



**FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2019**

**Chemical and Allied Products Plc**  
**Unaudited Financial Statements**  
**For the year ended 31 December 2019**

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**Chemical and Allied Products Plc**  
**Unaudited Financial Statements**  
**For the year ended 31 December 2019**

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**Financial highlights**

	<b>2019</b>	<b>2018</b>	<b>%</b>
	<b>N'000</b>	<b>N'000</b>	<b>change</b>
Revenue	8,410,650	7,670,315	10
Operating profit	2,120,107	2,285,201	(7)
Finance income	426,496	327,249	30
Other income	83,461	61,837	35
Profit before taxation	2,545,734	2,597,832	(2)
Taxation	(763,721)	(568,489)	(34)
Profit for the year	1,782,013	2,029,343	(12)
Total equity and liabilities	6,730,782	6,311,246	7
Additions to property, plant & equipment (PPE)	270,956	180,319	50
Depreciation on PPE	130,960	81,188	(61)
Cash and cash equivalents	4,314,197	4,339,294	(1)
Earnings per share (kobo) - Basic and diluted	255	290	(12)
Net asset per share (kobo) - Basic	366	320	14
NSE quotation as at December 31 (kobo)	2,400	3,485	(31)
Number of shares in issue	700,000	700,000	0
Market capitalisation as at December 31	16,800,000	24,395,000	(31)

**Chemical and Allied Products Plc**  
**Unaudited Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2019**

**Statement of profit or loss and other comprehensive income**


	Note	'12 Months to December 2019 N'000	'3 Months to December 2019 N'000	12 Months to December 2018 N'000	3 Months to December 2018 N'000
Revenue	5	8,410,650	2,633,220	7,670,315	2,282,822
Cost of sales	7i	(4,437,688)	(1,411,823)	(4,034,561)	(1,217,092)
<b>Gross profit</b>		<b>3,972,962</b>	<b>1,221,397</b>	<b>3,635,754</b>	<b>1,065,730</b>
Selling and distribution expenses	7ii	(584,238)	(217,870)	(262,518)	(43,847)
Administrative expenses	7ii	(1,352,078)	(392,075)	(1,149,872)	(339,869)
Other income	6	83,461	29,092	61,837	16,364
<b>Operating profit</b>		<b>2,120,107</b>	<b>640,544</b>	<b>2,285,201</b>	<b>698,378</b>
Finance income	9	426,496	99,481	327,249	108,340
Finance cost	10	(869)	(435)	(14,618)	(11,348)
Net Finance income		425,627	99,046	312,631	96,992
<b>Profit before taxation</b>		<b>2,545,734</b>	<b>739,590</b>	<b>2,597,832</b>	<b>795,370</b>
Income tax expense	11	(763,721)	(185,755)	(568,489)	8,299
<b>Profit for the year</b>		<b>1,782,013</b>	<b>553,835</b>	<b>2,029,343</b>	<b>803,669</b>
<b>Other comprehensive income for the year net of tax</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>1,782,013</b>	<b>553,835</b>	<b>2,029,343</b>	<b>803,669</b>
<b>Earnings per share for profit attributable to the equity holders of the company:</b>					
Basic and diluted EPS (kobo)	13	255	79	290	115

The notes on pages 8 to 48 are an integral part of these financial statements.

**Chemical and Allied Products Plc**  
**Unaudited Statement of Financial Position**  
**For the year ended 31 December 2019**

	Notes	2019 N'000	2018 N'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	869,673	729,962
Right of Use asset	16	6,067	-
Intangible assets	15	7,541	25,814
Finance lease receivable	18	10,375	10,377
		<b>893,656</b>	<b>766,153</b>
<b>Current assets</b>			
Inventories	17	1,050,103	884,115
Refund asset	24	23	926
Trade and other receivables	18	355,961	172,488
Prepayments	19	116,842	148,270
Cash and cash equivalents	20	4,314,197	4,339,294
		<b>5,837,126</b>	<b>5,545,093</b>
<b>Total assets</b>		<b>6,730,782</b>	<b>6,311,246</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease Liability	26	5,333	-
Deferred taxation liabilities	23	127,053	127,053
		<b>132,386</b>	<b>127,053</b>
<b>Current liabilities</b>			
Trade and other payables	21	1,771,375	1,559,016
Refund liability	25	102	2,070
Lease Liability	26	869	
Current income tax liabilities	11	763,721	800,841
Dividend payable	12	1,500,720	1,013,328
		<b>4,036,787</b>	<b>3,375,254</b>
<b>Total liabilities</b>		<b>4,169,173</b>	<b>3,502,307</b>
<b>Equity</b>			
Ordinary share capital	22	350,000	350,000
Share premium	22	19,254	19,254
Retained earnings		2,192,355	2,439,685
<b>Total equity</b>		<b>2,561,609</b>	<b>2,808,939</b>
<b>Total equity and liabilities</b>		<b>6,730,782</b>	<b>6,311,246</b>

The Financial Statements on pages 1-48 has been approved and authorised for issue by the Board of Directors on January 27th 2020.

  
**Mrs. Muhibat Abbas**  
 Non -Executive Director  
 FRC/2013/ICAN/00000002584

  
**Mrs. Olutunke Olokodana**  
 Finance Controller  
 FRC/2013/ICAN/00000003222

**Chemical and Allied Products Plc**  
**Unaudited Statement of Changes in Equity**  
**For the year ended 31 December 2019**

**Statement of Changes in Equity**

	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	TOTAL EQUITY N'000
<b>At 1 January 2018</b>	<b>350,000</b>	<b>19,254</b>	<b>1,872,966</b>	<b>2,242,220</b>
Effect of adoption of new accounting standards			(27,624)	(27,624)
Restated opening balance			1,845,342	2,214,596
Profit for the year	0	0	2,029,343	2,029,343
Other comprehensive income			-	-
<b>Total comprehensive income:</b>	-	-	2,029,343	2,029,343
<b>Transaction with owners:</b>				
Dividend paid and proposed	-	-	(1,435,000)	(1,435,000)
<b>Balance at 31 December 2018</b>	<b>350,000</b>	<b>19,254</b>	<b>2,439,685</b>	<b>2,808,939</b>
Balance at 1 January 2019	350,000	19,254	2,439,685	2,808,939
Profit for the year	-	-	1,782,013	1,782,013
<b>Total comprehensive income:</b>	-	-	4,221,698	4,590,952
<b>Transactions with owners:</b>				
Dividend paid and proposed	-	-	(2,029,343)	(2,029,343)
<b>Balance at 31 December 2019</b>	<b>350,000</b>	<b>19,254</b>	<b>2,192,355</b>	<b>2,561,609</b>

