



**Berger Paints Nigeria Plc**  
**Unaudited Report - Second Quarter ended**  
**30 June 2020**

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## **Corporate Information**

<b>Board of Directors:</b>	Abi Ayida	- Chairman
	Musa Danjuma	- Non - Executive Director
	Nelson Nweke	- Independent Non - Executive Director
	Sanjay Datwani (British)	- Non - Executive Director
	Patrick Buruche	- Non - Executive Director
	Adekunle Olowokande	- Non - Executive Director
	Raj Mangtani (Indian)	- Non - Executive Director
	Anjan Sircar (Indian)	- Managing Director /CEO

**Company Secretary/Legal Adviser** Ayokunle Ayoko

**Registered Office:** 102, Oba Akran Avenue,  
Ikeja, Industrial Estate  
P.M.B. 21052, Ikeja, Lagos.

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**Social Media Accounts** Website: www.bergerpaints.com.ng  
Facebook: www.facebook.com/BergerPaintsNigeriaPlc  
LinkedIn: www.linkedin.com/company/berger-paints-nigeria-plc  
Twitter: www.twitter.com/BergerPaintsNg  
Instagram: www.instagram.com/bergerpaintsnigeria plc.  
You Tube: www.youtube.com/channel/UCD\_T-  
Wid299NWbfHxA4rGXg

<b>NSE Trading Information</b>	Trading Name:	Berger Paints Nig. Plc. (Berger)
	Ticker Symbol:	Berger
	Sector:	Industrial Goods
	Sub Sector:	Building Materials
	Market Classification:	Main Board

**Registration Number:** RC: 1837

**FRC Registration Number:** FRC/2012/000000000295

**Registrars:** Meristem Registrars Limited  
213, Herbert Macaulay Way, Adekunle, Yaba, Lagos.  
P.O. Box 51585, Falomo, Ikoyi, Lagos  
Tel: 8920491, 8920492, 01-2809250-3  
Email: info@meristemregistrars.com  
Website: www.meristemregistrars.com

**Independent Auditor:** KPMG Professional Services  
KPMG Tower  
Bishop Aboyade Cole Street,  
Victoria Island, Lagos  
Tel: +234-1-2694660-4

<b>Bankers:</b>	Access Bank Plc	Keystone Bank Limited
	Ecobank Nigeria Limited	Polaris Bank Limited
	Fidelity Bank Plc	Union Bank of Nigeria Plc
	First Bank of Nigeria Limited	United Bank for Africa Plc
	First City Monument Bank Limited	Wema Bank Plc
	Guaranty Trust Bank Plc	Zenith Bank Plc
	Heritage Bank Ltd	

**Financial Highlights**

*In thousands of naira*

	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>	<b>%</b>
Revenue	1,828,403	1,565,840	17
Gross profit	714,839	721,065	(1)
Operating profit	93,138	212,944	(56)
Profit before taxation	60,430	214,188	(72)
Profit for the period	41,092	145,648	(72)
Share capital	144,912	144,912	-
Total equity	3,042,037	2,770,314	10
<b>Data per 50k share</b>			
Basic earnings per share (kobo)	14	50	(72)
Net assets per share (Naira)	10.50	9.56	10
Market price per share as at period end (Naira)	6.75	7.00	(4)
Market capitalization as at period end	1,956,312	2,028,764	(4)

## Statement of Financial Position

*As at 30 June 2020*


*In thousands of naira*

		<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Assets</b>	<b>Notes</b>		
Property, plant and equipment	13(a)	2,756,851	2,823,810
Intangible assets	14	41,998	44,911
Investment property	15	413,563	424,119
<b>Total non-current assets</b>		<b>3,212,412</b>	<b>3,292,840</b>
Inventories	16	1,000,112	812,048
Trade and other receivables	17(a)	429,077	330,541
Deposit for imports	18	95,368	143,535
Prepayments and advances	19	112,499	61,588
Other financial assets	21	215,488	209,208
Cash and cash equivalents	20	157,188	216,689
<b>Total current assets</b>		<b>2,009,732</b>	<b>1,773,609</b>
<b>Total assets</b>		<b>5,222,144</b>	<b>5,066,449</b>
<b>Equity</b>			
Share capital	22(a)	144,912	144,912
Share premium	22(b)	635,074	635,074
Retained earnings		2,262,051	2,293,414
<b>Total equity</b>		<b>3,042,037</b>	<b>3,073,400</b>
<b>Liabilities</b>			
Loans and borrowings	25	238,759	224,221
Deferred income	24	49,558	48,858
Deferred taxation	11(e)	231,941	231,945
<b>Total non-current liabilities</b>		<b>520,258</b>	<b>505,024</b>
Loans and borrowings	25	171,114	171,114
Current tax liabilities	11(c)	74,892	72,034
Trade and other payables	23	973,556	804,589
Deferred income	24	33,037	33,037
Dividend payable	27	407,251	407,251
<b>Total current liabilities</b>		<b>1,659,850</b>	<b>1,488,025</b>
<b>Total liabilities</b>		<b>2,180,108</b>	<b>1,993,049</b>
<b>Total equity and liabilities</b>		<b>5,222,144</b>	<b>5,066,449</b>

These financial statements were approved by the Board of Directors on 30 June 2020 and signed on its behalf by:



Anjan Sircar (FRC/2020/003/00000020547)  
*Managing Director/CEO*



Shakiru Oyegbele (FRC/2013/ICAN/0000002321)  
*Head of Finance*

*The accompanying notes on pages 8 to 52 form an integral part of these financial statements.*

## Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 June 2020

<i>In thousands of naira</i>	Notes	3 Mths to 30 Jun 2020	3 Mths to 30 Jun 2019	6 Mths to 30 Jun 2020	6 Mths to 30 Jun 2019
Revenue	5	749,573	768,218	1,828,403	1,565,840
Cost of sales	9(a)	<u>(495,802)</u>	<u>(428,144)</u>	<u>(1,113,564)</u>	<u>(844,775)</u>
<b>Gross profit</b>		<b>253,771</b>	<b>340,074</b>	<b>714,839</b>	<b>721,065</b>
Other income	6	7,377	17,177	19,133	32,247
Selling and distribution expenses	9(a)	(43,863)	(49,791)	(117,322)	(111,962)
Administrative expenses	9(a)	<u>(241,189)</u>	<u>(218,154)</u>	<u>(523,512)</u>	<u>(428,405)</u>
<b>Operating profit before impairment charges</b>		<b>(23,904)</b>	<b>89,306</b>	<b>93,138</b>	<b>212,945</b>
Impairment loss on trade receivables	8	-	-	-	-
<b>Operating profit</b>		<b>(23,905)</b>	<b>89,305</b>	<b>93,138</b>	<b>212,944</b>
Finance income	7	6,417	5,153	7,336	10,118
Finance costs	7	<u>(19,876)</u>	<u>(4,437)</u>	<u>(40,044)</u>	<u>(8,874)</u>
<b>Net finance income</b>		<b>(13,459)</b>	<b>716</b>	<b>(32,708)</b>	<b>1,244</b>
<b>Profit before income tax</b>	8	<b>(37,364)</b>	<b>90,021</b>	<b>60,430</b>	<b>214,188</b>
Income tax expense	11(a)	<u>-</u>	<u>(28,807)</u>	<u>(19,338)</u>	<u>(68,540)</u>
<b>Profit for the period</b>		<b>(37,364)</b>	<b>61,214</b>	<b>41,092</b>	<b>145,648</b>
<b>Other comprehensive income</b>					
Other comprehensive income for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>		<b>(37,364)</b>	<b>61,214</b>	<b>41,092</b>	<b>145,648</b>
<b>Earnings per share:</b>					
Basic and diluted earnings per share (kobo)	12	<u>(13)</u>	<u>21</u>	<u>14</u>	<u>50</u>

The accompanying notes on pages 8 to 52 form an integral part of these financial statements.

**Statement of Changes in Equity**  
**For the period ended 30 June 2020**  
*In thousands of naira*

	Note	Share capital	Share premium	Retained earnings	Total equity
<b>Balance at 1 January 2020</b>		<b>144,912</b>	<b>635,074</b>	<b>2,293,414</b>	<b>3,073,400</b>
<b>Comprehensive income for the period</b>					
Profit for the period		-	-	41,092	41,092
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>41,092</b>	<b>41,092</b>
<b>Transactions with owners, recorded directly in equity</b>					
Dividend	27	-	-	(72,455)	(72,455)
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>(72,455)</b>	<b>(72,455)</b>
<b>Balance at 30 June 2020</b>		<b>144,912</b>	<b>635,074</b>	<b>2,262,051</b>	<b>3,042,037</b>
<b>Balance at 1 January 2019</b>					
		<b>144,912</b>	<b>635,074</b>	<b>2,033,066</b>	<b>2,813,052</b>
IFRS transition adjustment (net of tax)		-	-	-	-
<b>Adjusted balance at 1 January, 2019</b>		<b>144,912</b>	<b>635,074</b>	<b>2,033,066</b>	<b>2,813,053</b>
<b>Comprehensive income for the period</b>					
Profit for the period		-	-	145,648	145,648
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>145,648</b>	<b>145,648</b>
<b>Transactions with owners, recorded directly in equity</b>					
Dividend	27	-	-	(188,385)	(188,385)
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>(188,385)</b>	<b>(188,385)</b>
<b>Balance at 30 June 2019</b>		<b>144,912</b>	<b>635,074</b>	<b>1,990,329</b>	<b>2,770,314</b>

*The accompanying notes on pages 8 to 52 form an integral part of these financial statements.*

