its financial statements.

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been drawn up on a going concern basis which is dependent upon continued support from the company's bankers and creditors in the foreseeable future. Should these facilities become unavailable, the company may be unable to finance its activities at their current levels thus resulting into a serious threat to the going concern basis. Subject to the above, these accounts have been prepared under the historical cost convention as modified by the revaluation of leasehold land and buildings.

### 2. TURNOVER

Turnover comprises the net value of sales invoiced to third parties.

### 3. FIXED ASSETS

Fixed assets are stated at cost or valuation less accumulated depreciation.

### 4. DEPRECIATION

Consistent with prior years, depreciation on fixed assets has been calculated on the straight line basis on cost/valuation to write off the assets at the following annual rates:

Leasehold land & buildings	-	2% per annum for leases with less than fifty years to run
Plant and machinery	-	10%
Motor vehicles	-	33.33%
Furniture and equipment	-	20%
Computer equipment	-	25%

### 5. STOCKS AND WORK-IN-PROGRESS

Stocks and work-in-progress are stated at the lower of cost and net realisable value.

### 6. DEBTORS

Debtors are stated after deduction of specific provision for any debts considered to be doubtful of collection.

### 7. TAXATION

#### .1 Income tax

Income tax payable is provided on taxable profits at the current rate of tax.

#### .2 Deferred tax

Deferred tax (which arises from differences in the timing of the recognition of items, principally depreciation, in the financial statements and by the tax authorities) is calculated using the liability method. Deferred tax is provided on all timing differences in compliance with SAS 19.

### 8. FOREIGN CURRENCY CONVERSION

Transactions in foreign currencies are translated to the naira at the rate of exchange ruling at the dates of the transactions.

Balances payable in foreign currencies are converted to the naira at the rates of exchange ruling at the balance sheet date.

All differences arising on the conversion of foreign currencies to the naira are taken to the profit and loss account.

### 9. EMPLOYEES RETIREMENT BENEFITS

#### Pension fund

The company operates a contributory pension scheme for its employees. The employees' contributions to the Scheme is funded through payroll deductions. The company's contributions are charged to the income statement for the related period.

**BALANCE SHEET**  
AS AT 31 DECEMBER, 2005

	Notes	2005 N'000	2004 N'000
<b>FIXED ASSETS</b>	1	<u>387,479</u>	<u>413,545</u>
<b>CURRENT ASSETS</b>			
Stocks	2	69,524	63,820
Debtors	3	126,164	95,000
Bank balances and cash		<u>28,107</u>	<u>151</u>
<b>TOTAL CURRENT ASSETS</b>		<u>223,795</u>	<u>158,971</u>
<b>CREDITORS:</b>			
Amount falling due within one year	4	(477,732)	(405,734)
Taxation	5	<u>(2,249)</u>	<u>(1,357)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(256,186)</u>	<u>(248,120)</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>131,293</u>	<u>165,425</u>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	6	(10,012)	-
		<u>(121,281)</u>	<u>165,425</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	179,394	179,394
Share premium account	8	48,690	48,690
Fixed assets revaluation reserve	9	527,231	527,231
Revenue reserve	10	(634,034)	(589,890)
<b>SHAREHOLDERS' FUNDS</b>		<u>121,281</u>	<u>165,425</u>

} Directors

The accounting policies on page 13 and notes on pages 17 to 24 are to be read in conjunction with these financial statements.

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER, 2005

		2005	2004
	Notes	N'000	N'000
Turnover	11	253,974	291,903
Cost of sales		(173,715)	(169,254)
Gross profit		<u>80,259</u>	<u>122,649</u>
Other operating income	12	5,559	9,725
Provisions no longer required		323	17,243
Distribution expenses		(38,063)	(48,963)
Administration expenses		(66,529)	(70,973)
Interest expenses and similar charges	13	<u>(14,776)</u>	<u>(63,605)</u>
(Loss) before taxation	14	<u>(33,227)</u>	<u>(33,924)</u>
Taxation	5	<u>(10,917)</u>	<u>1,629</u>
Loss after taxation transferred to Revenue reserve		<u>(44,144)</u>	<u>(32,295)</u>
(Loss) per share		(12.30)	(9.71)

The accounting policies on page 13 and notes on pages 17 to 24 are to be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 31 DECEMBER, 2005