**Chemical and Allied Products Plc**  
**Unaudited Statement of Cash Flow**  
**For the year ended 31 December 2019**

	Notes	2019 N'000	2018 N'000
<b>Profit before taxation</b>		2,545,734	2,597,832
Adjustments for:			
Depreciation	14	130,960	94,736
Amortisation	15	18,273	23,255
Profit on sale of PPE	6	(193)	(52)
Finance cost	10	-	14,618
Interest on lease liability	10	869	-
Government grant	20	-	(1,484)
ROU Depreciation	16	138	-
Impairment on other receivable	7ii	-	814
Impairment and write-off on trade receivable	7ii	(2,389)	14,776
Impairment on intercompany receivable	7ii	(533)	2,633
Impairment of short term deposits	7ii	(7,964)	11,243
Finance lease	17	2	2
Finance income		(426,496)	(327,249)
Net foreign exchange loss/(gains)		(879)	2,473
<b>Cash from operations before working capital changes</b>		<b>2,257,522</b>	<b>2,433,596</b>
Increase/(Decrease) in inventory	17	(165,988)	303,290
(Increase) in trade and other receivables	18	(180,551)	(156,439)
Increase in payables	21	601,403	428,182
(Decrease)/Increase in prepayment	19	31,428	(3,350)
Increase in refund asset	24	903	256
Decrease in refund liability	25	(1,968)	(424)
<b>Cash generated from operations</b>		<b>2,542,749</b>	<b>3,005,111</b>
Income taxes paid	11	(800,841)	(319,081)
<b>Net cash from operating activities</b>		<b>1,741,908</b>	<b>2,686,030</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE	14	(270,956)	(133,982)
Proceeds from disposal of PPE		478	395
Lease payment		(871)	-
Impairment of cash short term		7,964	(43,095)
Interest received	9	426,496	327,249
<b>Net cash flow/(used) in investing activities</b>		<b>163,111</b>	<b>150,567</b>
<b>Cash flows from financing activities</b>			
Dividends refunded	12	206,438	206,683
Dividends paid		(2,030,227)	(1,437,953)
Dividends re-imburement		(107,206)	-
Interest Paid		-	(4,019)
Loan Repayment	10	-	(80,000)
<b>Net cash from financing activities</b>		<b>(1,930,995)</b>	<b>(1,315,289)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(25,976)</b>	<b>1,521,308</b>
Net foreign exchange loss/(gains)		879	(2,473)
<b>Cash and cash equivalents at beginning of period</b>	<b>19</b>	<b>4,339,294</b>	<b>2,820,459</b>
<b>Cash and cash equivalents at end of period</b>	<b>19</b>	<b>4,314,197</b>	<b>4,339,294</b>

The notes on pages 8 to 48 are an integral part of these financial statements.

**Chemical and Allied Products Plc**  
**Notes to the Unaudited financial statements**  
**For the year ended 31 December 2019**

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**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 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.

(All amounts are in Naira thousands unless otherwise stated)

**2.1.1 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 New and Amended standards and interpretation**

The following new standards and amendments became effective as of 1 January 2018:

IFRS 15 Revenue from contract with customers

-IFRS 9 Financial Instruments

-IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

-Amendments to IAS 40 Transfers of Investment Property

-Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

-Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

-Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

-Amendments to IFRS 1 First-time Adoption of IFRS - Deletion of short-term exemptions for first-time adopters



**Impact of new standards, amendments and interpretations**  
**Standard issued not yet effective**

**IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective,

IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive

model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12. nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company will apply the interpretation from its effective date. In addition, the Company may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

**Amendments to IFRS 9: Prepayment Features with Negative Compensation**

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI

criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Company.

**Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The standard does not impact on the financial statement of the company.

**Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs

during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset)

reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

**Amendments to IAS 28: Long-term interests in associates and joint ventures**

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

(b) Annual Improvements 2015-2017 Cycle

These improvements include:

**IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Company.

**IFRS 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.

The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Company but may apply to future transactions.

**IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The company will

**IAS 23 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

**The following amendments that are issued but not yet effective would not have impact on the company**

- Definition of a Business - Amendment to IFRS 3 - 1 Jan 2020
- Definition of Material - Amendment to IAS 1 and IAS 8 - 1 Jan 2020
- Amendment to The Conceptual Framework for Financial Reporting - 1 Jan 2020

**IFRS 16 Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Company plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.7 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.

2.8 Financial assets - IAS 39

2.8.1 Initial recognition and measurement (Under IFRS 9)

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.

2.8.2 Subsequent measurement (Continued)

(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 and other comprehensive income. The losses arising from impairment are recognised in the profit or loss in finance costs for loan and in 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 17a and 19).

**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 material 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.

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. 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).

## Notes to the financial statements

### 2. Summary of significant accounting policies (continued)

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 and other comprehensive income. Interest income (recorded as finance income in the statement of profit or loss and other comprehensive income) 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.

Objective evidence that financial assets are impaired includes:

- 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.

#### 2.8.3 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.

#### 2.8.4 Trade receivables- IAS 39

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.

#### 2.8.5 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.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

**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.

**2.8.6 Loans and borrowings**

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income. For more information, refer to Note 20.

**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 and other comprehensive income.

**2.8.7 Financial Instruments-initial recognition and subsequent measurement under IFRS 9**

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

i) **Financial Assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Revenue from contracts with customers above.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified into 1 category:

- Financial assets at amortised cost (debt instruments)

#### Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables, other receivables, loans, cash and cash equivalents and related parties receivables.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group 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 material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its 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. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the note below:

- Trade receivables Note 17a

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment using the loss rate model.

For receivables to related parties (non-trade), other receivables and short-term deposits, the Company applies general approach in calculating ECLs. It is the Company's policy to measure ECLs on such asset on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) **Financial Liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through statement of profit or loss and other comprehensive income, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, 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 costs

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

**Loans and borrowings**

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

**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 and other comprehensive income.

iii) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**2.8.8 Government grant**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as deferred income in equal amounts over the expected useful life of the related asset.