**Statement of Cash Flows**  
**For the period ended 30 June 2020**  
*In thousands of naira*

	Note	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
<b>Cash flows from operating activities</b>			
Profit for the period		41,092	145,648
Adjustments for:			
- Depreciation	9(b)	139,933	63,472
- Amortisation	14	2,912	10,422
- Finance income	7	(7,336)	(10,118)
- Finance cost	7	40,044	8,874
- Gain on sale of property, plant and equipment	8	-	(824)
- Taxation	11(a)	19,338	68,540
		<u>235,983</u>	<u>286,014</u>
<i>Changes in:</i>			
- Inventories		(188,064)	(246,366)
- Trade and other receivables	17(c)	(98,705)	9,205
- Deposit for imports		48,167	(29,535)
- Prepayments and advances	19(a)	(51,818)	(52,430)
- Trade and other payables	23(c)	168,967	93,874
- Deferred income		700	2,272
		<u>115,230</u>	<u>63,033</u>
<b>Cash generated from operating activities</b>			
WHT credit notes utilised	11(c)	(15,573)	(105,231)
Tax paid	11(c)	-	(14,134)
		<u>99,657</u>	<u>(56,330)</u>
<b>Net cash generated from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment	13(g)	(62,418)	(77,136)
Proceeds from sale of property, plant and equipment		-	2,863
Interest income on bank deposits	7	7,336	10,118
Additions to investment in financial assets	22	(6,280)	(7,204)
		<u>(61,362)</u>	<u>(71,359)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Additions to loans and borrowings	25(b)	44,075	(0)
Repayment of borrowings	26(b)	(69,416)	(57,216)
Dividend paid	27	(72,455)	(150,242)
		<u>(97,796)</u>	<u>(207,457)</u>
<b>Net cash used in financing activities</b>			
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January		216,689	518,864
Cash and cash equivalents at 30 June	21	<u>157,188</u>	<u>183,717</u>

*The accompanying notes on pages 8 to 52 form an integral part of these financial statements.*



**Notes to the financial statements**

*For the period ended 30 June 2020*

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## Notes to the Financial Statements

For the period ended 30 June 2020

### 1 Reporting Entity

Berger Paints Nigeria Plc ("the Company") was incorporated in Nigeria as a private limited liability company in 1959 and was converted to a public liability company in 1973. Its registered office address is at 102, Oba Akran Avenue, Ikeja Industrial Estate, Ikeja, Lagos. The Company is listed on the Nigerian Stock Exchange.

The principal activities of the Company continues to be the manufacturing, sale and distribution of paints and allied products throughout the country and rent of investment property.

### 2 Basis of Preparation

#### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011. The Q1 2020 financial statements were authorised for issue by the Board of Directors on 19 May, 2020.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Non-derivative financial instruments initially measured at fair value and subsequently measured at amortised cost.
- Government grant (recognised as deferred income) measured at fair value.

- Inventories: Lower of cost and net realisable value.

The methods used to measure fair value are further disclosed in Note 2(e).

#### (c) Functional and presentation currency

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

#### (d) Use of estimates and judgment

In the preparation of these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policy and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 4(Q) and 31	leases: whether an arrangement contains a lease
Note 4(D),(F),14 and 16	determination of the useful life of leasehold land
Note 4(L) and 5	revenue recognition and measurement of revenue from rendering of painting services

Information about assumptions and estimation uncertainties that have most significant effects on amounts recognised in the financial statements is included in the following notes;

Note 2(e) and 30(a)	determination of fair values
Note 4(G) and 30(b)	impairment of financial assets: Expected credit loss and forward looking information
Note 12	uncertainty over income taxes: transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.
Note 26 (a)	determination of cashflows repayments in respect of the investment property development financing arrangement.
Note 33	recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

#### (e) Measurement of fair values

A number of the Company's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

## Notes to the Financial Statements

### For the period ended 30 June 2020

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 30 – Financial instruments- Fair values and financial risk management.

### 3 Changes in significant accounting policies

The Company has initially adopted IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax treatments* from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

#### A. IFRS 16 Leases

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated –i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

##### (a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note (4Q).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a leases under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

##### (b) As a Lessee

As a lessee, the Company leases land, motor vehicles and property rentals. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for leases of land and motor vehicles- i.e. these leases are on-balance sheet.

##### Leases classified as finance leases under IAS 17

On transition to IFRS 16, the carrying amount of the right of use assets and the lease liability at 1 January 2019 is determined at the carrying amount of the leased asset and lease liability under IAS 17 immediately before that date. The right of use assets recognised from the leases are presented in investment property as well as property, plant and equipment and measured at cost at that date.

## Notes to the Financial Statements

*For the period ended 30 June 2020*

### **Leases classified as operating leases under IAS 17**

Previously, the Company classified property leases as operating leases under IAS 17.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS17. The Company:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.
- did not recognise right-of-use assets and liabilities for leases of low value asset;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application ; and
- used hindsight when determining the lease term.

In particular, the Company did not recognise right of use asset and liability for the property rentals as the lease terms end within 12 months of the date of initial application.

### **(c) As a Lessor**

The Company leases out its investment property, and an insignificant portion of the Company's building properties. The Company has classified these leases as operating leases.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. Under IAS 17, the lease contracts were classified as operating leases.

### **B. IFRIC 23 Uncertainty over Income Tax treatments**

The Company has adopted IFRIC 23 for the first time in current year. The amendment clarifies how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

## **4 Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

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## **Notes to the Financial Statements**

*For the period ended 30 June 2020*

### **A. Foreign currency transactions**

Transactions denominated in foreign currencies are translated and recorded in Naira at the actual exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to naira at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

### **B. Financial instruments**

#### **i. Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company's financial assets comprises trade and other receivables, cash and cash equivalents and other financial assets; and are classified as financial assets measured at amortised cost.

#### **ii. Classification and subsequent measurement**

##### **Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## Notes to the Financial Statements

*For the period ended 30 June 2020*

### **Business model assessment:**

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

### **Financial Assets- Assessment whether contractual cash flows are solely payments of principal and interest:**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### **Financial assets- Subsequent measurement and gains and losses**

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

## **Notes to the Financial Statements**

*For the period ended 30 June 2020*

Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
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### **Financial liabilities- Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss

The Company's financial liabilities comprises loans and borrowings, trade and other payables and dividend payable; and are classified as other financial liabilities.

### **(iv) Derecognition and offsetting**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## **C. Capital and other reserves**

### **i. Share capital**

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded as share premium. All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### **ii. Share premium**

When the company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares is transferred to the share premium account. Any transaction costs associated with the share issues are deducted from share premium account, net of any related income tax benefits. The use of the share premium account is governed by S.120 (3) of the Companies and Allied Matters Act, CAP C.20, Laws of the Federation of Nigeria, 2004,

### **iii. Retained earnings**

Retained earnings represents the Company's accumulated earnings since its inception, less any distributions to shareholders, and net of any prior period adjustments. A negative amount of retained earnings is reported as accumulated deficit.

## Notes to the Financial Statements

*For the period ended 30 June 2020*

iv. **Fair value reserve**

Fair value reserve comprises the cumulative net change in available-for-sale financial assets until the assets are derecognised or impaired.

### **D. Property, plant and equipment**

i. **Recognition and measurement**

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Items of property, plant and equipment under construction are disclosed as capital work-in-progress.

If significant part of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

ii. **Subsequent cost**

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. **Derecognition**

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on derecognition or disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net in profit or loss in the statement of profit or loss and other comprehensive income.

iv. **Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Capital work-in-progress is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land		– Unlimited
• Buildings		– 20 years
• Plants and machinery		
- Fixed plant		– 12 years
- Movable plant		– 7 years
- Generators		– 5 years
• Motor vehicles		
- Trucks		– 6 years
- Cars		– 4 years
• Furniture and fittings		– 8 years
• Computer equipment		– 2 years
• Motor vehicles under lease		– lease period



**Notes to the Financial Statements**  
*For the period ended 30 June 2020*

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

**E. Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with finite useful life are reviewed at the end of each year, changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortisation period or method, as appropriate, and are treated as charges in accounting estimates.

The amortisation expense of tangible assets with finite lives is recognised in the profit or loss as the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when asset is derecognised.

Purchased software are recognised as assets if there is sufficient certainty that future economic benefits associated with the item will flow to the entity. Amortisation is calculated using the straight-line method over three (3) years. The carrying amount of an intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

**Internally generated intangible assets**

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if and only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

The internally generated intangible asset represents product formulation development for the newly commissioned automated paint factory.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**F. Investment property**

**i. Recognition and measurement**

An investment property is either land or a building or part of a building held by the Company to earn rentals or for capital appreciation or both.

Investment property is initially measured at cost, including transaction costs. Such cost does not include start-up costs, abnormal waste, or initial operating losses incurred before the investment property achieves the planned level of occupancy.

## **Notes to the Financial Statements**

*For the period ended 30 June 2020*

The cost model is applied in accounting for investment property. The investment property is recorded at cost less any accumulated depreciation and accumulated impairment losses.

### **ii. Subsequent expenditure**

The cost of replacing a part of an item of investment property is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of investment property are recognised in profit or loss as incurred.

### **iii. Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of the investment property which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings – 20 years
- Leasehold land – Unlimited

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

### **iv. Transfers**

Transfers to, or from, investment property are made when there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease to another party, for a transfer from inventories to investment property.

Transfers to, or from, investment property does not change the carrying amount of the property transferred, and they do not change the cost of the property for measurement or disclosure purposes.

## **G. Impairment**

### **Non-derivative financial assets**

#### **i. Financial instrument**

The Company's financial assets consist of cash and cash equivalent, trade receivables and other financial assets. The Company recognises loss allowances for expected credit loss (ECL) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 60 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

## **Notes to the Financial Statements**

*For the period ended 30 June 2020*

For trade receivables, 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 and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For cash and cash equivalent and other financials assets the applies a general approach in calculating the ECLs. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade.

### **ii Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

### **iii Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

### **iv Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

### **v Write off**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

## **H. Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, an entity discloses the contingent asset.

## **Notes to the Financial Statements**

*For the period ended 30 June 2020*

### **I. Provisions**

A provision is recognised, if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost in profit or loss.

### **J. Employee benefits**

#### **i. Defined contribution plan**

A defined contribution plan is a post-employment benefit plan (pension fund) under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for all employees. The Company and its employees contribute a minimum of 10% and 8% of the employees annual basic salary, housing and transport allowances respectively to the scheme. Employee contributions to the scheme are funded through payroll deductions while the Company's contributions are charged to profit and loss.

On 1 January 2016, the Company increased the employer contributions to the scheme to 15% of employee's annual basic salary, housing and transport allowances.

#### **ii. Short-term employee benefits**

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

A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### **iii. Termination benefits**

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

### **K. Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventory includes expenditure incurred in acquiring the inventory, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The basis of costing is as follows:

Raw materials, non-returnable packaging materials and consumable spare parts – purchase cost on a weighted average basis including transportation and applicable clearing charges.

Finished products and products-in-process – weighted average cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Goods in transit – Purchase cost incurred to date

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of conversion and selling expenses. Allowance is made for obsolete, slow moving or defective items where appropriate.