	Notes	2005 N'000	2004 N'000
Cash flow from operating activities before working capital changes	15.1	7,351	56,699
Working capital changes	15.2	(13,961)	(28,411)
Tax paid	5.2	(13)	(295)
		<u>(6,623)</u>	<u>27,993</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets	1	(1,154)	(3,508)
Deposit redisposal of building		48,923	-
Proceeds from sale of fixed assets		1,418	3,452
		<u>49,187</u>	<u>(56)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issued shares		-	43,417
Interest paid		(14,776)	(63,605)
Interest received	13	-	1,337
Share issue expenses		-	(2,160)
		<u>(14,776)</u>	<u>21,011</u>
Net increase in cash and cash equivalent		27,788	6,926
Cash and cash equivalent at 1 Jan.		(246,308)	253,234)
Cash and cash equivalent at 31 Dec.	16	<u>(218,520)</u>	<u>(246,308)</u>

The accounting policies on page 13 and notes on pages 17 to 24 are to be read in conjunction with these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2005

1. FIXED ASSETS	1 Summary	Leasehold		Plant and machinery	Motor vehicles	Furniture fittings & equipments	Total
		Land Building	Building				
Cost/valuation:		N'000		N'000		N'000	
At 1 January, 2005		324,720		156,809	16,667	17,638	515,834
Of additions		-		492	-	662	1,154
Of disposals		-		(1,170)	(4,252)	-	(5,422)
At 31 December, 2005		<u>324,720</u>		<u>156,131</u>	<u>12,415</u>	<u>18,300</u>	<u>511,566</u>
Depreciation:							
To 1 January, 2005		22,658		54,732	14,399	10,500	102,289
Charge for the year		6,494		15,681	1,134	3,385	26,694
On disposals		-		(643)	(4,253)	-	(4,896)
To 31 December, 2005		<u>29,152</u>		<u>69,770</u>	<u>11,280</u>	<u>13,885</u>	<u>124,087</u>
Net Book Value:							
At 31 December, 2005		<u>295,568</u>		<u>86,361</u>	<u>1,135</u>	<u>4,415</u>	<u>387,479</u>
At 31 December, 2004		<u>302,062</u>		<u>102,077</u>	<u>2,268</u>	<u>7,138</u>	<u>413,545</u>

2 All the fixed assets of the company were professionally revalued by Messrs Osarenkhoe & Co., Estate Surveyors & Valuers on 29 June, 2001. The revaluation was carried out on an open market value basis and the surplus arising therefrom have been taken to fixed assets revaluation reserve.

3 Leasehold land & building	2 0 0 5		2 0 0 4	
	Valuation N'000	Dep. N'000	NBV N'000	NBV N'000
Long leases	177,200	15,908	161,292	164,779
Short leases	<u>147,520</u>	<u>13,244</u>	<u>134,276</u>	<u>137,283</u>
	<u>324,720</u>	<u>29,152</u>	<u>295,568</u>	<u>302,062</u>

4 Depreciation charge for the year is	N'000	N'000
Included in:		
Cost of sales	21,440	21,165
Administration expenses	2,722	3,530
Distribution expenses	<u>2,532</u>	<u>5,411</u>
	<u>26,694</u>	<u>30,106</u>

No provision has been made in these financial statements for capital gains tax if the revalued properties were to be disposed of at their net book value at 31 December, 2005.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

- 5 There is an all assets debenture over the assets of the company, shared pari-passu by the lending banks.
- 6 A building (located at Oregon Industrial Estate, Ikeja) is in the process of being disposed of.

As at 31 December, 2005 a deposit of ₦35,000,000 (net of ₦16,000,00 unexpired rent which includes ₦2,076,582 irrecoverable rent) had been paid by the intending buyer. The full payment is expected to be made in the succeeding financial year.

	2 0 0 5	2 0 0 4
	₦'000	₦'000
2. STOCKS		
Raw materials	27,914	20,558
Work-in-progress	411	1,338
Packing materials	1,508	2,338
Finished goods	38,912	38,722
Spare parts and tools	779	864
	69,524	63,820
	69,524	63,820

The directors are of the opinion that the replacement cost of stocks is not materially different from the book values as stated.