When the Company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

The company's government grant is presented in the statement of financial position by setting up a deferred income named government grant. This is a Bank of industry loan grant as a result of reduction in interest rate which is below effective interest rate. (No unfulfilled conditions exist in respect of the grant).

After initial recognition, the government grant is recognized as income in profit or loss on a systematic basis over the life of the loan.



**Notes to the financial statements**

**2. Summary of significant accounting policies (continued)**

**2.9 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.

**2.10 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.

**2.11 Share capital**

Ordinary shares are classified as equity.

**2.12 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 profit or loss, 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 profit or loss 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)

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

2.13 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.

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.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.13 Employee benefits (continued)

*(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.

2.14 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 Revenue From Contracts with Customers (IFRS 15)

The Company is involved in the manufacturing and sale of paint. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Company has applied IFRS 15 practical expedient to a portfolio of contracts (or performance obligations) with similar characteristics since the Company reasonably expect that the accounting result will not be materially different from the result of applying the standard to the individual contracts. The Company has been able to take a reasonable approach to determine the portfolios that would be representative of its types of customers and business lines. This has been used to categorised the different revenue stream detailed below.

**Sale of Paints**

The Company manufactures and sells paint and other decorative. Revenue are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 30 to 60 days upon delivery. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all

The paint is often sold with volume rebates based on aggregate sales over a three months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebates. The Company normally transfer the products to the customers premises as part of the sales incentive which is a logistics discount. The logistic discount which is the transport cost paid on behalf of the customer is recognised as a reduction to revenue for the related goods. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (if any). In determining the transaction price for the sale of paint, the Company considers the existence of significant financing components and consideration payable to the customer (if any).

i) **Variable Consideration**

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of paint and other decorative provide customers with a right of return and usage based fees (management fee). The rights of return and usage based fees give rise to variable consideration.

**Rights of return**

Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

**Customer Usage**

The Company has contracts where support staff are located in the colour centres/shops that belongs to its numerous customers. The fee charged is based on a constant rate on sales made by the customer. The total transaction price of service cost rendered by Company would be variable since the contracts have range of possible transaction prices arising from different volume purchased even though the rate per unit/band is fixed. The Company estimates the variable consideration using the expected value (i.e., a probability weighted amount) because this method best predicts the amount of consideration.

ii) **Significant financing componet**

Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component since it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

**Application of paint**

The Company provides service of application of paints to its customers. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised by measuring progress using the input method that is labour hours.

Using the practical expedient in IFRS 15 for the application of paint, the Company has elect to recognise revenue based on the amount invoiced to the customer since the Company has a right to consideration from its customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date.

**Contract Balances**

**Trade Recievables**

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

**Assets and liabilities arising from rights of return**

**Right of return assets**

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

**Refund Liabilities**

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration

**Cost to obtain a contract**

The Company pays sales commission to its employees for each contract that they obtain for sales of paint. The Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense sales commissions (included under employee benefits and part of selling and distribution) because the amortisation period of the asset that the Company otherwise would have used is one year or less.

**2.15 Leases**

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 lease**

Leases that transfer substantially all the risks and rewards incidental 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.

#### 2.15 Leases - Continued

Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income 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. Contingent rents are recognised as revenue in the period in which they are earned.

#### 2.16 Fair value measurement

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 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.

#### 2.17 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.

Dividend not claimed for over a period of 15 months are refunded back to the company and are treated as a liability in the company's financial statements.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

2.18 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 manages its risk in the following ways: Scenario planning, information sharing within the group, In-plant tinting, local production of dulux trade bases, effective working capital management and planning, export drive, insurance, participation in MAN, NECA activities to influence government policies.

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 foreign exchange risk is as follows:

	2018	2017
	N '000	N '000
Cash and short term deposits:		
Naira	4,154,981	4,151,457
USD	126,496	146,074
GBP	<u>32,720</u>	<u>41,763</u>
Total cash and short term deposits	<u>4,314,197</u>	<u>4,339,294</u>

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**3. Financial risk management**

**Financial risk factors (continued)**

(i) Foreign exchange risk (continued)

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
If the Naira was to decrease by 1% against the foreign currencies the impact on profit would be as follows (and vice versa for a 1% increase).		
	<b>423</b>	<b>1,461</b>
USD		
GBP	<b>545</b>	<b>418</b>

(ii) Price risk

The company is not exposed to equity securities price risk and commodity price risk. The company had no equity securities as at 31 December 2019 and 31 December 2018.

(iii) Interest rate risk

The company's interest rate risk arises from short term deposits of excess funds which are held at variable rates and interest rate on the borrowing from Bank of Industries (BOI). The company monitors interest rate exposures and sensitivities on a monthly basis

The company's interest rate risk concentration is as follows:

	Weighted average	<b>31 December 2019</b>		Non-interest bearing
		Interest bearing		
		Variable rate	Fixed rate	
%	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	
<b>Financial assets</b>				
Finance lease receivable	28.6	-	10,375	-
Trade and other receivables (excluding prepayments)	-	-	-	336,393
Cash and bank balances	-	-	-	138,273
Short term deposits	13.75	-	4,175,924	-
		<b>-</b>	<b>4,186,298</b>	<b>474,665</b>
<b>Financial liabilities</b>				
Borrowing				
Trade and other payables		-	-	855,212
		<b>-</b>	<b>-</b>	<b>855,212</b>

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**3. Financial risk management**

**3.1 Financial risk factors (continued)**

*(a) Market risk*

	Weighted average  %	31 December 2018		Non-interest bearing  N'000
		Interest bearing		
		Variable rate N'000	Fixed rate N'000	
<b>Financial assets</b>				
Finance lease receivable	28.6	-	10,377	-
Trade and other receivables (excluding prepayments)	-	-	-	161,049
Cash and bank balances	-	-	-	196,933
Short term deposits	13.32	-	4,142,361	-
		-	<b>4,152,737</b>	<b>357,982</b>
<b>Financial liabilities</b>				
Borrowing				
Trade and other payables		-	-	1,018,724
		-	-	<b>1,018,724</b>

*(b) Credit risk*

Credit risk is monitored and managed in the company by the Finance Controller. The company is responsible for managing and analysing the credit risk for each of her new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, the company utilises the institutions that have sufficient reputational risk but do not strictly monitor their formal ratings. In addition the company monitors its exposures with individual institutions and has internal limits to control maximum exposures. Credit terms are set with customers based on past experiences, payment history and reputations of the customers. Sales to retail customers are settled in cash, while only agents and corporate customers are given credits based on limits set by the board, typically 30 days.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.