## **Notes to the Financial Statements**

*For the period ended 30 June 2020*

### **L. Revenue by nature**

#### **(i) Revenue from contract with customers**

##### **a Sale of paints and allied products**

Revenue from the sale of goods in the course of ordinary activities represents sale of paints and allied products and is measured at the fair value of the consideration received or receivable, net of value added tax, sales returns, trade discounts and volume rebates.

Revenue is recognised when the goods are delivered and have been accepted by customers. The Company allocates a portion of consideration received to loyalty points as applicable. The allocation is based on the relative stand alone selling prices. The amount allocated to the loyalty program is deferred, and is recognised as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points become remote. The deferred revenue is included in contract liabilities.

##### **b Contract services - supply and apply services contract**

Supply and apply services contract revenue results from rendering painting services to customers. These services are rendered based on specific negotiated contracts with the customers.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

Revenue is recognized overtime on basis of the Company's cost incurred relative to the total expected cost for the satisfaction of the performance obligation. The related cost are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities and presented as part of trade and other payables. Unbilled receivables for services rendered are included as contract assets and presented as part of trade and other receivables.

#### **(ii) Investment property rental income**

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from other properties are recognised as other income.

### **M. Finance income and finance costs**

Finance income comprises interest income on funds invested, dividend income, gains on re-measurement of financial assets measured at amortised cost, and reclassification of net gains previously recognised in OCI. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on lease and other financial liabilities and impairment losses recognised on financial assets (other than trade receivables). Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

### **N. Government grant**

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

## **Notes to the Financial Statements**

*For the period ended 30 June 2020*

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

### **O. Taxation**

#### **Income tax**

Income tax expense comprises current tax (Company Income Tax, Tertiary Education Tax, Nigeria Police Trust Fund levy and Capital gains tax) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. The Company had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

#### **(a) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Company Income Tax is computed on taxable profits; Tertiary Education Tax is computed on assessable profits while the Nigeria Police Trust Fund is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the Company during the year). Income tax liabilities are presented in the statement of financial position net of withholding taxes.

#### **(b) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unutilised tax losses, unutilised tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be utilised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if the Company:

- (a) has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on
- (b) either:
  - the same taxable entity; or
  - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

## **Notes to the Financial Statements**

*For the period ended 30 June 2020*

### **(c) Minimum tax expense**

The Company is subject to the Finance Act, 2019 which amends the Company Income Tax Act (CITA). Total amount of tax payable under the Finance Act, 2019 is determined based on the higher of two components; Company Income Tax (based on taxable income (or loss) for the year); and Minimum tax (determined based on of 0.5% of qualifying Company's turnover less franked investment income). Taxes based on taxable profit for the period are treated as income tax in line with IAS 12; whereas Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss. The liability is recognised under current tax liabilities in the statement of financial position.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognized in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as Minimum tax expense.

### **P. Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held (if any). Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held (if any), for the effects of all dilutive potential ordinary shares.

### **Q. Leases**

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS17 and IFRIC4. The details of accounting policies under IAS17 and IFRIC4 are disclosed separately.

*Policy applicable from 1 January 2019*

At inception of a contract, the Company assess whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January, 2019.

#### **i. As a lessee**

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use assets will be depreciated over the useful life of the underlying assets, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted or certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses interest rate implicit in the lease liability agreement as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and

## **Notes to the Financial Statements**

### ***For the period ended 30 June 2020***

- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or terminate option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment and lease liabilities in loans and borrowings in the statement of financial position. Right of use assets comprises motor vehicles under lease and leasehold land.

#### *Short-term leases and leased of low-value assets.*

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expenses on a straight-line basis over the lease term.

#### **ii. As a lessor**

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accountings for its interests in the head lease and the sub-lease separately. It assesses the classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classified the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight -line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

#### *Policy applicable before 1 January 2019*

##### **i. Determining whether an arrangement contains a lease**

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.



## **Notes to the Financial Statements**

*For the period ended 30 June 2020*

### **ii. Leased assets**

Assets held by the Company under leases which transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

### **iii. Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## **R. Statement of cashflows**

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, and other non-cash items, have been eliminated for the purpose of preparing the statement. Dividend paid to ordinary shareholders are included in financing activities while finance income received is included in investing activities.

## **S. Operating Segment**

An operating segment is a distinguishable component of the Company that earns revenue and incurs expenditure from providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), and which is subject to risks and returns that are different from those of other segments.

The Company's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Company's internal reporting structure.

All operating segments' operating results are reviewed regularly by the Management Committee, which is considered to be the chief operating decision maker for the Company, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's Management Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

## **T. Dividends**

Dividend payable is recognised as a liability in the period in which they are declared and the shareholders right to receive payment has been established.

Dividends which remained unclaimed for a period exceeding twelve (12) years from the date of declaration and which are no longer actionable by shareholders in accordance with section 385 of the Companies and Allied Matters Act of Nigeria are written back to retained earnings.

## **U. Prepayments and advances**

Prepayments and advances are non-financial assets which result when payments are made in advance of the receipt of goods or services. They are recognized when the Company expects to receive future economic benefits equivalent to the value of the prepayment. The receipt or consumption of the goods or services results in a reduction in the prepayment and a corresponding increase in expenses (assets) for that reporting period.

## **V. Deposit for imports**

Deposit for imports are non-financial assets which result when letters of credit are opened with the bank for the importation of raw materials and plant and machinery. They are recognized when the Company expects to receive future economic benefits equivalent to the value of the deposit made.

## **W. Investment in subsidiary**

Subsidiaries are entities controlled by the Company. Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position. Where the recoverable amount of the investment is less than the carrying amount, an impairment is recognized in profit or loss. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognized in profit or loss.

## **Notes to the Financial Statements**

*For the period ended 30 June 2020*

### **X. Related parties**

Related parties include the Company's shareholders, directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Company. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Related parties transactions of similar nature are disclosed in aggregate except where separate disclosure is necessary for understanding of the effects of the related party transactions on the financial statements of the entity.

### **Y. New standards and interpretations not yet adopted**

#### **Standards issued but not yet effective**

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2019 and have not been adopted in preparing these financial statements. Those Standards, Amendments to Standards, and Interpretations which may be relevant to the Company are set out below. Earlier adoption is permitted; however, the Company has not early adopted the new or amended standard in preparing the financial statement.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

### **Z. Standards, Interpretations effective from 1 January 2019**

There are new issued accounting standards, amendment to standards and interpretations that are effective first beginning 1 January 2019. Other than those disclosures in Note 3, the Directors have considered the following amended standards and interpretations and that they are not expected to have a significant impact on the Company's financial statements:

- Prepayment features with negative compensation (Amendment to IFRS 9)
- Long term interests in Associates and Joint Ventures (Amendment to IAS 8)
- Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)
- Annual improvements to IFRS Standards 2015/17 Cycle Various Standards

**Notes to the Financial Statements**  
For the period ended 30 June 2020

**5 Revenue**

**(a) Revenue stream for the period comprises:**

<i>In thousands of naira</i>	<b>Recognition policy</b>	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
<b>(i) Revenue from contract with customers</b>			
- Sale of paints and allied products*	At a point in time	1,693,408	1,525,856
- Contract services	Over time	134,995	39,984
<b>(ii) Revenue from leases of investment property</b>			
		-	-
		<b>1,828,403</b>	<b>1,565,840</b>

\*Revenue from sale of paints and allied products for the year comprises:

<i>In thousands of naira</i>	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
Revenue (net of value added tax)	2,008,351	1,809,825
Discounts and rebates	(314,943)	(283,969)
	<b>1,693,408</b>	<b>1,525,856</b>

Nigeria is the Company's primary geographical segment as all sales in the current and prior year were made in the country.

**(b) Contract balances**

The Company's contract balance comprises of trade receivables from contract with customers and is included in trade and other receivables (Note 18(a)). The balance is analysed as follows:

<i>In thousands of naira</i>	<b>30 June 2020</b>	<b>31 December 2019</b>
Billed receivables in respect of sales of paints and allied products	219,487	145,727
Unbilled receivables in respect of contract services	83,688	83,688
Trade receivables (Note 18(a))	<b>303,175</b>	<b>229,415</b>

**6 Other income**

Other income comprises:

<i>In thousands of naira</i>	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
Sale of Scrap	4,100	2,695
Income on property leases*	12,614	24,366
Profit from disposal of property, plant and equipment	-	824
Insurance claims received	-	1,324
Income from enrolment of new distributors	2,419	3,038
	<b>19,133</b>	<b>32,247</b>

\*This represents income earned from leases of an insignificant portion of the Company's building properties to third parties.

**Notes to the Financial Statements**  
 For the period ended 30 June 2020

**7 Finance income and finance cost**

Recognised in profit or loss:

<i>In thousands of naira</i>	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
Interest income on bank deposits	1,056	950
Interest income on other financial assets	6,280	4,015
Total finance income	<b>7,336</b>	<b>4,965</b>
Interest expense on borrowings	(19,963)	-
Interest expense on lease liabilities	(11,581)	-
Interest expense on financial liabilities measured at amortised costs.	(8,500)	(4,437)
Total finance cost	<b>(40,044)</b>	<b>(4,437)</b>
Net finance income recognised in profit or loss	<b>(32,708)</b>	<b>528</b>

**8 Profit before income tax**

Profit before tax is stated after charging/(crediting):

<i>In thousands of naira</i>	Note	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
Directors' emoluments	9(a)	47,204	28,520
Depreciation	9(b)	139,933	63,471
Amortisation	14	2,912	10,422
Personnel expenses	10(a)	326,671	271,955
Auditors' remuneration	9(a)	11,160	11,545
Profit on disposal of property, plant and equipment	6	-	(824)

**9 (a) Expenses**

(i) Analysis of expenses by nature

<i>In thousands of naira</i>	Note	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
Directors emoluments	10(d)	47,204	28,520
Personnel expenses	10(a)	326,671	271,955
Training expenses		4,900	11,627
Repairs and maintenance		32,771	30,530
Office and corporate expenses		30,545	29,758
License and permits		8,573	13,024
Utilities		19,233	21,262
Insurance		6,630	4,699
Travel, transport and accommodation		49,832	42,419
Rent, rate and levies		8,165	2,703
Subscriptions and donations		2,716	1,326
Depreciation	9(b)	139,933	63,471
Amortisation	14	2,912	10,422
Printing and stationery		3,650	3,647
Legal and professional services fees		57,964	33,594
Auditors' remuneration		11,160	11,545
Bank charges		2,705	2,200
Advertisement and publicity expenses		41,492	42,342
Distribution expenses		75,830	69,620
Raw materials and consumables		812,614	664,607
Contract services expenses		68,897	25,870
		<b>1,754,398</b>	<b>1,385,142</b>

