



Berger Paints Nigeria Plc
Annual Report
31 December 2020

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Corporate Information

Board of Directors:	Abi Ayida	-	Chairman
	Musa Danjuma	-	Non - Executive Director
	Nelson Nweke	-	Independent Non - Executive Director
	Sanjay Datwani	-	Non - Executive Director
	Adekunle Olowokande	-	Non - Executive Director
	Ogechi Iheanacho		Non - Executive Director (Appointed wef Jan 2, 2021)
	Erejuwa Gbadebo		Independent Non - Executive Director (Appointed wef Jan 27, 2021)
	Aisha Umar		Independent Non - Executive Director (Appointed wef Jan 27, 2021)
	Victor Olusegun Adeniji		Independent Non - Executive Director (Appointed wef Feb 16, 2021)
	Raj Mangtani (Indian)	-	Non - Executive Director
	Anjan Sircar (Indian)	-	Managing Director
	Patrick Buruche	-	Non - Executive Director (Retired wef December 31, 2020)

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-
Twitter: www.twitter.com/BergerPaintsNg
Instagram: www.instagram.com/bergerpaintsnigeria-
You Tube: www.youtube.com/channel/UCD_T-
Wid299NWbfHxA4rGXg

Investors Relation Berger Paints Nigeria Plc. has a dedicated investors' portal on its corporate website which can be accessed via this link:
<https://bergerpaintsnig.com/investor/>
The Company's Investors' Relations Officer can also be reached through electronic mail at: ayokunleayoko@bergerpaintnig.com; or telephone on: +234 9037757191 for any investment related enquiry.

NSE Trading Information

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 1 271 8955 (or 8599)

Bankers:

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

	<u>2020</u>	<u>2019</u>	<u>%</u>
Revenue	3,837,582	3,584,804	7
Gross profit	1,419,078	1,664,324	(15)
Operating profit	194,951	512,928	(62)
Profit before minimum tax	211,850	551,561	(62)
Profit before income tax	210,903	533,099	(60)
Profit after year	146,028	448,733	(67)
Share capital	144,912	144,912	-
Total equity	3,146,972	3,073,400	2
Data per 50k share			
Basic earnings per share (kobo)	50	155	(67)
Declared dividend*	25	65	(62)
Net assets per share (Naira)	10.86	9.71	12
Market price per share as at year end (Naira)	6.75	8.60	(22)
Market capitalization as at year end	1,956,312	2,492,482	(22)
Dividend per 50k share in respect of current year results only			
Dividend proposed (kobo)**	40	25	60

*Declared dividend represents the dividend proposed for the preceding year but declared during the current year.

**The Directors propose a dividend of 40 kobo (2019: 25 kobo) per share on issued share capital of 289,823,447 (2019: 289,823,447) ordinary shares of 50 kobo each, subject to approval by the shareholders at the Annual General Meeting.

Directors' Report

The Directors are pleased to present to the distinguished members this Annual Report, together with the Audited Financial Statements of the Company for the year ended 31 December 2020.

1. Legal status

The Company was incorporated in Nigeria as a Private Limited Liability Company on 9 January, 1959 and was converted to a public limited liability company in 1973. The Company's shares were quoted on the Nigerian Stock Exchange with effect from 14 March 1974.

Its subsidiary, Lewis Berger Paints Ghana Limited was incorporated in Ghana with effect from 22 October, 2013 as a private limited liability company. As at 31 December 2020, the subsidiary has since remained dormant and had not commenced operations. The Company has not prepared consolidated financial statements on the account of materiality.

2. Principal activities

The principal activities of the Company remained the manufacturing and marketing of paints and allied products. The Company also holds an investment property.