	2005	2004
	₦'000	₦'000
3. DEBTORS AND PREPAYMENTS		
Trade debtors	144,307	119,127
Provision for bad and doubtful debts	(49,701)	(44,901)
	94,606	74,226
Payment on account of supplier	9,197	-
Prepayments	260	520
Other debtors	4,791	3,552
Withholding tax recoupable	17,310	16,702
	126,164	95,000
	126,164	95,000
4. CREDITORS		
1 Amounts falling due within one year:		
Trade creditors	20,620	53,097
Payment on account of customer	34,957	-
Unclaimed dividends	1,354	1,354
Provisions and accruals	92,249	81,974
Other creditors	33,002	22,850
Deposit received for purchasing of building	48,923	-
	231,105	159,275
Borrowings:		
Bank overdrafts	89,592	84,602
Commercial papers	25,208	25,371
Bank loan	131,827	136,476
	477,732	405,724
	477,732	405,724

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

- .2 The bank overdrafts are secured by a debenture on the fixed and floating assets of the Company.

		2005 N'000	2004 N'000
5.	<b>TAXATION</b>		
.1	Profit and loss account		
	Education tax	-	-
	Income tax charge for the year	905	400
	Charge for the year	905	400
	Prior year over provision for tax	-	(2,029)
	Deferred taxation - Note 6	10,012	-
	Per profit and loss account	<u>10,917</u>	<u>(1,629)</u>
.2	Balance sheet		
	Balance brought forward	1,357	3,281
	Provision for the year (5.1)	905	400
	Overprovision	-	(2,029)
		<u>2,262</u>	<u>1,652</u>
	Payment during the year	(13)	(295)
	At 31 December	<u>2,249</u>	<u>1,357</u>

- .3 The charge for taxation is based on the provision of Companies Income Tax Act (LFN Cap 60) as amended to date while Education Tax is based on Education Tax Act No 7 CAP E4 LFN 2004. There is however no liability to education tax as a result of the loss incurred during the year.

		2005 N'000	2004 N'000
6.	<b>DEFERRED TAXATION</b>		
.1	Per profit and loss account		
	Charge for the year	10,012	-
.2	Per balance sheet		
	Balance at 1 January,	-	-
	Provision for the year	10,012	-
	Balance at 31 December	<u>10,012</u>	<u>-</u>

Deferred taxation was not provided for prior to 2005. The provision in 2005 is in compliance with SAS 19 of the Nigerian Accounting Standards Board.

		2005	2004
7.	<b>CALLED UP SHARE CAPITAL</b>		
.1	Authorised:		
	520,000,000 ordinary shares of 50k each	260,000	260,000
.2	Issued and fully paid:		
	358,787,234 (2005-296,762,117) ordinary shares of 50k each at 1 January,	179,394	148,381
	Issues during the year	-	31,013
	At 31 December	<u>179,394</u>	<u>179,394</u>

At 31 December, 2005, there were 153,422,296 (2004 - 153,910,767) units of shares warehoused by MBC Securities Limited.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

	2 0 0 5	2 0 0 4
	N'000	N'000
8. SHARE PREMIUM		
At 1 January	48,690	38,445
On issues during the year	-	12,405
	<u>48,690</u>	<u>50,850</u>
Recapitalization expenses	-	(2,160)
At 31 December	<u><u>48,690</u></u>	<u><u>48,690</u></u>
9. FIXED ASSETS REVALUATION RESERVE		
As at 1 January	527,231	531,878
Transfer of assets disposed	-	(4,647)
	<u>527,231</u>	<u>527,231</u>
At 31 December	<u><u>527,231</u></u>	<u><u>527,231</u></u>
10. REVENUE RESERVE		
At 1 January	(589,890)	(557,595)
(Loss) for the year	(44,144)	(32,295)
	<u>(634,034)</u>	<u>(589,890)</u>
At 31 December	<u><u>(634,034)</u></u>	<u><u>(589,890)</u></u>
11. TURNOVER		
Turnover amounting to N253,973,946 (2004 - N291,902,964) represents the net amount invoiced to customers for goods supplied and services rendered. All sales were inland.		
12. OTHER OPERATING INCOME	2 0 0 5	2 0 0 4
	N'000	N'000
Profit on sale of fixed assets	892	1,752
Sale of scraps	25	30
Sale of dismantled frames, doors and planks	80	-
Sundries	19	-
Rental income - Oregon warehouse	4,543	3,422
Write off of long standing customers deposit	-	3,184
Interest receivable	-	1,337
	<u>5,559</u>	<u>9,725</u>
13. INTEREST AND SIMILAR CHARGES		
Interest charges	14,776	63,230
Others	-	375
	<u>14,776</u>	<u>63,605</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