**Notes to the Financial Statements**  
*For the period ended 30 June 2020*

<i>In thousands of naira</i>	Note	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
<i>Summarised as follows:</i>			
(ii) Cost of sales		1,113,564	844,775
Selling and distribution expenses		117,322	111,962
Administrative expenses		523,512	428,405
<b>Total cost</b>		<b><u>1,754,398</u></b>	<b><u>1,385,141</u></b>

**(b) Depreciation**

<i>In thousands of naira</i>	Note	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
<i>Depreciation charged for the period comprises:</i>			
Depreciation of property, plant and equipment	13	129,377	52,890
Depreciation of investment property	15	10,556	10,582
<b>Total depreciation</b>		<b><u>139,933</u></b>	<b><u>63,472</u></b>

**10 Personnel expenses**

(a) Personnel expenses, excluding remuneration of the executive directors during the period comprises:

<i>In thousands of naira</i>	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
Salaries, wages and allowances	301,162	255,751
Employer contribution to compulsory pension fund scheme	25,509	16,204
	<b><u>326,671</u></b>	<b><u>271,955</u></b>

(b) Number of employees of the Company at period end, whose duties were wholly or mainly discharged in Nigeria, received annual remuneration (excluding pension contributions and certain benefits) in the following ranges:

₦	-	₦	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
			Number	Number
500,001	-	1,000,000	9	5
1,000,001	-	1,500,001	38	48
1,500,001	-	2,000,001	45	67
2,000,001	-	3,000,001	30	17
3,000,001	and	above	30	32
			<b><u>152</u></b>	<b><u>169</u></b>

(c) The number of persons employed as at period end are:

	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
	Number	Number
Production	19	38
Sales and marketing	52	46
Finance	9	9
Administration	13	13
Maintenance	7	10
Corporate	6	4
Procurement	3	4
Distribution	16	13
Information Technology (IT)/CSR	6	7
Technical & Compliance	15	15
Raw materials	6	10
	<b><u>152</u></b>	<b><u>169</u></b>

**Notes to the Financial Statements**  
**For the period ended 30 June 2020**

(d) Remuneration (excluding pension contributions and certain benefits) paid to directors of the Company and charged to the profit or loss are as follows:

<i>In thousands of naira</i>	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
Fees paid to non-executive directors	29,268	23,140
Salaries	17,936	5,380
	47,204	28,520

The directors' remuneration shown above includes:

<i>In thousands of naira</i>	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
Chairman	3,358	2,400
Highest paid director	17,936	5,380
	17,936	5,380

Other directors received emoluments in the following ranges:

N	-	N	<b>6 Mths to 30 Jun 2020 Number</b>	<b>6 Mths to 30 Jun 2019 Number</b>
250,001	-	1,000,000	-	1
1,000,001	-	3,000,000	4	5
3,000,001	-	5,000,000	2	-
5,000,001	-	8,000,000	-	-
			6	6

**11 Taxation**

(a) The tax charge for the year has been computed after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes, and comprises:

<i>In thousands of naira</i>	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
Current tax expense:		
Company income tax	18,129	64,256
Tertiary education tax	1,209	4,284
	19,338	68,540
Deferred tax expense/(credit):		
Origination and reversal of temporary differences (Note 11(e))	-	-
<b>Income tax expense</b>	<b>19,338</b>	<b>68,540</b>

(b) Reconciliation of effective tax rate:

<i>In thousands of naira</i>	%	<b>6 Mths to 30 Jun 2020</b>	%	<b>6 Mths to 30 Jun 2019</b>
Profit for the period		41,092		145,648
Taxation		19,338		68,540
<b>Profit before taxation</b>		<b>60,430</b>		<b>214,188</b>
Income tax using the Company's domestic rate of 30%	30	18,129	30	64,256
Tertiary education tax @ 2%	2	1,209	2	4,284
<b>Tax expense</b>		<b>17</b>	<b>32</b>	<b>68,540</b>

(c) The movement in the tax payable during the year was as follows:

i. **Current tax liabilities**

<i>In thousands of naira</i>	<b>30 June 2020</b>	<b>31 December 2019</b>
Balance as at 1 January	72,034	193,629
Current period charge	19,339	13,966
Minimum tax charge	-	18,462
Cash payments	-	(48,793)
WHT credit notes utilised	(15,573)	(105,231)
<b>Balance as at period end (A)</b>	<b>75,799</b>	<b>72,034</b>

ii. **WHT credit notes**

Balance as at 1 January	-	17,980
Net WHT credit recovered	-	45,370
Additions	16,480	19,491
Transfer from prepayment and advances (Note 20)	-	22,390
WHT credit notes utilised	(15,573)	(105,231)
<b>Balance as at period end (B)</b>	<b>907</b>	<b>-</b>
<b>Total current tax liabilities as at period end (A+B)</b>	<b>74,892</b>	<b>72,034</b>

**Notes to the Financial Statements**  
 For the period ended 30 June 2020

(e) Movement in deferred taxation  
 In thousands of naira

	Balance at 1 January	Tax Impact of IFRS 9 transition Adjustment	Recognised in profit or loss	Net	Deferred tax assets	Deferred tax liabilities
<b>30 June 2020</b>						
Property, plant and equipment	307,524	-	-	307,524	-	307,524
Allowance on trade receivable	(50,597)	-	-	(50,597)	(50,597)	-
Right of use assets	483	-	-	483	-	483
Provision for gratuity discontinued	(713)	-	-	(713)	(713)	-
Provision for slow moving inventories	(24,756)	-	-	(24,756)	(24,756)	-
Unrealised exchange losses/(gain)	-	-	-	-	-	-
<b>Net tax (assets)/ liabilities</b>	<b>231,941</b>	<b>-</b>	<b>-</b>	<b>231,941</b>	<b>(76,067)</b>	<b>308,007</b>
<b>31 December 2019</b>						
Property, plant and equipment	181,636	-	125,888	307,524	-	307,524
Allowance on trade receivable	(40,138)	-	(10,459)	(50,597)	(50,597)	-
Right of use assets	-	-	483	483	-	483
Provision for gratuity discontinued	(811)	-	98	(713)	(713)	-
Provision for slow moving inventories	(24,446)	-	(310)	(24,756)	(24,756)	-
Unrealised exchange losses/(gain)	(66)	-	70	-	-	4
<b>Net tax (assets)/ liabilities</b>	<b>116,175</b>	<b>-</b>	<b>115,770</b>	<b>231,941</b>	<b>(76,067)</b>	<b>308,011</b>

**12 Basic and diluted earnings per share**

Basic earnings per share of 14 kobo (30 June 2019: 50 kobo) is based on the profit for the period of ₦41.08 million (30 June 2019: ₦145.72 million) and on 289,823,447 (2019: 289,823,447) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the period.

Basic earnings per share is the same as diluted earnings per share.



## Notes to the Financial Statements

For the period ended 30 June 2020

### 13 Property Plant and equipment

(a) The movement on these accounts was as follows:

*In thousands of naira*

Note	Leasehold Land N'000	Buildings N'000	Plants and Machinery N'000	Furniture and fittings N'000	Motor Vehicles N'000	Computer Equipment N'000	Motor Vehicles under Lease N'000	Capital work- in progress N'000	TOTAL N'000
<b>Cost</b>									
Balance at 1 January 2019	390,000	335,825	375,702	38,823	257,350	67,092	-	1,695,293	3,160,085
Additions	-	11,935	24,323	20,042	4,461	58,898	138,275	308,260	566,194
Transfer	-	943,774	1,031,641	-	-	-	-	(1,975,415)	-
Reclassification to intangible assets	-	-	-	-	-	-	-	(28,138)	(28,138)
Disposals/write-off	-	-	(2,550)	-	(21,350)	(473)	-	-	(24,373)
Balance at 31 December 2019	<u>390,000</u>	<u>1,291,534</u>	<u>1,429,116</u>	<u>58,865</u>	<u>240,461</u>	<u>125,517</u>	<u>138,275</u>	<u>0.00</u>	<u>3,673,768</u>
Balance at 1 January 2020	390,000	1,291,534	1,429,116	58,865	240,461	125,517	138,275	-	3,673,768
Additions	-	2,077	52,297	3,000	-	1,268	-	3,776	62,418
Balance at 30 June 2020	<u>390,000</u>	<u>1,293,611</u>	<u>1,481,413</u>	<u>61,865</u>	<u>240,461</u>	<u>126,785</u>	<u>138,275</u>	<u>3,776</u>	<u>3,736,186</u>
<b>Accumulated depreciation</b>									
Balance at 1 January 2019	78,081	219,323	169,064	30,165	208,684	44,647	-	-	749,964
Charge for the year	9(b) -	17,203	41,176	4,003	22,385	25,651	11,816	-	122,234
Disposals	-	-	(720)	-	(21,301)	(219)	-	-	(22,240)
Balance at 31 December 2019	<u>78,081</u>	<u>236,526</u>	<u>209,520</u>	<u>34,168</u>	<u>209,768</u>	<u>70,079</u>	<u>11,816.00</u>	<u>-</u>	<u>849,958</u>
Balance at 1 January 2020	78,081	236,526	209,520	34,168	209,768	70,079	11,816	-	849,958
Charge for the period	9(b) -	26,496	64,669	4,624	7,799	9,310	16,479	-	129,377
Disposals	-	-	-	-	-	-	-	-	-
Balance at 30 June 2020	<u>78,081</u>	<u>263,022</u>	<u>274,189</u>	<u>38,792</u>	<u>217,567</u>	<u>79,389</u>	<u>28,295</u>	<u>-</u>	<u>979,335</u>
<b>Carrying amounts</b>									
At 31 December 2019	<u>311,919</u>	<u>1,055,008</u>	<u>1,219,596</u>	<u>24,697</u>	<u>30,693</u>	<u>55,438</u>	<u>126,459.00</u>	<u>0</u>	<u>2,823,810</u>
At 30 June 2020	<u>311,919</u>	<u>1,030,589</u>	<u>1,207,224</u>	<u>23,073</u>	<u>22,894</u>	<u>47,396</u>	<u>109,980</u>	<u>3,776</u>	<u>2,756,851</u>

**Notes to the Financial Statements**

*For the period ended 30 June 2020*

(b) **Assets pledged as security**

No asset of the Company was pledged as security for loan as at 30 June, 2020 (December 2019: Nil)

(c) **Impairment of property, plant and equipment**

No impairment loss was recognised for the period (December 2019: Nil).