3. Operating results

Information relating to changes during the year is indicated in the notes to the financial statements. In the opinion of the Directors, the fair value of the Company's properties is not substantially less than the value shown in the Financial Statements. The summary of the results is as follows:

<i>In thousands of naira</i>	2020	2019
Revenue	3,837,582	3,584,804
Operating profit	194,951	512,928
Profit before minimum tax	211,850	551,561
Profit before income tax	210,903	533,099
Profit after tax	146,028	448,733
Total comprehensive income for the year	146,028	448,733

4. Dividend

The directors are pleased to recommend to shareholders the payment of a dividend of 40 kobo per share for the 2020 financial year which amounts to ₦115,929,000 subject, to the approval of the members at the Annual General Meeting (2019: ₦72,456,000, that is, 25 kobo per share). If approved, the dividend is payable less withholding tax to all members whose names appear in the Company's Register of Members as at the close of business on April 30, 2021

5. Corporate Governance

Whistleblowing

The Board encourages the exposure of unethical practices and all reported cases are investigated while the whistle blower is protected. Our Whistle Blowing Policy is displayed throughout our premises and on our website. Berger Paints Nigeria Plc. conducts its business with integrity and diligence and with total consideration for the interest of the shareholders and other stakeholders.

Respect For Law

Berger Paints Nigeria Plc. ensures that its existence and operations remain within the law and its employees are required to comply with the laws and regulations of Nigeria. To this end, the Company has a Code of Ethics which is publicly available and subscribed to by directors, staff and contractors. The Company, being a listed Company strives to comply with all laws and regulations, including post-listing requirements of the Nigerian Stock Exchange and the Rules and Regulations of the Securities and Exchange Commission, as well as the Code of Corporate Governance. To this end, returns were made periodically to the relevant regulatory authorities as and when due.

Role In The Larger Society

Berger Paints Nigeria Plc. remains undisputedly, a leading paints manufacturer in this country, and as an integral part of the Nigerian society, the Company plays numerous roles. Apart from being a major employer of labour, Berger Paints is a supplier, a partner as well as a willing and uncompromising taxpayer. In doing all these, the Company impacts on the society in no small way. The Company's relationship with the shareholders and stakeholders is cordial and objective.

Integrity

The Company strives to maintain the highest standards of integrity in its operations. Accordingly, the Company condemns, does not give nor receive directly or otherwise any bribes, gratifications or obtain improper advantages for any business or financial gains. It is our policy to avoid any situation that will impact negatively on our

6. Board of directors

(i) Composition of the Board and Attendance at Meetings

During the year under review, the Company was managed by a Board of eight Directors consisting of one Independent Non-Executive Director, six Non-Executive Directors (which included the Chairman) and one Executive Director (i.e. the Managing Director). The Board met six (6) times in 2020. In compliance with Section 284(2) of the Companies and Allied Matters Act, 2020, the Record of Directors' attendance at Board meetings is exhibited for inspection at the meeting. It is summarized hereunder:

S/N	Name	Jan 30	Mar 19 *	June 18 *	July 30 *	Oct 29 *	Dec 11 *	No. (6)
1	Mr. Abi Ayida	P	P	P	P	P	P	6
2	Chief Musa Danjuma	P	P	P	P	P	P	6
3	Chief Nelson Nweke	P	P	P	P	P	P	6
4	Mr. Raj Mangtani	P	P	P	P	P	P	6
5	Mr. Adekunle Olowokande	P	P	P	P	P	P	6
6	Engr. Patrick Buruche	P	P	P	P	P	P	6
7	Mr. Sanjay Datwani	P	P	P	P	P	P	6
8	Mr. Anjan Sircar	P	P	P	P	P	P	6

P - Present * - All meeting from march where held virtually

(ii) **Board Changes**

Appointment Process - The Board appointment process is guided by an ethical and transparent process in line with best practices and extant regulations. Directors are selected on the basis of skills, expertise and experience, among other considerations. The Board Establishment, Remuneration and Governance Committee is saddled with the responsibility of identifying, considering and recommending potential directors to the Board. Upon confirmation by the Board, they are thereafter presented to the shareholders for approval.

During the year under review, Engineer Patrick Buruche retired from the Board effective December 31, 2020. There have been further appointments after the year under review. Mrs Ogechi Iheanacho was appointed (wef January 2, 2021), to replace Engr. Buruche on the Board whilst Mrs Erejuwa Gbadebo, Mrs Aisha Umar (wef January 27, 2021) and Mr Victor Olusegun Adeniji (wef February 16, 2021) were appointed as Independent Non Executive Directors to replace Chief Musa Danjuma, Chief Nelson Nweke and Mr Sanjay Datwani, who will all be retiring at the 2021 Annual General Meeting.