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**Notes to the financial statements**

**3. Financial risk management**

**3.1 Financial risk factors (continued)**

*(a) Credit risk (continued)*

**31 December 2019**

	Total gross amount <b>N'000</b>	Fully performing <b>N'000</b>	Past due but not impaired <b>N'000</b>	Impaired <b>N'000</b>
Finance lease receivable	10,375	10,375	-	-
Trade receivables	290,099	261,311	-	28,788
Receivable from related parties	15,783	9,530	-	6,253
Other receivables	74,227	53,097	-	21,130
Advances to staff	118	118	-	-
Cash and bank balances	138,273	138,273	-	-
Short term deposits	4,175,924	4,175,924	-	-
	<b>4,704,799</b>	<b>4,648,628</b>	<b>-</b>	<b>56,171</b>

**31 December 2018**

	Total gross amount <b>N'000</b>	Fully performing <b>N'000</b>	Past due but not impaired <b>N'000</b>	Impaired <b>N'000</b>
Finance lease receivable	10,377	10,379	-	-
Trade receivables	123,393	48,509	-	19,643
Receivable from related parties	14,245	309	-	6,690
Other receivables	73,870	25,300	-	21,891
Advances to staff	118	344	-	-
Cash and bank balances	196,933	196,933	-	-
Short term deposits	4,142,361	4,142,361	-	-
	<b>4,561,297</b>	<b>4,424,135</b>	<b>-</b>	<b>48,224</b>

**Chemical and Allied Products Plc**  
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**Notes to the financial statements**

**3. Financial risk management**

**3.1 Financial risk factors (continued)**

**Details of the credit quality of performing assets are as follows:**

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Counterparties without external credit ratings		
Trade receivables		
Group 1	41,163	19,864
Group 2	220,148	28,645
	<b>261,310</b>	<b>48,509</b>
Intergroup balances		
Group 1	9,530	309
Finance lease receivable		
Group 1	10,375	10,379
Other receivables		
Group 1	53,097	25,300
Advances to staff		
Group 2	118	344

The company defines the ratings as follows:

- Group 1 - These are balances with blue chip, listed and other large entities with a low chance of default.
- Group 2 - These are balances with small - medium sized entities with no history of defaults
- Group 3 - These are balances with small - medium sized entities with a history of defaults or late payments.

**Chemical and Allied Products Plc**  
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**Notes to the financial statements**

**3. Financial risk management**

**3.1 Financial risk factors (continued)**

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Other receivables		
Past due 30-60 days	261,311	48,509
	<b>261,311</b>	<b>48,509</b>

**Details of the impaired assets are as follows:**

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Trade receivables		
Past due 90-180 days	-	
Past due > 180 days	28,788	34,419
	<b>28,788</b>	<b>34,419</b>

Other receivables		
Past due > 180 days	21,130	22,649

Reconciliation of the provision for impairment:

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Trade receivables		
At 1 January	34,419	19,643
Adjustment upon application of IFRS 9		6,260
Balance as at 1 January Restated		<b>25,903</b>
Provision of expected credit loss	-5,631	14,810
Amount written off during the year	-	(6,294)
At 31 December	<b>28,788</b>	<b>34,419</b>

Reconciliation of the provision for impairment:

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Other receivables		
At 1 January	22,649	21,891
Additional impairment charge for the year	(5,631)	758
Unused amounts reversed	0	0
At 31 December	<b>17,018</b>	<b>22,649</b>

**Chemical and Allied Products Plc**  
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**Notes to the financial statements**

**3. Financial risk management**

**3.1 Financial risk factors (continued)**

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Cash flow forecasting is performed in the company and rolling forecasts of the company's liquidity requirements is monitored to ensure it has sufficient cash to meet operational needs at all times. In addition the company obtained letter of credits as a cover for its foreign suppliers.

Surplus cash held by the company over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, money market deposits. At the reporting date, the company held money market funds of N4,175,924,000 (2018: N4,142,361,000) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2019	Between 3			
	Less than 3 months	1 year	Between 1 and 5 years	Over 5 years
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Trade and other payables	855,212	-	-	-
	<b>855,212</b>	<b>-</b>	<b>-</b>	<b>-</b>

At 31 December 2018	Between 3			
	Less than 3 months	1 year	Between 1 and 5 years	Over 5 years
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Borrowing	-	-	-	-
Trade and other payables	1,018,724	-	-	-
	<b>1,018,724</b>	<b>-</b>	<b>-</b>	<b>-</b>



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/Intangible assets**

Estimates are made in determining the depreciation/amortisation 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.(refer to Note 2.4 for further details).

The amortisation period/useful lives of intangible assets also require management estimation.

**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.(refer to Note 2.8.4 for further details).

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

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Operating profit	2,120,107	2,285,201
Depreciation (Note 14)	130,960	94,736
Interest income (Note 10)	425,627	327,249
Profit before taxation	2,545,734	2,597,832
Income tax (Note 11)	763,721	568,489
Total assets	6,730,782	6,311,246
Total liabilities	4,169,173	3,502,307

**Entity wide information:**

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Analysis of revenue:		
Sale of paint products	8,513,938	7,758,380
Distribution cost	(126,809)	(94,219)
Revenue from services	23,521	6,154
	<u>8,410,650</u>	<u>7,670,315</u>

Analysis of revenue by geographical location:

Sale of paint products	<u>8,410,650</u>	<u>7,670,315</u>
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Revenue from services relates to application of paints for some customers

**Concentration risk**

Three customers who are agents of the company contributed 36% of the turnover.

**Chemical and Allied Products Plc**  
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**Notes to the financial statements**

**6. Other income**

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Sale of scrap items	18,914	5,328
Profit on sale of PPE	193	52
Interest from Government grant	-	1,484
Management fees	65,233	57,445
Realised Exchange Loss/gain	(879)	(2,473)
	<b>83,461</b>	<b>61,837</b>

Management fees represent income generated from management services rendered to the company's key distributors.