(d) **Capital commitments**

Capital expenditure commitments for the period ended 30 June 2020 authorised by the Board of Directors comprise:

*In thousands of naira*

Approved and contracted  
 Approved but not contracted

<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
62,418	103,733
325,479	264,137
387,897	367,870

(e) **Property, plant and equipment under construction**

Expenditure on capital work in progress as at 30 June 2020 is analysed as follows:

*In thousands of naira*

Plant and machinery

<b>30 June 2020</b>	<b>31 December 2019</b>
3,776	-
3,776	-

(f) **Right of use assets**

Right of use assets comprises leasehold land and motor vehicles under finance leases.

The leasehold land is held under lease arrangements for a minimum lease term of 99 years. The classification of the lease of land as a finance lease is on the basis that the lease transfers substantially all of the risks and rewards incidental to ownership of the land to the Company. The lease amounts were fully paid at the inception of the lease.

The Company entered into a lease arrangement for the procurement of eighteen (18) motor vehicles for a lease term of 3 years. The lease liability has been disclosed in Note 26(a). Depreciation expense in respect of right of use assets amounts to ₦16.45million (30 June 2019: Nil).

**Notes to the Financial Statements**

*For the period ended 30 June 2020*

(g) **Additions in statement of cash flows**

*In thousands of naira*

Additions (Note 13(a))

Borrowing cost capitalised

	<b>Jun 2020</b>	<b>Jun 2019</b>
	62,418	103,733
	-	(26,597)
	62,418	77,136

**14 Intangible assets**

*In thousands of naira*

**Cost**

Balance at 1 January 2019

Additions

Reclassification from property, plant & equipment

Balance at 31 December 2019

Balance at 1 January 2020

Additions

Reclassification from property, plant & equipment

Balance at 30 June 2020

**Accumulated amortisation**

Balance at 1 January 2019

Charge for the year

Balance at 31 December 2019

Balance at 1 January 2020

Charge for the period

Balance at 30 June 2020

**Carrying amounts**

At 31 December 2019

At 30 June 2020

	<i>Note</i>	<b>Computer Software</b>	<b>Intangible assets under development</b>	<b>Total</b>
		61,590	-	61,590
		3,845	-	3,845
		-	28,138	28,138
		65,435	28,138	93,573
		65,435	28,138	93,573
		(0)	-	(0)
	<i>14(a)</i>	-	-	-
		65,435	28,138	93,573
		27,805	-	27,805
	<i>9(a)</i>	20,857	-	20,857
		48,662	-	48,662
		48,662	-	48,662
	<i>9(a)</i>	2,912	-	2,912
		51,574	-	51,574
		16,773	28,138	44,912
		13,861	28,138	41,998

The Company's intangible assets represent cost of Microsoft Navision ERP applications licence and technical agreement. The Microsoft Navision ERP application was acquired and available for use in September 2017. The cost is amortised to profit or loss over a period of three years.

Intangible assets amortisation charged to profit or loss for the period amounts to ₦2.91million (30 June 2019: ₦10.42million) and is included as part of administrative expenses.

The intangible assets under development represents the cost of internally generated intangible assets in respect of product formulation development for the Company's newly commissioned automated water based paints factory.

## Notes to the Financial Statements

*For the period ended 30 June 2020*

### 15 Investment property

The movement on this account was as follows:

<i>In thousands of naira</i>	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Cost</b>		
Balance at 1 January	604,468	604,468
Balance at 30 June	<u>604,468</u>	<u>604,468</u>
<b>Accumulated depreciation</b>		
Balance at 1 January	180,349	159,198
Charge for the period	10,556	21,151
Balance at 30 June	<u>190,905</u>	<u>180,349</u>
Carrying amounts at period ended	<u><u>413,563</u></u>	<u><u>424,119</u></u>

Investment property comprises the Company's land and building at Abuja (hereinafter referred to as Berger Paints Plaza). The Company completed and commissioned the Berger Paints Plaza in November 2013. The Berger Paints Plaza is made up of 2,196 square meters of trade shops and offices available for commercial rent. The property has been leased to third parties and is managed on behalf of the Company by Gauge Construction Servicing Limited.

Each of the leases contains an initial non-cancellable period of one (1) year. No contingent rents are charged.

Rental income generated from investment property recognised during the period was Nil (30 June 2019: Nil).

Direct operating expenses (included in repairs and maintenance expenses) arising from investment property that generated rental income during the period was Nil (30 June 2019: Nil)

Depreciation of ₦10.55 million (30 June 2019: ₦10.55 million) charged on investment property for the period was included in admin expenses

The fair value of the investment property as at period end is ₦2.06 billion (31 December 2019: ₦2.06 billion). The fair value was determined by an external, independent property valuer (Ubosi Eleh and Co.) with Financial Reporting Council of Nigeria (FRC) No: FRC/2015/NIESV/00000003997. The fair value measurement of investment property has been categorised as a Level 2 fair value based on the input to the valuation techniques used. The direct market comparison and depreciated replacement cost method was used in determining the fair value of the investment property.

### 16 Inventories

*In thousands of naira*

	<b>30 June 2020</b>	<b>31 December 2019</b>
Raw and packaging materials	552,275	475,873
Finished products	419,023	343,525
Product-in-process	26,729	35,151
Consumable spare parts	38,299	24,721
Goods in transit	54,048	10,140
	<u>1,090,374</u>	<u>889,410</u>
Impairment allowance	(90,262)	(77,362)
	<u><u>1,000,112</u></u>	<u><u>812,048</u></u>

The value of raw and packaging materials, changes in finished products and products in process consumed during the period and recognised in cost of sales amounted to ₦881.51 million (30 June 2019 : ₦690.48 million).

**Notes to the Financial Statements**  
*For the period ended 30 June 2020*

**17 Trade and other receivables comprises:**

Trade and other receivables comprises:

	<b>30 June</b>	<b>31 December</b>
<i>In thousands of naira</i>	<b>2020</b>	<b>2019</b>
Trade receivables (Note 5(b))	303,175	229,415
Lease receivable	83,688	83,688
Staff debtors	4,545	3,616
Deposit with Company registrar	113,433	113,433
Contract assets	46,808	46,808
Other receivables	35,540	11,693
Total trade and other receivables	<u>587,189</u>	<u>488,653</u>
Impairment allowance	(158,112)	(158,112)
Carrying amount as at period ended	<u><u>429,077</u></u>	<u><u>330,541</u></u>

The Company's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 29(b).

- (b) The movement in the allowance for impairment in respect of trade and other receivables during the period was as follows:

	<b>30 June</b>	<b>31 December</b>
<i>In thousands of naira</i>	<b>2020</b>	<b>2019</b>
Balance at 1 January	158,112	120,000
Net impairment loss recognised	-	38,112
Balance at 30 June 2020	<u><u>158,112</u></u>	<u><u>158,112</u></u>

- (c) Reconciliation of changes in trade and other receivables included in statement of cash flows is as follows:

	<b>30 June</b>	<b>December</b>
<i>In thousands of naira</i>	<b>2020</b>	<b>2019</b>
Movement in trade and other receivables	(98,705)	(139,559)
Exchange gain	-	15
Changes in trade and other receivables per statement of cash flows	<u><u>(98,705)</u></u>	<u><u>(139,544)</u></u>

**18 Deposit for imports**

The deposit for imports represents amounts deposited with banks to fund letters of credit. These letters of credit are meant to finance the importation of raw materials and items of property, plant and equipment. The total value of deposit for imports as at 30 June 2020 amounted to ₦95.36 million (December 2019: ₦143.54 million).

**19 Prepayments and advances**

Prepayments and advances comprises:

	<b>30 June</b>	<b>31 December</b>
<i>In thousands of naira</i>	<b>2020</b>	<b>2019</b>
Prepaid rent	5,050	540
Advance payment to suppliers	49,275	49,275
Prepaid insurance and others	58,174	11,773
	<u><u>112,499</u></u>	<u><u>61,588</u></u>

There were no non-current prepayments and advances made at period-end (30 June 2019: Nil).

**Notes to the Financial Statements**

*For the period ended 30 June 2020*

(a) Reconciliation of changes in prepayments and advances included in statement of cash flows is as follows:

*In thousands of naira*

	<b>30 June 2020</b>	<b>December 2019</b>
Movement in prepayment and advances	(50,911)	3,990
Movement in WHT credit notes	(907)	17,980
Changes in prepayments and advances per statement of cash flows	<b>(51,818)</b>	<b>21,970</b>

**20 Cash and cash equivalents**

Cash and cash equivalents comprises:

	<b>30 June 2020</b>	<b>December 2019</b>
<i>In thousands of naira</i>		
Cash on hand	757	500
Balance with banks	156,431	216,189
<b>Cash and cash equivalents</b>	<b>157,188</b>	<b>216,689</b>

The Company's exposure to credit and market risk for financial assets is disclosed in Note 29(b).

**21 Other financial assets**

This represents unclaimed dividend returned by the Company's registrar and invested in short term money market instrument as at period end:

As at 30 June 2020 , the investment is analysed as stated below:

	<b>30 June 2020</b>	<b>December 2019</b>
At 1 January	209,208	129,213
Additions	(0)	62,943
Interest income	6,280	17,052
At 30 June 2020	<b>215,488</b>	<b>209,208</b>

The Company's exposure to credit and market risk for financial assets is disclosed in Note 29(b).

**22 Capital and reserves**

(a) Ordinary shares as at 30 June 2020

*In thousands of naira*

	<b>30 June 2020</b>	<b>December 2019</b>
Authorised 800,000,000 ordinary shares of 50k each	400,000	400,000
Issued and fully paid 289,823,447 ordinary shares of 50k each	144,912	144,912

(b) Share premium

*In thousands of naira*

	<b>30 June 2020</b>	<b>December 2019</b>
At 1 January	635,074	635,074
At 30 June 2020	635,074	635,074

**Notes to the Financial Statements**

*For the period ended 30 June 2020*

**23 Trade and other payables**

(a) Trade and other payables comprises:

<i>In thousands of naira</i>	<b>31</b>
	<b>30 June    December</b>
	<b>2020        2019</b>
Trade payables	470,227    415,750
Customer deposits for paints	128,002    107,623
Value Added Tax payable	24,124      8,321
Withholding Tax payable	61,729     53,400
Related party payables (Note 28 (a))	29,581     29,581
PAYE payable	29,686     22,675
Pension payable (Note (b))	14,610      5,974
Other non-income taxes	26,792     19,888
Contract liabilities	4,495       4,495
Accruals	160,654    118,685
Other payables	23,656     18,197
	<u>973,556    804,589</u>

The Company's exposure to liquidity risks related to trade and other payables is disclosed in Note 29(b).