(iii) **Board Training**

Directors have the opportunity to attend programs, relating to governance and business practices, as part of their continuing education. For the 2020 financial year, all the directors attended the following trainings.

- Corporate Governance and Managing Post-Covid/Post Endsars and deteriorating security framework for the Board of Berger Paints Nigeria Plc' – Institute of Directors Centre for Corporate Governance –
- Training on "Re-Evaluating Strategy & Financial Leadership" – Messrs. DCSL - August 11, 2020.

(iv) **Directors retiring by rotation**

The Directors retiring by rotation in accordance with the Companies and Allied Matters Act 2020 are Mr Abi Ayida, Mr Kunle Olowokande and Mr Sanjay Datwani who, being eligible offer themselves for re-election.

(v) **Directors' interest in shares as at 31 December 2020**

The interests of each Director in the shares of the Company, as at 31st December 2020, as recorded in the Register of Members and/or notified by the Directors for the purpose of Section 301 of the Companies and Allied Matters Act, 2020, and disclosed in accordance with the Listing Rules of Nigerian Stock Exchange are as stated below, along with the their interests in contracts:

Director	Direct	Indirect Interest		Interest in Contracts
Mr. Abi Ayida	625,601	Jurewa Investment	16,685,111	None
		Alemaje and company Limited	16,315,506	
Chief Musa Danjuma	3,442,372	Nil		None
Chief Nelson Nweke	234,320	Nil		None
Mr. Raj Mangtani	Nil	Nil		Raw materials and product formulation, through Emychem Nigeria Ltd.
Mr. Adekunle Olowokande	197,965	Nil		None
Engr. Patrick Buruche	504,294	Nil		None
Mr. Sanjay Datwani	Nil	Nil		Raw materials, through Clayton Finance Limited.
Mr. Anjar Sircar	Nil	Nil		None

(vi) **Directors' Responsibilities**

Berger Paints is committed to the highest ethical standards and best practices. The Board actively monitors the operations of the Company and is also responsible for safeguarding the assets of the Company by taking reasonable steps for the prevention/detection of fraud and other irregularities. The Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Company at the end of each financial year, and of the profit or loss for that year, in compliance with the Companies and Allied Matters Act, 2020. In so doing, the Directors ensure that:

- Proper accounting records are kept which disclose with reasonable accuracy, the financial position of the Company and which ensure that Financial Statements comply with the requirements of the Companies and Allied Matters Act, 2020;
- Appropriate internal control procedures are established which, as far as is reasonably possible, safeguard the assets of the Company, prevent and detect fraud and other irregularities;
- Applicable accounting standards are followed;
- Suitable accounting policies are adopted, consistently applied and supported by reasonable judgments and estimates; and
- The financial statements are prepared on a going concern basis, unless it is presumed that the Company will not continue in business.

7. Board Committees

In alignment with extant codes of corporate governance, the Board Finance & General Purpose Committee, Board Establishment, Remuneration & Governance Committee and Board Audit, Strategy & Risk Management Committee were in operation as at December 31 2020. The Board worked through these Committees, all of which were guided by Charters containing their terms of reference. The terms of reference of the Committees are summarized below, in addition to the record of directors' attendance:

Board Committees – Terms of Reference/Attendance at Meetings

Finance & General Purposes Committee: Review of financial statements, and monitoring of financial plans.

The responsibilities of the Committee are to:

- 1 Consider and review the Company's financial performance, including significant capital allocations and expenditures.
- 2 Review debts owed to the Company and recovery efforts made by Management.
- 3 Review management accounts, forecasts and other financial statements.
- 4 Consider and review reports from the Management on stock of raw materials and finished products and strategies to keep these within approved limits.
- 5 Review, endorse and recommend for Board approval, the establishment and review of investment policy and procedure.
- 6 Consider and review reports on the Company's investments and ensure that all investment activities are guided by the investment policy.
- 7 Oversee the administration, effectiveness and compliance with the company's investment policies through the review of the processes and report to the Board on recommendations of the Management on placement proposals.
- 8 Consider and review the annual budget and ensure that expenditure is within the approved
- 9 Recommend for Board approval, the dividend policy, including nature and timing.
- 10 Ensure that an effective tax policy is implemented.
- 11 Handle other duties and responsibilities delegated to the Committee by the Board.