**7. Expenses by nature**

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
<b>7i Cost of sales</b>		
Change in inventories of finished goods and work in progress	3,879,673	3,531,246
Staff costs excluding directors' emoluments (Note 8i)	235,395	182,119
Royalty fees (Note 27a)	158,450	139,827
Hire of equipment	31,974	29,721
Capdec project cost	15,948	4,745
Depreciation of property, plant & equipment (Note 14)	76,713	57,372
General risk insurance premium	20,720	14,389
Direct overhead	5,117	8,152
Other expenses	13,698	66,990
	<b>4,437,688</b>	<b>4,034,561</b>
<b>7ii Administrative expenses</b>		
Staff costs excluding directors' emoluments	725,451	541,515
Directors' emoluments (Note 8iii)	92,143	74,183
Auditors' fees	20,643	20,983
Depreciation of property, plant & equipment (Note 14)	54,385	37,364
Amortisation of intangible assets (Note 15)	18,274	23,255
Insurance	4,106	3,199
Commercial service fees (Note 29b)	88,312	81,534
Computer charges	37,912	39,612
Cleaning and laundry	23,150	18,546
Security	11,263	10,357
Impairment on other receivables	-	814
Impairment on intercompany receivables	(533)	2,633
Impairment and write off on trade receivables	(2,389)	14,776
Impairment of short term deposits	(7,964)	11,243
Other expenses	287,325	269,858
	<b>1,352,078</b>	<b>1,149,872</b>
<b>7iii Selling and distribution expenses</b>		
Marketing, communication & entertainment	393,875	137,228
Tour and travelling	51,577	48,151
Other expenses	138,786	77,140
	<b>584,238</b>	<b>262,518</b>

Other expenses relates to office cleaning expenses, awards and conferences expenses incurred during the year.

Chemical and Allied Products Plc  
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Notes to the financial statements

8. Employee benefits

	2019	2018
Staff costs include:	N'000	N'000
Wages and salaries	931,649	648,107
Pension costs:		
- Defined contribution plans (Statutory)	47,919	38,413
- Defined contribution plans (Voluntary)	35,946	37,114
	1,015,514	723,634

Particulars of directors and staff

(i) The company had in its employment during the year the weekly average number of staff in each category below. The aggregate amount stated against each category was incurred as wages and retirement benefit costs during the year.

	2019	2018
	N'000	N'000
<b>Costs</b>		
Management	780,119	480,367
Staff	235,395	243,267
<b>Total</b>	1,015,514	723,634

	2019	2018
	Number	Number
<b>Numbers</b>		
Management	91	80
Staff	123	133
	214	213



Notes to the financial statements

8. Employee benefits (continued)

(ii) The table below shows the number of employees who earned over =N=300,000 as emoluments in the year and were within the bands stated.

=N=		2019 Number	2018 Number
300,000	700,000	0	29
700,001	1,000,000	0	67
1,000,001	1,400,000	6	36
1,400,001	1,800,000	25	20
1,800,001	2,200,000	50	8
2,200,001	2,400,000	15	9
2,400,001	3,000,000	23	14
3,000,001	4,000,000	32	17
4,000,001	5,000,000	9	4
5,000,001	6,000,000	25	3
6,000,001	8,000,000	14	3
8,000,001	9,000,000	2	1
9,000,001	10,000,000	1	1
10,000,001	16,000,000	4	1
16,000,001	18,000,000	4	0
18,000,001	25,000,000	2	0
30,000,001	40,000,000	2	0
		<u>214</u>	<u>213</u>

(iii) Emoluments of directors

	2019 N'000	2018 N'000
Fees	697	1,294
Passage allowance	37,475	57,076
Other emoluments	54,668	15,813
	<u>92,840</u>	<u>74,183</u>

(iv) The Chairman's emoluments

	<u>8,541</u>	<u>12,857</u>
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(v) Emolument of the highest paid director

	<u>54,668</u>	<u>15,813</u>
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**Chemical and Allied Products Plc**  
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**Notes to the financial statements**

**8. Employee benefits (continued)**

(vi) The table below shows the number of directors of the company, whose remuneration, excluding pension contributions, fell within the bands shown.

=N=		2019 Number	2018 Number
14,000,001	-	-	1
18,000,001	-	1	-
		<u>1</u>	<u>1</u>

**Key management compensation**

Key management have been defined as the executive directors.

Key management compensation includes:

	2019 N'000	2018 N'000
Short-term employee benefits:		
- Wages and salaries	54,668	15,813
- Directors emoluments	-	8,023
Post employment benefits:		
- Defined contribution plan	-	1,581
	<u>54,668</u>	<u>25,417</u>

The above amounts have been included in directors emoluments above.

**9. Finance income**

	2019 N'000	2018 N'000
Interest income on short-term bank deposits	421,249	323,951
Interest income on loan to related party	-	-
Interest income on finance lease assets	5,247	3,298
	<u>426,496</u>	<u>327,249</u>

**10. Finance Cost**

	2019 N'000	2018 N'000
Interest cost	-	4,019
Amortised cost	-	2,369
Interest element on loan	-	8,230
Interest element on lease liability	869	-
	<u>869</u>	<u>14,618</u>

**Chemical and Allied Products Plc**  
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**11. Taxation**

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
<i>Current tax</i>		
Nigeria corporation tax charge for the year	763,721	747,194
Education tax	-	53,647
Capital gain tax		
Income tax expense	763,721	800,841

Nigeria corporation tax is calculated at 30% (2019: 30%) of the estimated assessable profit for the year.

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

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Accounting Profit before tax	<b>2,545,734</b>	<b>2,597,832</b>
Tax at the Nigeria corporation tax rate of 30% (2019: 30%)	712,806	779,350
Impact of disallowable expenses	-	43,322
Impact of Education tax	50,915	53,647
Prior year over provision	-	(271,196)
Tax exempt income		(34,082)
Capital gain tax	-	-
Tax incentives	-	(2,552)
	<b>763,721</b>	<b>568,489</b>
Effective tax rate	30%	22%
<b>Income tax recognised in profit or loss</b>		
Tax at the Nigeria corporation tax rate of 30% (2019: 30%)	712,806	747,194
Education tax	50,915	53,647
Prior Year Under Provision	0	(271,196)
Capital gain tax	0	-
Deferred tax charged/ writeback for the year	-	38,844
Tax charge for the year	<b>763,721</b>	<b>568,489</b>

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11. Taxation (continued)