(b) **Pension payable**

<i>In thousands of naira</i>	<b>31</b>
	<b>30 June    December</b>
	<b>2020        2019</b>
Balance at 1 January	5,974      5,334
Charge for the year	25,225     43,633
Remittances	(16,589)   (42,993)
Balance at 30 June	<u>14,610     5,974</u>

(c) Reconciliation of changes in trade and other payables included in statement of cash flows

<i>In thousands of naira</i>	<b>31</b>
	<b>30 June    December</b>
	<b>2020        2019</b>
Movement in trade and other payable	168,967    182,098
Impact of accrued additions to PPE (Note 13(g))	-            (123,384)
Changes in trade and other payables per statement of cash flows	<u>168,967    58,714</u>

**24 Deferred income**

Deferred income comprises:

<i>In thousands of naira</i>	<b>31</b>
	<b>30 June    December</b>
	<b>2020        2019</b>
Government grant (note (a))	73,612     73,612
Lease income received in advance	8,983      8,283
Deferred income	<u>82,595     81,895</u>
Non-current	49,558     48,858
Current	<u>33,037     33,037</u>
	<u>82,595     81,895</u>

(a) Government grant arises as a result of the benefit received from below-market-interest rate government assisted loans, obtained from the Bank of Industry to purchase items of buildings and plant & machinery for the installation of the automated water based paint production factory. The production plant was completed and became available for use on 30 December, 2019. The grant will be amortised on a systematic basis over the average useful life of the components of the items of buildings and plant & machinery.  
 No unwinding of the government grant has been recognised in profit or loss for the period ended 30 June 2020 (30 June 2019: Nil)

**Notes to the Financial Statements**  
*For the period ended 30 June 2020*

**25 Loans and borrowings**

*In thousands of naira*

	Non-current		Total
	<u>liabilities</u>	<u>liabilities</u>	
<b>30 June 2020</b>			
Bank of Industry loan	113,481	78,675	192,156
Development financing arrangement	36,396	32,100	68,496
Import finance facility	-	726	726
Lease liability (Note 13(f))	88,882	59,613	148,495
	<u>238,759</u>	<u>171,114</u>	<u>409,873</u>
<b>31 December 2019</b>			
Bank of Industry loan	130,990	78,675	209,665
Development financing arrangement	27,896	32,100	59,996
Import finance facility	-	726	726
Lease liability (Note 13(f))	65,335	59,613	124,948
	<u>224,221</u>	<u>171,114</u>	<u>395,335</u>

Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 29(b).

(a) **Terms and repayment schedule**

<i>In thousands of naira</i>	Currency	Nominal interest rate	Year of maturity	<u>30 June 2020</u>		<u>31 December 2019</u>	
				Face Value	Carrying amount	Face Value	Carrying amount
(i) Bank of Industry loan	NGN	10%	2022	226,040	192,156	301,587	209,665
(ii) Development financing arrangement	NGN	18%	2025	101,671	68,496	101,671	59,996
(iii) Import finance facility	NGN	10% + 90 day LIBOR	2019	726	726	726	726
(iv) Lease liability	NGN	18%	2022	149,828	148,495	124,740	124,948
<b>Total interest-bearing loans</b>				<u>478,265</u>	<u>409,873</u>	<u>528,724</u>	<u>395,335</u>

i) **Bank of Industry Loan**

The loan is a Central Bank of Nigeria (CBN) intervention fund through Bank of Industry (BOI), which is secured by a "duly executed Negative Pledge" (Bank Guarantee) in favour of Fidelity Bank Plc. The applicable interest rate is 10% per annum. The loan is repayable in seventy monthly instalments (including twelve months moratorium between March 2017 to February 2018) at various dates between March 2018 to December 2022.

For the period ended 30 June 2020, interest expense of ₦19.96 million (30 June 2019: Nil million) which accrued on the facility, was recognised in the profit or loss.

ii) **Development financing arrangement**

The Company engaged the services of Gauge Construction Servicing Limited ("the Contractor") for the construction, development and management of the Berger Paints Plaza based on a Memorandum of Understanding dated 20 March 2012. The consideration for the investment property development financing arrangement and the services provided by the Contractor is 50% of the rental collections in respect of the property, after the deduction of expenses incurred in the management of the property, for a period of 12 years from 1 November 2013 to 31 October 2025. The consideration is deemed to be the full and final settlement of all fees and money due to the contractor in respect of the arrangement. Accordingly, the Company's obligation to the Contractor is measured at amortised cost using the effective interest method and based on the estimated cashflows specified above.

The Company determines the repayment cash flows by estimating the occupancy, rentals and the expected collections in respect of operating leases of the trade shops and offices available for commercial rent over the remaining period.



**Notes to the Financial Statements**

*For the period ended 30 June 2020*

iii) **Import finance facility**

Import finance facility represents outstanding balance on letters of credit facility made available to the Company by Fidelity Bank Plc towards the importation of raw materials and items of property, plant and equipments. It is a rollable facility with initial tenor of 90 days availed at the prevailing commercial interest rate of 10% + LIBOR.

iv) **Lease liability**

The lease was provided by Financial Derivatives Company Limited for eighteen (18) motor vehicles, required for replacement of aged sales field force vehicles and part for administrative/operational use. The applicable lease interest rate is 18% per annum, it is repayable in thirty six (36) monthly equal instalments at various dates between September 2019 to August 2022.

As at 30 June 2020, interest expense and related charges of ₦11.58 million (30 June 2019: Nil million) was due on the lease facility and recognised in profit or loss. The total cash outflows in respect of principal and interest lease payments was ₦43.35 million (30 June 2019: Nil) and is included as part of repayment of borrowings in the statement of cashflows.

(b) **Movement in loans and borrowings**

	<b>31</b>	
<i>in thousands of naira</i>	<b>30 June</b>	<b>December</b>
	<b>2020</b>	<b>2019</b>
Balance, beginning of year	395,335	366,604
Additions	44,075	138,275
Repayment	(69,416)	(138,344)
Net gain on financial liabilities measured at amortised costs	-	(36,778)
Interest capitalised to property, plant and equipment	-	47,585
Interest accrued in profit or loss	39,878	17,993
Balance, end of the period	409,873	395,335

**26 Dividends**

The following dividends were declared and paid by the Company;

	<b>6 Mths to</b>		<b>6 Mths to</b>	
	<b>30 Jun</b>		<b>30 Jun</b>	
	<b>Per share</b>	<b>2020</b>	<b>Per share</b>	<b>2019</b>
	<b>(kobo)</b>	<b>N'000</b>	<b>(kobo)</b>	<b>N'000</b>
Declared Dividend	25	72,455	60	188,385

This represents the dividend proposed for the preceding year, but declared in the current period

**27 Dividend payable**

The movement in dividend payable is as follows:

	<b>31</b>	
<i>In thousands of naira</i>	<b>30 June</b>	<b>December</b>
	<b>2020</b>	<b>2019</b>
At 1 January	407,251	352,333
Declared dividend	72,455	188,385
Payments	(72,455)	(133,467)
At 30 June 2020	407,251	407,251

## Notes to the Financial Statements

*For the period ended 30 June 2020*

### 28 Related Parties

Related parties include the Company's shareholders, directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Company. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

#### A. Transactions with key management personnel

Key management personnel compensation comprised the following:

<i>In thousands of naira</i>	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
Short-term benefits	63,488	43,000
Post employment benefits	6,348	3,277
	<b>69,837</b>	<b>46,276</b>

The aggregate value of transactions and outstanding balances related to key management personnel and other related parties were as follows.

Related party	Nature of transaction	Transaction values		Balance Receivable/(Payable)	
		6 Mths to 30 Jun 2020	6 Mths to 30 Jun 2019	30 June 2020	31 December 2019
		N'000	N'000	N'000	N'000
Emychem Limited	Supply of raw materials	42,058	78,318	(15,170)	(26,471)
Clayton Finance Limited	Supply of raw materials	41,207	50,235	-	(3,110)
		<b>83,266</b>	<b>128,553</b>	<b>(15,170)</b>	<b>(29,581)</b>

#### **Emychem Limited**

During the period, the Company bought various raw materials from Emychem Limited and also continued with the development product formulation for the new automated water based paint factory of the Company. The Managing Director of Emychem Limited is Mr. Raj Mangtani and is also a non-executive director on the Board of Directors of Berger Paints Nigeria Plc.

#### **Clayton Finance Limited**

The Company bought various raw materials from Clayton Finance Limited. The Managing Director of Clayton is Mr. Sanjay Datwani and is also a non-executive director on the Board of Directors of Berger Paints Nigeria Plc.

#### B. Other related party transactions

The Company incorporated a subsidiary in Ghana, Lewis Berger Ghana Limited, on 23 October 2013. As at 30 June 2020, the subsidiary remained dormant and had not commenced operations. The Company has not prepared consolidated financial statements on the account of materiality.

**Notes to the Financial Statements**  
*For the period ended 30 June 2020*

**29 Financial instruments – Fair values and financial risk management**

(a) **Classification of financial instruments and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. As at 30 June 2020, the Company did not have financial assets and liabilities measured at fair value through other comprehensive income or fair value through profit or loss.