	2005 ₦'000	2004 ₦'000
14. (LOSS) BEFORE TAXATION		
The (loss) before taxation is stated after Charging:		
Depreciation	26,695	30,106
Directors' emoluments:		
Fees	712	200
Others	-	1,603
Auditors' remuneration	650	900
Interest on bank overdraft and short term loans	<u>14,776</u>	<u>63,230</u>
And crediting:		
Profit on disposal of fixed assets	<u>892</u>	<u>1,752</u>
15. NOTES ON STATEMENT OF CASH FLOWS		
.1 Reconciliation of net (loss) to operating (loss)		
Before working capital changes		
(Loss) after taxation	(44,144)	(34,848)
Taxation	905	400
Interest paid	14,776	63,605
Interest received	-	(1,337)
	<u>(28,463)</u>	<u>27,820</u>
Adjustment for none-cash items:		
Depreciation	26,694	30,106
Deferred taxation	10,012	-
Profit on disposal of assets	(892)	(1,752)
Prior year adjustment	-	525
	<u>7,351</u>	<u>56,699</u>
.2 Working capital changes		
(Increase)/decrease in stock	(5,704)	10,077
(Increase)/decrease in trade debtors	(29,577)	(15,577)
(Increase)/decrease in prepayments and other debtors	(1,587)	-
Increase/(decrease) in creditors	<u>22,907</u>	<u>(22,911)</u>
Net cash flow from operating activities	<u>(13,961)</u>	<u>(28,411)</u>
16. CASH AND CASH EQUIVALENT		
Cash at bank and in hand	28,107	151
Bank overdraft	(89,592)	(84,602)
Commercial papers	(25,208)	(25,371)
Short-term loan	<u>(131,827)</u>	<u>(136,486)</u>
	<u>(218,520)</u>	<u>(246,308)</u>

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**17. CHAIRMAN'S AND DIRECTORS' EMOLUMENT  
PENSION AND COMPENSATION FOR LOSS OF OFFICE**

	2 0 0 5	2 0 0 4
	N'000	N'000
.1 Emoluments:		
Chairman	80	1,139
Other directors	632	664
	<u>712</u>	<u>1,803</u>
.2 As directors		
Fees	712	200
Other emoluments	-	1,603
	<u>712</u>	<u>1,803</u>
.3 Range of emoluments:		
The number of directors (excluding the chairman) whose emoluments were within certain ranges were:		
Up to 10,000	-	-
10,001 and above	10	10
.4 Waived emoluments	none	none
.5 Pensions of directors and post directors	none	none
.6 Compensation to directors for loss of office	none	none

**18. LOAN AND OTHER TRANSACTIONS  
FAVOURING DIRECTORS AND OFFICERS**

- .1 During the year, the company guaranteed no loans in favour of its directors and officers.
- .2 No loans were made to the directors to purchase the company's shares during the year.

**19. EMPLOYEES REMUNERATED AT HIGHER RATES**

- .1 The number of employees other than directors in receipt of emoluments excluding allowances within the following ranges were:

		2 0 0 5	2 0 0 4
		Number	Number
N	N		
60,001	-	70,000	-
70,001	-	80,000	2
80,001	-	90,000	14
90,001	-	100,000	17
100,001	-	110,000	36
110,001	-	120,000	9
Above	120,000	-	11
		29	-
		10	-
		<u>46</u>	<u>46</u>
		<u>111</u>	<u>109</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2 Staff

Average number of persons employed in the financial year and the staff costs relating to them were as follows:

	2 0 0 5	2 0 0 4
	Number	Number
- Managerial	5	6
- Senior staff	39	43
- Junior staff	67	60
	111	109

The staff costs amounted to ₦51.99 million (2004 - ₦37.826million)

20. SUBSTANTIAL INTEREST IN SHARES

Shareholders who held more than 5% of the issued share capital of the company at 31 December, 2005 were:

	No of share held	%
Adesoye holding limited	31,886,200	8.89
IP Overseas Investment, IP Oversea	37,281,375	10.39
IP Overseas Investment Limited	28,635,942	7.98
Krest Investment Ltd	28,571,429	8.00
SBD Limited	90,958,084	25.35

Warehoused units share held by MBC Securities Limited = 153,422,296

21. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

1 Charges

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

2 Contingent liabilities

There is a contingent liability in respect of two cases pending at the law court against the company. No provision has been made thereof, as the directors are of the opinion that the actions are not likely to succeed.