	2019	2018
	N'000	N'000
<b>Per statement of profit or loss</b>		
Income tax	712,806	747,194
Education tax	50,915	53,647
FIRS credit		-271,196
Capital gain tax	0	-
Deferred taxation (Note 24)	0	38,844
	<u>763,721</u>	<u>568,489</u>
<b>Per statement of financial position:</b>		
Balance 1 January	800,841	652,175
<b>(Payments)/writeback during the year:</b>		
Income tax	(747,193)	(273,654)
Education tax	(53,648)	(45,335)
Under Provision		
Capital gains tax	0	(92)
<b>Total cash payment</b>		(319,081)
WHT Utilised		(61,898)
Prior CIT over provision		(271,196)
	<u>(800,841)</u>	<u>(652,175)</u>
<b>Provision for the year:</b>		
Income tax	712,806	747,194
Education tax	50,915	53,647
Capital gain tax	0	
WHT Credit Notes		0
	<u>763,721</u>	<u>800,841</u>
<b>Balance as at 31 December</b>	<u>763,721</u>	<u>800,841</u>

**Chemical and Allied Products Plc**  
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**12. Dividends**

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

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
At 1 January	1,013,328	809,598
*Approved dividend	2,029,243	1,435,000
Unpaid Dividend	389,044	-
***Dividend refunded	206,438	206,683
Payments during the year	<u>(2,137,333)</u>	<u>(1,437,953)</u>
At 31 December	<u>1,500,720</u>	<u>1,013,328</u>

\*\*\*The dividend refunded relates to a recall of dividend deposited with the Registrars which have stayed over and above 18 months.

**13. 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.

Weighted average number of ordinary shares in issue ('000)	<u>700,000</u>	<u>700,000</u>
Profit attributable to ordinary equity shareholders (N'000)	<u>1,782,013</u>	<u>2,029,343</u>
<b>Basic earnings per share (kobo)</b>	<u>255</u>	<u>290</u>
<i>(b) Diluted</i>	<u>255</u>	<u>290</u>

There were no potentially dilutive shares outstanding at 31 December 2019.

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14. 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	ROU	Total N'000
At 1 January 2018	11,472	53,846	161,750	743,860	135,821	138,543	50,776		1,296,068
Additions	-	843	15,449	69,617	14,491	79,358	-		179,758
Disposals			(41,376)	(1,676)	(2,202)				(45,254)
Reclassification							(45,776)		(45,776)
<b>At 31 December 2018</b>	<b>11,472</b>	<b>54,688</b>	<b>135,823</b>	<b>811,802</b>	<b>148,110</b>	<b>217,901</b>	<b>5,000</b>		<b>1,384,796</b>
At 1 January 2019	11,472	54,688	135,823	811,802	148,110	217,901	5,000		1,384,796
Additions	-	15,183	89,802	4,201	39,121	120,935	1,714		270,956
Disposals	-	-	-	-	(36)	(2,850)	-		(2,886)
Reclassifications	-	0	(2,054.00)	2,051	-	-	-		(3)
<b>At 31 December 2019</b>	<b>11,472</b>	<b>69,871</b>	<b>223,571</b>	<b>818,054</b>	<b>187,195</b>	<b>335,986</b>	<b>6,714</b>		<b>1,652,860</b>
<b>Accumulated depreciation</b>									
At 1 January 2018	3,862	15,872	138,995	248,831	110,461	86,984	-		605,005
Charge for the year	-	1,765	12,480	44,893	14,679	20,919	-		94,735
Disposals	-	-	(41,307)	(1,665)	(1,939)	-	-		(44,911)
<b>At 31 December 2018</b>	<b>3,862</b>	<b>17,637</b>	<b>110,168</b>	<b>292,059</b>	<b>123,201</b>	<b>107,903</b>	<b>-</b>		<b>654,829</b>
At 1 January 2019	3,862	17,637	110,168	292,060	123,201	107,903	-		654,829
Charge for the year	-	1,818	31,336	45,377	14,638	37,791	-	138	130,960
Reclassifications	-	-	(939)	937	-	-	-		(1)
Disposals	-	-	-	-	(36)	(2,565)	-		(2,601)
<b>At 31 December 2019</b>	<b>3,862</b>	<b>19,455</b>	<b>140,565</b>	<b>338,375</b>	<b>137,803</b>	<b>143,129</b>	<b>-</b>		<b>783,187</b>
<b>Net book values</b>									
At 31 December 2019	7,610	50,416	83,006	479,679	49,392	192,857	6,714	(138)	869,673
At 31 December 2018	7,610	37,051	25,655	519,743	24,909	109,998	5,000		729,962

Leasehold properties have an unexpired tenure of 40 years  
Work in progress (WIP) relates to the amount incurred for factory extension which is yet to be completed.

15. Intangible assets

Cost of software:	2019 N'000	2018 N'000
At 1 January	25,814	116,271
Additions		
<b>Balance at 31 December</b>	<b>25,814</b>	<b>116,271</b>
<b>Amortization of software</b>		
At 1 January		67,202
Amortization of software during the year	18,273	23,255
<b>Balance at 31 December</b>	<b>18,273</b>	<b>90,457</b>
<b>Net Balance At 31 December</b>	<b>7,541</b>	<b>25,814</b>

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**16. Right of Use assets**

	<b>2019</b>	<b>2018</b>
At 1 January	-	-
Impact of IFRS 16	6,205	
Charge for the year	(138)	
	<u>6,067</u>	<u>-</u>

**17. Inventories**

Valued at:		<b>2019</b>	<b>2018</b>
		<b>N'000</b>	<b>N'000</b>
Raw materials	Cost	295,428	295,194
Intermediates	Cost	13,254	14,330
Technical stocks and spares	Cost	29,957	31,520
Containers and labels	Cost	54,224	43,777
Consumable stocks	Cost	33,970	27,654
Finished goods	Cost	623,270	471,641
		<u>1,050,103</u>	<u>884,115</u>

**18a Trade and other receivables**

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Receivables due within one year		
Trade receivables	290,099	123,393
Less: provision for impairment of trade receivables	(28,788)	(34,419)
Net trade receivable	261,311	88,974
Receivables from related parties (Note 25)	15,783	14,245
Impairment on receivables from related parties	(6,253)	(6,253)
Withholding tax receivable	24,510	20,689
Impairment on withholding tax receivable	(18,308)	(14,080)
Withholding tax credit notes received	25,702	17,575
Other receivables	74,227	73,870
Impairment on other receivables	(21,130)	(22,649)
Advances to staff	118	118
	<u>355,961</u>	<u>172,488</u>