**30 June 2020**

<i>In thousands of naira</i>	<b>Amortized Cost</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<i>Financial assets not measured at fair value</i>					
Other financial assets	215,488	-	215,488		215,488
Trade and other receivables	429,077	-	-	429,077	429,077
Cash and cash equivalents	157,188	-	-	157,188	157,188
	<b>801,753</b>	<b>-</b>	<b>215,488</b>	<b>586,265</b>	<b>801,753</b>
<i>Financial liabilities not measured at fair value</i>					
Loans and borrowings	409,873	-	478,265	-	478,265
Trade and other payables*	816,615	-	-	816,615	816,615
Dividend payable	407,251	-	-	407,251	407,251
	<b>1,633,739</b>	<b>-</b>	<b>478,265</b>	<b>1,223,866</b>	<b>1,702,132</b>

**31 December 2019**

<i>In thousands of naira</i>	<b>Amortized Cost</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<i>Financial assets not measured at fair value</i>					
Other financial assets	209,208	-	-	209,208	209,208
Trade and other receivables	330,541	-	-	330,541	330,541
Cash and cash equivalents	216,689	-	-	216,689	216,689
	<b>756,438</b>	<b>-</b>	<b>-</b>	<b>756,438</b>	<b>756,438</b>
<i>Financial liabilities not measured at fair value</i>					
Loans and borrowings	395,335	-	528,724	-	528,724
Trade and other payables*	694,331	-	-	694,331	694,331
Dividend payable	407,251	-	-	407,251	407,251
	<b>1,496,917</b>	<b>-</b>	<b>528,724</b>	<b>1,101,582</b>	<b>1,630,306</b>

\*Trade and other payables excludes statutory deductions such as Value Added Tax payable, Withholding Tax payable, PAYE payable, Pension payable and other non-income taxes payables.

The carrying amount of financial instrument such as short term trade and other receivables, other financial asset, cash and cash equivalent, trade and other payables and dividend payable are a reasonable approximation of their fair values.

**- Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise treasury bills classified as available for sale.

## Notes to the Financial Statements

*For the period ended 30 June 2020*

### - Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- (i) quoted market prices or dealer quotes for similar instruments;
- (ii) other techniques, such as discounted cash flow analysis, sales prices of comparable properties in close proximity, are used to determine fair value for the remaining financial instruments.

Adjustment to level 2 inputs will vary depending on factors specific to the asset or liability such as the location or condition of the asset.

### (b) Financial risk management

#### *Overview*

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

#### (i) Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Strategy and Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by the Internal Audit Function, outsourced to Bamidele Daramola & Co.

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### (ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments.

#### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

<i>In thousands of naira</i>	<b>30 June 2020</b>	<b>31 December 2019</b>
Trade and other receivables (See (a) below)	429,077	330,541
Cash and cash equivalents (excluding cash at hand) (See (b) below)	156,431	216,189
Other financial assets (See (b) below)	215,488	209,208
	800,996	755,938

**Notes to the Financial Statements**  
*For the period ended 30 June 2020*

**(a) Trade and other receivables**

	<b>30 June</b>	<b>December</b>
<i>In thousands of naira</i>	<b>2020</b>	<b>2019</b>
Net trade and lease receivables (See a(i) below)	275,559	201,799
Deposit with company registrar (See a(ii) below)	113,433	113,433
Staff debtors (See a(iii) below)	4,545	3,616
Other receivables (See a(iii) below)	35,540	11,693
	<b><u>429,077</u></b>	<b><u>330,541</u></b>

**(i) Net trade and lease receivables**

The Company's exposure to credit risk in respect of trade receivables is influenced mainly by the individual characteristics of each customer. The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings when available, and in some cases bank references. Credit sales limits are established for each customer and are reviewed regularly. The concentration of credit risk is limited due to the large and unrelated customer base. The company has pledged no trade receivables during the period.

The Company limits its credit risk from trade receivable by establishing a maximum payment of 30 and 60 days depending on the customer credit rating.

**Concentration of risk**

At 30 June 2020, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows;

	<b>Carrying amount</b>	
<i>In thousands of naira</i>	<b>30 June</b>	<b>December</b>
	<b>2020</b>	<b>2019</b>
Wholesale customers	107,650	60,211
Retail customers (Home owners)	3,761	20,282
Others (Corporates)	203,632	195,730
Lease receivable	83,688	83,688
	<b><u>398,730</u></b>	<b><u>359,911</u></b>

Impairment losses on financial assets recognised in profit or loss were as follows:

- Impairment loss on trade receivable arising from contracts for sale of paints	74,424	74,424
- Impairment loss on investment property lease contracts	83,688	83,688
	<b><u>158,112</u></b>	<b><u>158,112</u></b>
Net trade and lease receivables	<b><u>240,618</u></b>	<b><u>201,799</u></b>

The Company uses an allowance matrix to measure the expected credit loss (ECL) from trade receivables from sale of paints and rental of investment property. The exposures are calculated separately for each segment based on their common characteristics. Loss rates are calculated based on actual loss experienced over the past three years. These rates adjusted by a scalar factor to reflect differences in economic conditions during the period over which the historical data has been collected and the Company's view of economic conditions over the expected lives of the receivables. The scalar factor is based on forecasted inflation rates and industry outlook.

At 30 June 2020, the ageing of trade receivables that were impaired was as follows:

**30 June 2020**

		Weighted average			
<i>In thousands of naira</i>	Credit impaired	loss	Gross	Impairment	Net
<i>Current (not past due)</i>	No	0%	46,808	-	46,808
Past due 1-30 days	No	0%	105,676	-	105,676
Past due 31-60 days	Yes	1%	124,733	(1,658)	123,075
Over 61 days due	Yes	100%	72,766	(72,766)	-
			<b><u>349,983</u></b>	<b><u>(74,424)</u></b>	<b><u>275,559</u></b>

**Notes to the Financial Statements**  
 For the period ended 30 June 2020

**31 December 2019**

<i>In thousands of naira</i>	Credit impaired	Weighted average loss	Gross	Impairment	Net
Current (not past due)	No	0%	46,808	-	46,808
Past due 1–30 days	Yes	0%	89,292	-	89,292
Past due 31–60 days	Yes	25%	87,574	(21,875)	65,699
Over 61 days due	Yes	100%	52,549	(52,549)	-
			<u>276,223</u>	<u>(74,424)</u>	<u>201,799</u>

At 30 June 2020, the ageing of lease receivables that were impaired was as follows:

**30 June 2020**

<i>In thousands of naira</i>	Credit impaired	Weighted average loss	Gross	Impairment	Net
Current (not past due)	No	-	-	-	-
Past due 1–30 days	Yes	-	-	-	-
Past due 31–60 days	Yes	-	-	-	-
Over 61 days due	Yes	100%	83,688	(83,688)	-
			<u>83,688</u>	<u>(83,688)</u>	<u>-</u>

**31 December 2019**

<i>In thousands of naira</i>			Gross	Impairment	Net
Neither past due nor impaired	No	#DIV/0!	-	-	0
Past due 1–90 days	Yes	-	-	-	-
Past due 91–180 days	Yes	-	-	-	-
Over 180 days	Yes	100%	83,688	(83,688)	-
			<u>83,688</u>	<u>(83,688)</u>	<u>0</u>

The Company does not hold collateral on these balances. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

Movement in the allowance for impairment in respect of trade receivable during the period was as follows:

<i>In thousands of naira</i>	30 June 2020	31 December
Balance as at 1 January	158,112	120,000
Net impairment loss recognised	-	38,112
Balance as at 30 June	<u>158,112</u>	<u>158,112</u>

**(ii) Deposit with Company Registrar**

This represents amounts held with the Company registrar in respect of payments of declared dividends to shareholders on behalf of the Company. This represents the Company's maximum credit exposure to the financial asset. The refund of this receivable is as stipulated by the Securities Exchange Commission's set guidelines.

The Company's registrar is Meristem Registrars Limited, which has a history of reputable ratings. The Company has assessed the credit risk as low and the ECL is immaterial.

**(iii) Staff debtors and other receivables**

This mainly represents lease receivable in respect of rent of an insignificant portion of the Company's building properties to third parties and receivables from employees.

These receivables are payable on demand and its contractual period is less than 12 months. The Company has assessed the counter parties to have sufficient net liquid assets and are considered to be low credit risk, hence, the expected expected credit loss is immaterial.

Consequently, the Company has not incurred impairment loss in respect of staff debtors and other receivables.

## **Notes to the Financial Statements**

*For the period ended 30 June 2020*

### **(b) Cash and cash equivalents and other financial asset:**

The Company held cash and cash equivalents of ₦157 million and other financial asset of ₦215 million as at 30 June 2020 (31 December 2019: N216 million and N209 million respectively) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with commercial banks with good external ratings. The Company manages the risk associated with its cash and cash equivalents by selecting banks with strong financial position and history of good performance.

Impairment on cash and cash equivalent has been measured on a 12 month expected credit loss basis and reflects the short maturities of the exposures. The Company considered that its cash and cash equivalent and other financial asset have low credit risk based on the external credit ratings of the counter parties.

### **(iii) 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 without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 30 June 2020, the expected cash flows from trade and other receivables maturing within six months were ₦303.17 million (31 December 2019: ₦229.42 million). This excludes potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

## Notes to the Financial Statements

For the period ended 30 June 2020

### Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements:

#### 30 June 2020

In thousands of naira

	Carrying Amount	Contractual cash flows					More than 5 years
		Total	6 months or less	6-12 months	1 – 2 years	2 – 5 years	
Loans and borrowings (excluding lease liability)	261,378	261,378	57,668	39,337	157,350	7,023	-
Lease liability	148,495	148,495	29,807	29,807	88,882	-	-
Trade and other payables*	816,615	816,615	816,615	-	-	-	-
Dividend payable	407,251	407,251	407,251	-	-	-	-
	<b>1,633,739</b>	<b>1,633,739</b>	<b>1,311,341</b>	<b>69,144</b>	<b>246,231</b>	<b>7,023</b>	<b>-</b>

#### 31 December 2019

In thousands of naira

	Carrying Amount	Contractual cash flows					More than 5 years
		Total	6 months or less	6-12 months	1 – 2 years	2 – 5 years	
Loans and borrowings (excluding lease liability)	270,387	270,387	57,668	39,337	157,350	16,032	-
Lease liability	124,948	124,948	29,807	29,807	65,335	-	-
Trade and other payables*	694,331	694,331	694,331	-	-	-	-
Dividend payable	407,251	407,251	407,251	-	-	-	-
	<b>1,496,917</b>	<b>1,496,917</b>	<b>1,189,057</b>	<b>69,144</b>	<b>222,684</b>	<b>16,032</b>	<b>-</b>

\*Trade and other payables excludes statutory deductions such as Value Added Tax payable, Withholding Tax payable, PAYE payable, Pension payable and other non-income taxes payables.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### (iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.