3 Retirement benefits

The company has in place a provident fund and gratuity scheme for the benefit of its employees. These benefits are based on the employees' years of service and their terminal Salaries. The related costs are charged in the profit and loss account.

4 Capital commitment

Capital expenditure contracted but not provided for in the financial statements was NIL.

Capital expenditure authorised by the directors but not contracted was NIL.

5 Financial commitments

The directors are of the opinion that all known liabilities and commitments have been taken into account in the preparation of the financial statements under review. These liabilities are relevant in assessing the company's state of affairs.

22. GOING CONCERN CONSIDERATIONS

Aside from the loss the company made this year, the company had consistently incurred losses in the preceding four years. This had continued to deplete the shareholders fund.

These financial statements have however been prepared on a going concern basis on the assumptions that the company will continue to operate and enjoy the cooperation and support of its bankers, creditors and shareholders.

23. COMPARATIVE FIGURES

Comparative figures in some cases have been restated for better presentation purposes.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the board of directors of the company on 7 February 2007.

## STATEMENT OF VALUE ADDED

YEAR ENDED 31 DECEMBER	2 0 0 5		2 0 0 4	
	N'000	%	N'000	%
Sales	253,974		291,903	
Other income	5,559		26,968	
Purchases and services (all local)	(203,523)		(221,782)	
Value added	<u>56,010</u>	<u>(100)</u>	<u>97,089</u>	<u>(100)</u>
Applied as follows:				
To pay employees:				
Salaries, wages pensions and social benefits	47,767	85.2	37,826	39.0
To Pay Providers of Capital:				
Interest paid to banks and other facilities	14,776	26.4	63,605	65.5
To pay government:				
Taxation	905	1.6	400	0.5
To provide for replacement of fixed assets and development:				
Depreciation	26,694	47	30,106	31.0
Deferred taxation	10,012	18	-	-
(Loss) for the year	<u>(44,144)</u>	<u>(79)</u>	<u>(34,848)</u>	<u>(36.0)</u>
Values added	<u>56,010</u>	<u>100</u>	<u>97,089</u>	<u>100</u>

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

**FIVE YEAR FINANCIAL SUMMARY**  
FOR THE YEAR ENDED 31 DECEMBER, 2005

	2 0 0 5	2 0 0 4	2 0 0 3	2 0 0 2	2 0 0 1
	N'000	N'000	N'000	N'000	N'000
<b>CAPITAL AND RESERVES:</b>					
Share Capital	179,394	179,394	148,381	42,063	42,063
Share premium account	48,690	48,690	38,445	23,297	23,297
Revaluation reserve	527,231	527,231	531,878	531,878	541,877
General Reserves (deficit)	(634,034)	(589,890)	(557,595)	(484,357)	(368,795)
	<u>121,281</u>	<u>165,425</u>	<u>161,109</u>	<u>112,881</u>	<u>238,442</u>
	=====	=====	=====	=====	=====
<b>ASSETS:</b>					
Fixed assets	387,479	413,545	446,491	478,085	539,448
Net Current liabilities	(266,198)	(248,120)	(285,382)	(365,204)	(301,006)
	<u>121,281</u>	<u>165,425</u>	<u>161,109</u>	<u>112,881</u>	<u>238,442</u>
	=====	=====	=====	=====	=====
<b>TURNOVER AND PROFITS:</b>					
Turnover	253,974	291,903	227,896	152,683	146,148
(Loss) before taxation	(33,227)	(34,448)	(76,418)	(113,868)	(134,499)
(Loss) after taxation	(34,132)	(34,848)	(77,403)	(115,582)	(134,499)
Dividend	-	-	-	-	-
	=====	=====	=====	=====	=====
<b>Per 50K share data:</b>					
(Loss) actual	K (12.30)	(9.71)	(26.08)	(137.39)	(159.88)
(Adjusted)	K -	-	(21.57)	(32.21)	(37.49)
Dividend	K -	-	-	-	-
	=====	=====	=====	=====	=====

Notes:

(Loss) per share is based on the loss after taxation and 358,787,234 ordinary shares of 50k each in issue at 31 December, 2005.

Buy  
New Improved  
**IPWA Plc Products**  
for **Better**  
and  
**Satisfied**  
**RESULT**

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- Niger Auto
- Wood Finish
- Marine Coatings
- Protective Coatings



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