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

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
At 1 January	34,419	19,643
Adjustment upon application of IFRS 9	-	6,260
Balance as at January 2018 restated	<b>34,419</b>	<b>25,903</b>
Additional impairment charge for the year	-5,631	14,776
Receivable written off during the year.	-	(6,260)
At 31 December	<u>28,788</u>	<u>34,419</u>

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**18. Trade and other receivables (continued)**

**18b Receivables due after one year, finance lease receivables**

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Gross investment in lease	91,601	91,601
Unearned finance income	(81,224)	(81,224)
<b>Net investment in lease</b>	<b>10,377</b>	<b>10,377</b>
<b>Gross investment in lease</b>		
Gross finance lease receivable - minimum lease receivable		
- No later than 1 year	2,200	2,200
- 2 to 5 years	11,000	11,000
- More than 5 years	78,399	78,401
	91,599	91,601
Future finance income on lease	(81,222)	(81,224)
<b>Present value of finance lease receivable</b>	<b>10,377</b>	<b>10,377</b>
The present value is analysed as follows:		
- No later than 1 year	1,606	1,606
- 2 to 5 years	4,304	4,306
- More than 5 years	4,464	4,464
	10,375	10,377

The company has finance lease for a warehouse to a related party, MDS Logistics. The lease is for a total period of 51 years; of this period 41 years remain in the contract. The property reverts to the company at the end of the lease period.

**19. Prepayments**

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Import prepayment	-	13,539
Other prepayments	59,665	61,648
Packaging Material	26,043	49,083
Insurance	31,134	24,001
	<b>116,842</b>	<b>148,270</b>

**20. Cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Cash at bank and in hand	138,273	196,933
Short-term deposits	4,175,924	4,142,361
	<b>4,314,197</b>	<b>4,339,294</b>

Cash at banks earns interest at floating rates on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates.



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**21. Trade and other payables**

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Trade payables	204,807	344,147
Royalty accrual	158,439	139,827
	<b>363,246</b>	<b>483,974</b>
Provision for employee leave	77	1,515
VAT payable	147,458	168,790
Withholding tax payable	25,214	17,102
Income received in advance	72,202	203,223
Accrued marketing expenses	116,727	17,260
Payable to related parties	55,248	38,074
Accrued dealer's reward	23,585	15,186
Accrued audit fee	20,948	20,948
Sundry creditors	59,437	52,724
Import payable	215,944	-
Reclassification of dividend payable	-	389,043
Other accruals	671,289	151,177
	<b>1,771,375</b>	<b>1,559,016</b>
	<b>2019</b>	<b>2018</b>
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.

**22. Share capital**

	<b>2018</b>			
	Number '000	Amount N'000	Number '000	Amount N'000
<b>Authorised:</b>				
Ordinary shares of 50k each	840,000	420,000	840,000	420,000
<b>Issued and fully paid:</b>				
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 2018			560,000	280,000
Bonus issue			140,000	70,000
At 31 December 2018			<b>700,000</b>	<b>350,000</b>
At 31 December 2019			700,000	350,000
<b>Share premium</b>			N'000	<b>2018</b>
Balance at 1 January			19,254	19,254
At 31 December			19,254	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

23. Deferred tax

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

Statement of financial position:	2019 N'000	2018 N'000
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	100,049	100,049
	<u>100,049</u>	<u>100,049</u>
Accelerated depreciation property, plant & equipment	156,905	156,905
Trade and other receivables	(24,768)	(24,768)
Inventories	(5,083)	(5,083)
	<u>127,055</u>	<u>127,055</u>

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

	2019 N'000	2018 N'000
At 1 January	(100,049)	(100,049)
Adjustment upon adoption of new standards	11,840	11,840
At 1 January (restated)	(88,209)	(88,209)
Profit or loss charge (Note 11)	(38,844)	(38,844)
At 31 December	<u>(127,053)</u>	<u>(127,053)</u>

24. Refund Asset

	2019	2018
Right of return assets	23	926
	<u>23</u>	<u>926</u>

This relates to return asset on right of return previously taken as cost of sales.

25. Refund Liability

	2019	2018
At 1 January	-	-
At 31 December	102	2,070
	<u>102</u>	<u>-</u>

This relates to refund liability on right of return previously taken as revenue.

26. Lease Liability

	2019 N'000	2018 N'000
Impact of IFRS 16	6,205	-
Interest @ 14%	869	-
Lease payment during the year	-871	-
Balance as at 31st December	<b>6,202</b>	-
<b>Splitting into Current and Non-Current</b>		
Current	869	-
Non-Current	5,333	-
	<u><b>6,202</b></u>	<u>-</u>

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**Notes to the financial statements**

**27. Related party transactions**

The immediate and ultimate parent, as well as controlling party of the company is UAC of Nigeria Plc incorporated in Nigeria. There are other companies that are related to CAP Plc through common shareholdings and directorship.

The following transactions were carried out with related parties:

(a) Sales of goods and services

	Relationship		<b>2019</b>	<b>2018</b>
			<b>N'000</b>	<b>N'000</b>
UAC of Nigeria Plc	Parent	Service	95	721
UAC Foods Limited	Fellow subsidiary	Sales of paint	1,557	818
UACN Property Dev. Company Plc	Fellow subsidiary	Sales of paint	7,158	30,564
UAC Restaurants	Fellow subsidiary	Sales of paint	1,695	687
			<b>10,505</b>	<b>32,790</b>

(b) Purchases of goods and services

		<b>2019</b>	<b>2018</b>
		<b>N'000</b>	<b>N'000</b>
UAC of Nigeria Plc: Commercial service fee (Note 7)		<b>88,312</b>	<b>81,534</b>

(c) Key management compensation

Key management have been determined as directors (executive and non-executive) the Chairman and other senior management that form part of the leadership team. Details of compensation are documented in note 8. There were no other transactions with key management during the year.