**Notes to the Financial Statements**

*For the period ended 30 June 2020*

**1. Currency risk**

The Company is exposed to currency risk on purchases that are denominated in a currency other than the functional currency of the Company. The functional currency of the Company is primarily the Naira. The currencies in which these transactions are primarily denominated are Naira (₦), Euro (€), US Dollars (US\$) and Pounds Sterling (GBP). The currency risk is the risk that the fair value or future cash flows of financial instrument will fluctuate due to the changes in foreign exchange rates.

The Company's policy is to ensure that its net exposure in respect of monetary assets and liabilities denominated in foreign currencies are kept to an acceptable level. The Company monitors the movement in foreign currencies on an ongoing basis and takes appropriate actions as necessary.

**Exposure to currency risk**

The summary quantitative data about the Company's exposure to currency risk is as follows:

	30 June 2020			31 December 2019		
	US\$	€	GBP	US\$	€	GBP
Foreign currency included in cash and cash equivalents	133,645	973	356	315,954	361	356
Import finance liability (See Note 26(iii))	(2,000)	-	-	(5,000)	-	-

The following significant exchange rates were applied;

	Average rate during the year		Year end spot rate	
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
<i>Naira</i>				
US\$ 1	375.50	356.50	387.00	362.00
€ 1	428.07	402.85	441.18	409.06
GBP 1	473.13	467.02	487.62	474.22

**Sensitivity analysis**

A reasonably possible strengthening /(weakening) of the naira against all other currencies at 30 June 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest and inflation rates, remain constant and ignores any impact of forecast purchases.

<i>In thousands of Naira</i>	Profit or loss	
	Strengthening	Weakening
<b>30 June 2020</b>		
US\$ (5% movement)	2,547	(2,547)
€ (5% movement)	21	(21)
GBP (5% movement)	9	(9)
<b>31 December 2019</b>		
US\$ (20% movement)	5,628	(5,628)
€ (20% movement)	7	(7)
GBP (20% movement)	8	(8)

## Notes to the Financial Statements

*For the period ended 30 June 2020*

### 2. Interest rate risk

The Company adopts a policy of ensuring that all its interest rate risk exposure is at fixed rate. This is achieved by entering into fixed rate instruments.

Interest rate risk comprises interest price risk that results from borrowings at fixed rates and the interest cashflow risk that results from borrowings at variable rates. The Board of Directors is responsible for setting the overall duration and interest management targets. The Company's objective is to manage its interest rate exposure through careful borrowing profiling and use of heterogeneous borrowing sources.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

<b>Fixed rate instruments</b>	<b>Nominal amount</b>	
<i>In thousands of naira</i>	<b>30 June 2020</b>	<b>31 December 2019</b>
Financial liabilities:		
Short term borrowings	171,114	171,114
Long term borrowing	238,759	224,221
	<u>409,873</u>	<u>395,335</u>

### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

### Cash flow sensitivity analysis for variable rate instruments

The Company does not have any variable rate financial assets and liabilities as at 30 June 2020 (December 2019: Nil).

### (c) Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. This is done by using a ratio of adjusted net debt to adjusted equity. Adjusted net debt has been defined as total liabilities, comprising loans and borrowings, less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Company's adjusted net debt to equity ratio at 30 June 2020 was as follows.

<i>In thousands of naira</i>	<b>30 June 2020</b>	<b>31 December 2019</b>
Total liabilities	2,180,108	1,993,049
Less: Cash and Cash equivalents	<u>(157,188)</u>	<u>(216,689)</u>
Adjusted net debt	<u>2,022,920</u>	<u>1,776,360</u>
Total Equity	<u>3,042,037</u>	<u>3,073,400</u>
Net debt to equity ratio	0.66	0.58

## 30 Leases

### A. Leases as Lessee (IFRS 16)

The Company leases land which is for a minimum lease term of 99 years. This lease was entered into several years ago and was classified as leasehold land.

As at 30 June 2020, the Company has ongoing lease arrangement for the right to use of motor vehicles, required for the replacement of aged sales field force vehicles and part of administrative/operations use. The lease expires in 2022; however, management has the intention to exercise the purchase option.

Right of use assets related to leased assets are presented as property, plant and equipment (see Note 13(f)). Interest on lease liabilities as well as the repayments of the lease has been included in loans and borrowings (see Note 25(a)).

**Notes to the Financial Statements**  
*For the period ended 30 June 2020*

**B. Leases as Lessor**

The Company leases out its investment property consisting of its owned commercial properties (see Note 15).

The Company has classified these leases as operating lease, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the investment property.

a. Future minimum lease payments

At 30 June 2020 the future minimum lease payments under non-cancellable leases are receivable as follows:

*In thousands of naira*

	<b>30 June</b>	<b>31</b>
	<b>2020</b>	<b>December</b>
	<b>2019</b>	<b>2019</b>
Less than one year	74,713	78,646
Between one and five years	8,975	5,042
	<b>83,688</b>	<b>83,688</b>

b. Amounts recognised in profit or loss

Investment property lease income recognised for the period to 30 June 2020 is Nil (30 June 2019: Nil million). Depreciation expense on the investment property was included in admin expenses.

**31 Provision of Non Audit Services**

The details of non-audit services and the applicable fees paid during the period ended 30 June 2020 were:

	<b>₦' million</b>
i. Tax services	998
ii Transfer pricing advisory services	860

**32 Contingencies**

The Company is engaged in litigations that have arisen in the normal course of business. As at 30 June 2020, Berger Paints Nigeria Plc has three (3) pending legal cases comprising one (1) as plaintiff and two (2) as a defendant. Contingent liability in respect of pending litigations for the Company is ₦6million as at 30 June 2020 (December 2019: N6 million). In the opinion of the directors, it is not probable that a material outflow of resources embodying economic benefits will be required to settle the obligation.

**33 Subsequent events**

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus.

Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by volatility of oil prices and currency exchange rates. For the Company's 30 June 2020 interim financial statements, the impact of the Coronavirus outbreak and the related impacts have not been fully considered. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future.

Except as disclosed above, there are no other significant events after the reporting period which could have a material effect on the financial position of the Company as at 30 June 2020, and its financial performance for the period then ended, that have not been adequately provided for or disclosed in these financial statements

**Notes to the Financial Statements**  
*For the period ended 30 June 2020*

**34 Operating segments**

a. Basis of segmentation

The Company has three reportable segments, as described below, which are the Company's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different process and marketing strategies. For each of the strategic business units, the Company's Management Committee review internal management reports on a weekly basis. The following summary describes the operations in each of the Company's reportable segments:

<u>Reportable segments</u>	<u>Operations</u>
Paints and allied products	Manufacturing, distributing and selling of paints and allied products
Contract revenue	Rendering of painting services
Investment property rental income	Investment property rentals

The accounting policies of the reportable segments are described in Notes 4.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before taxation, as included in the internal management reports that are reviewed by the Company's Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

b. Information about reportable segments

*In thousands of naira*

	<b>Paints and allied products</b>	<b>Contract revenue</b>	<b>Investment property rental income</b>	<b>Unallocated</b>	<b>Total</b>
<b>30 June 2020</b>					
External revenues	1,693,408	134,995	-	-	1,828,403
Finance income	-	-	-	7,336	7,336
Finance costs	-	-	(9,784)	(8,209)	(17,993)
Depreciation & amortisation	(132,289)	-	(10,556)	-	(142,845)
Net impairment loss on trade receivables	-	-	-	-	-
Reportable segment profit /(loss) before taxation	15,545	66,098	(20,340)	(873)	60,430
<b>30 June 2019</b>					
External revenues	1,525,856	39,984	-	-	1,565,840
Finance income	-	-	-	10,118	10,118
Finance costs	-	-	(8,874)	-	(8,874)
Depreciation & amortisation	(63,311)	-	(10,582)	-	(73,893)
Impairment loss on trade receivables	-	-	-	-	-
Reportable segment profit before income taxation	209,412	14,114	(19,456)	10,118	214,188

Assets and liabilities by reportable segments are not presented to the Chief Operating Decision Maker (Management Committee) on a regular basis. Therefore, information on segment assets and liabilities has not been presented.

**Notes to the Financial Statements**

*For the period ended 30 June 2020*

**Reconciliation of reportable segment revenue, profit or loss, assets and liabilities and other material items**

**Revenues**

There are no significant reconciling items between the reportable segment revenue and revenue for the period.

**Profit or loss**

<i>In thousands of naira</i>	<b>6 Mths to 30 Jun 2020</b>	<b>6 Mths to 30 Jun 2019</b>
Total profit or loss for reportable segments	61,303	204,070
Unallocated finance income	7,336	10,118
Unallocated finance costs	(8,209)	-
Profit before taxation	<u>60,430</u>	<u>214,188</u>

**Other material items**

There are no significant reconciling items between other material items for the reportable segments and Company total.

**Major customer**

Revenue from one customer does not represent up to 10% of the Company's total revenue. Therefore, information on major customers is not presented.

## **Other National Disclosures**

## **Securities Trading Policy**

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of the Exchange 2015 (Issuers Rule) Berger Paints Plc maintains a Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company's shares.

The Policy undergoes periodic reviews by the Board and is updated accordingly. The Company has made specific inquiries of all its directors and other insiders and is not aware of any infringement of the policy during the period under review.

**Other National Disclosures**  
**Value Added Statement**

*For the period ended 30 June 2020*  
*In thousands of naira*

	<b>6 Mths to 30 Jun 2020</b>	%	<b>6 Mths to 30 Jun 2019</b>	%
Sales (note 5)	1,828,403		1,565,840	
Finance Income (note 7)	7,336		10,118	
Other income (note 6)	19,133		32,247	
	<u>1,854,872</u>		<u>1,608,205</u>	
Bought in materials and services				
- Imported	-		(70,573)	
- Local	(1,284,883)		(968,721)	
Value added	<u>569,989</u>	<u>100</u>	<u>568,911</u>	<u>100</u>
<b>Distribution of value added</b>				
<b>To Employees:</b>				
Personnel expenses	326,671	58	271,955	48
<b>To Providers of Finance:</b>				
Interest on loans (note 7)	40,044	7	8,874	2
<b>To Government:</b>				
Taxation (note 11(a))	19,338	3	68,540	12
<b>Retained in the business as:</b>				
Depreciation (note 9(b))	139,933	25	63,472	11
Amortisation (note 13)	2,912	1	10,422	2
To augment reserve	41,092	7	145,648	25
	<u>569,989</u>	<u>100</u>	<u>568,910</u>	<u>100</u>

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