(d) Year-end balances arising from sales/purchases of goods/services:

	Relationship		<b>2019</b>	<b>2018</b>
			<b>N'000</b>	<b>N'000</b>
<b>Receivable:</b>				
UAC Foods Limited	Fellow subsidiary	Sales of paint	519	989
UACN Property Dev. Company Plc	Fellow subsidiary	Sales of paint	2,062	10,521
UAC Restaurants	Fellow subsidiary	Sales of paint	484	0
Portland Paint Products Nig. PLC	Fellow subsidiary	Toll Manufacturing	12,718	2,735
			<b>15,783</b>	<b>14,245</b>

	Relationship		<b>2019</b>	<b>2018</b>
<b>Payable:</b>				
UAC of Nigeria Plc	Parent	Asset Acquisition	55,248	38,074

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Notes to the financial statements

27. Related party transactions (continued)

	2019	2018
	N'000	N'000
Finance lease receivable		
MDS Logistics                      Fellow subsidiary	10,375	10,377

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28. Capital commitments and contingent liabilities

*Capital Commitments*

	2019	2018
	N'000	N'000
Capital expenditure authorised & contracted	23,008	133,963

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*Contingent liabilities*

**31 December 2019 and 2018**

The company is involved in some legal actions in the ordinary course of business. Based on advice from the company's counsel, the directors are of the opinion that the company has good defence against the claims and no material loss is anticipated.

**Notes to the financial statements**

**29. Technical support agreements**

- (a) The company has a royalty agreement with AkzoNobel United Kingdom in respect of paints produced and sold. Amount charged for the year (representing 3% of turnover of Dulux Brand) is N158.439million (2018: N139.827million)
  
- (b) The Company has commercial services agreement with UACN Plc for support services. Expense for commercial services fee (representing 1% of turnover of the company) is N88.31million (2018: N81.53million).

**30. Events after reporting date**

No event or transaction has occurred since the reporting date which would have a material effect on this financial statements.

**Chemical and Allied Products Plc**  
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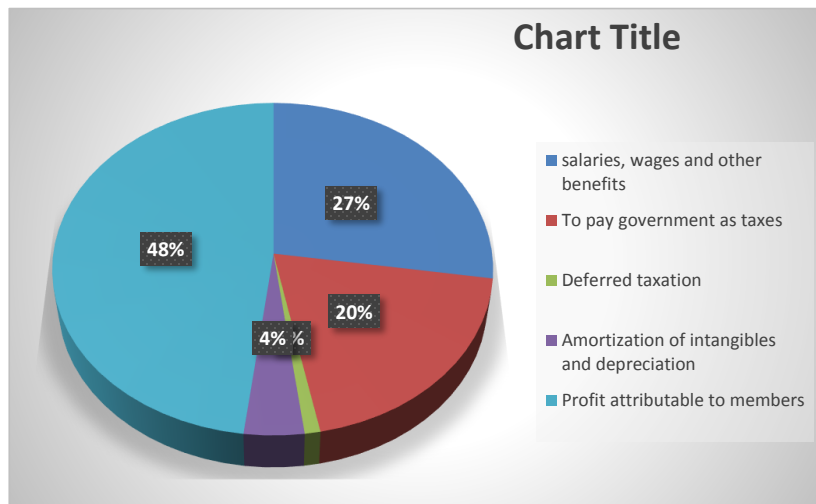
**Value Added Statement**

	2019 N'000	%	2018 N'000	%
Revenue	8,410,650		7,670,315	
Other income	509,088		374,468	
Bought in materials and services				
Local	(3,923,728)		(3,361,383)	
Imported	(1,285,529)		(1,243,943)	
<b>Value Added</b>	<b>3,710,481</b>	<b>100</b>	<b>3,439,457</b>	<b>100</b>

**Applied as follows:**

To pay employees as salaries, wages and other benefits	1,015,514	27	723,634	21
To pay government as taxes	724,877	20	529,645	15
Retained for replacement of assets and business growth:				
Deferred taxation	38,844	1	38,844	1
Amortization of intangibles and depreciation	149,233	4	117,991	3
Profit attributable to members	1,782,013	48	2,029,343	59
	<b>3,710,481</b>	<b>100</b>	<b>3,439,457</b>	<b>100</b>

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



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**Company five-year financial summary**

	<b>IFRS 2019 N'000</b>	<b>IFRS 2018 N'000</b>	<b>IFRS 2017 N'000</b>	<b>IFRS 2016 N'000</b>	<b>IFRS 2015 N'000</b>
<b>Assets Employed</b>					
Property, plant and equipment	869,673	729,962	691,059	595,565	410,324
Intangible assets	7,541	25,814	49,068	57,347	74,708
Finance lease assets	10,375	10,377	10,379	10,381	10,382
Net current assets	1,800,339	2,169,839	1,591,763	1,757,277	1,080,048
	<b>2,687,928</b>	<b>2,935,992</b>	<b>2,342,269</b>	<b>2,420,570</b>	<b>1,575,462</b>
Deferred taxation	127,053	127,053	100,049	(137,080)	(55,329)
	<b>2,814,981</b>	<b>3,063,045</b>	<b>2,442,318</b>	<b>2,283,490</b>	<b>1,520,133</b>
<b>Funds Employed</b>					
Share capital	350,000	350,000	350,000	350,000	350,000
Share premium	19,254	19,254	19,254	19,254	19,254
Retained earnings	2,192,355	2,439,685	1,872,966	1,914,236	1,150,879
	<b>2,561,609</b>	<b>2,808,939</b>	<b>2,242,220</b>	<b>2,283,490</b>	<b>1,520,133</b>
<b>RESULTS</b>					
Continued business	<b>8,410,650</b>	<b>7,670,315</b>	<b>7,113,950</b>	<b>6,813,984</b>	<b>7,056,876</b>
<b>Turnover and profits</b>					
Turnover	8,410,650	7,670,315	7,113,950	6,813,984	7,056,876
Profit before taxation	2,545,734	2,597,832	2,181,711	2,296,821	2,570,021
Taxation	(763,721)	(568,489)	(682,981)	(693,464)	(830,462)
Profit for the year attributable	1,782,013	2,029,343	1,498,730	1,603,357	1,739,559
Interim dividend	-	-	-	(805,000)	(1,050,000)
Profit retained	1,782,013	2,029,343	1,498,730	798,357	689,559
<b>Per 50k share data (kobo)</b>					
Earnings per share- Basic	255	290	214	229	249
Earnings per share- Adjusted	255	290	214	229	249
Dividend per share- Basic	366	320	320	326	217
Dividend cover	-	-	1	1	1

**Notes**

Earnings and dividend per share are based on profit after tax and on the number of ordinary shares issued and fully paid at the end of each year.

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YEAR	2015	2016	2017	2018	2019
Turnover	7,057	6,814	7,114	7,670	8,411
PAT	1,740	1,603	1,499	2,029	1,782
Earnings	249	229	214	290	255
Dividend per share	235	220	205	290	-
Continued business	7,057	6,814	7,114	7,670	8,411