The schedule of attendance at the meetings of the Committee for the year are detailed below:

S/N	Name	Jan 28	June 11*	July 22*	Oct 20*	Dec 17*	No. (5)
1	Mr. Adekunle Olowokande (Chairman)	P	P	P	P	P	5
2	Chief Nelson Nweke	P	P	P	P	P	5
3	Mr. Sanjay Datwani	P	P	P	P	P	5
4	Eng. Patrick Buruche	P	P	P	P	P	5
5	Mr Anjan Sircar	P	P	P	P	P	5

P - Present * - All meeting from march where held virtually

Establishment Remuneration & Governance Committee: The responsibilities of the Committee are to:

- 1 Review and recommend to the Board for approval, proposals on recruitment, promotion and employment termination of senior officers on Manager grade and above;
- 2 Consider and make recommendations to the Board for approval of disciplinary action to be carried out against senior officers from Manager grade and above;
- 3 Consider and make recommendations to the Board for approval on the organizational structure, remuneration policy and policies covering the evaluation, compensation and provision of benefits to employees and any other human capital issues;
- 4 Consider and make recommendations to the Board for approval on the Company's policy on Health and Safety at work and any proposed amendments;
- 5 Consider and make recommendations to the Board for approval on the Company's human resource strategies and compensation Policy.
- 6 Make recommendations to the Board regarding the remuneration, of the Board and its committees.
- 7 Assess the effectiveness of the corporate governance framework.
- 8 Consider and make recommendations to the Board on composition and the experience required by Board committee members, committee appointments and removal, operating structure, reporting and other Committee operational matters.
- 9 Consider and make recommendations to the Board on appointment and re-election of directors (including the CEO).
- 10 Ensure that all new directors receive a formal letter of appointment specifying their tenure, responsibilities, board committee involvement and other relevant details.
- 11 Ensure the Board composition includes at least one (1) independent director.
- 12 Ensure that new directors receive a formal induction program to familiarize them with BPN's business, strategy and operations, enhance the discharge of their fiduciary duties, responsibilities, and understand their powers and potential liabilities.
- 13 Ensure the development and implementation of an annual training plan for continuous education of all Board members which will provide for periodic briefings on relevant laws and regulations to Board members.
- 14 Ensure adequate succession planning for Board of Directors and key management staff in BPN.
- 15 Review and make recommendations to the Board for approval of the terms and conditions of employment of company's staff, its staff handbook and any proposed amendment.
- 16 Ensure the performance evaluation of the CEO is performed by the Board on an annual basis and formal feedback provided to the CEO.
- 17 Nominate independent consultants to conduct annual review/appraisal of the performance of the Board and make recommendations to the Board in this regard. This review/appraisal should cover all aspects of the Board's structure, composition, responsibilities, individual competencies, board operations, board's role in strategy setting, oversight over corporate culture, monitoring role and evaluation of management performance and stewardship to shareholders.

The schedule of attendance at the meetings of the Committee for the year are detailed below:

S/N	Name	28-Jan	June 11*	July 16*	Oct 20*	No. (4)
1	Chief Nelson Nweke (Chairman)	P	P	P	P	4
2	Chief Musa Danjuma	P	P	P	P	4
4	Mr. Raj Mangtani	P	P	P	P	4
5	Mr. Adekunle Olowokande	P	P	P	P	4

P - Present * - All meeting from march where held virtually

Audit, Strategy & Risk Management Committee: The responsibilities of the Committee are to:

- 1 Review the audited and unaudited accounts of the Company. It shall also be responsible for overseeing the Company's long term strategy, risks.
- 2 Consider reports from the Internal Auditor and making recommendations to the Board on the internal control framework.
- 3 Review and monitor the Company's strategic plan to ensure viability and appropriate milestones.
- 4 Consider the viability of all major strategic initiatives and investments.
- 5 Review and monitor the Company's strategic plan to ensure viability and appropriate milestones.
- 6 Consider the viability of all major strategic initiatives and investments.
- 7 Monitor changes and trends in the business environment.
- 8 Review the adequacy and effectiveness of risk management and controls.
- 9 Evaluate and Assess the Company's risk management framework, including Management's process for the identification, prevention and reporting of significant risks.
- 10 Review the Company's compliance level with laws and regulatory requirements that may impact the company's risk profile.
- 11 Review the policy framework and ensure that the appropriate policies are in place.
- 12 To drive engagements with key stakeholders
- 13 Perform such other duties and responsibilities delegated to the Committee by the Board.
- 14 Develop the Company's Corporate Social Responsibility policy.
- 15 Constructively challenge Management's assumptions and contribute to the development of the Group's strategy and performance objectives.
- 16 Understand, identify and discuss with management the key issues, assumptions, risks and opportunities relating to the development and implementation of the company's strategic thrusts.
- 17 Arrange an annual strategy retreat for the Board and management, ensuring that the Board retains sufficient knowledge of BPN's businesses in order to provide strategic input and identify any critical strategic discontinuities in management's assumptions and planning premises.
- 18 Review the resources made available by Management including business plans and financial, operational and human resources required to implement the agreed strategy.
- 19 Critically evaluate and make recommendations to the Board for approval of BPN's business strategy, at least annually.
- 20 Periodically engage Management on informal dialogue and act as a sounding Board on strategic issues.
- 21 Regularly review strategic planning and implementation monitoring process.
- 22 Review and make recommendations to the Board for the approval of the Group's organizational structure and any proposed amendments.

The schedule of attendance at the meetings of the Committee for the year are detailed below:

S/N	Name	Jan 28	June 11*	July 16*	Oct 20*	No. (4)
1	Mr. Raj Mangtani (Chairman)	P	P	P	P	4
2	Mr. Kunle Olowokande	P	P	P	P	4
3	Mr. Sanjay Datwani	A	P	P	P	3

P - Present A - Apology *- All meeting from march where held virtually

8. **Statutory Audit committee**

Within the year under review, the Audit Committee comprised of three non-executive directors and three shareholders' representatives. The Committee, in the conduct of its affairs as stipulated in Section 404 of the Companies and Allied Matters Act (CAMA), 2020, reviewed the overall risk management and control systems, as well as financial reporting procedures and standards of business conduct of the Company. In the performance of their duties, the members had direct access to both the Internal Auditors and the External Auditors. The Committee met 5 times in 2020 as detailed below.

The schedule of attendance at the meetings of the Committee for the year are detailed below:

S/N	Name	23-Jan	Mar 10	Jul 27*	Oct 19*	Dec 1*	No. (5)
1	Mr. Chibuzor Eke (Chairman)	P	P	P	P	P	5
2	Mrs. Mary Shofolahan	P	P	P	P	P	5
3	Mr. Taiwo Afinju	P	P	P	P	P	5
4	Chief Musa Danjuma	P	P	P	P	P	5
5	Chief Nelson Nweke	P	P	P	P	P	5
6	Engr Patrick Buruche	P	P	P	P	P	5

P - Present *- All meeting from march where held virtually

9. Donations and gifts

In compliance with Section 43 (2) of the Companies & Allied Matters Act (CAMA), 2020, the Company did not make any donations to any political party, political association or for any political purpose during the year under review. Donations made during the year amounted to N2.77 million (2019: N1.03 million) as shown below:

Beneficiary	Purpose	2020
<i>In thousands of naira</i>		
Lagos State Covid-19 Isolation Centre	Donation of Paints	2,492,219
GTB Intensive Care Unit, Onikan	Donation of Paints	279,584
Total		2,771,803

10. Quality policy and innovation

Berger Paints remains a forward-looking organization, which places premium on quality products. The Company is committed to improving quality through the use of identified processes, which are constantly monitored to meet approved international and local standards. These carefully monitored processes make it imperative that only high quality paints are produced and marketed by the Company. In recognition of the above, the Company was awarded the latest International Standard Certification ISO 9001:2015.

12. Risk Management Policy

There is an effective internal audit function, in addition to which the risk management control and compliance system operates efficiently. An Enterprise Risk Management Framework has been approved by the Board and implemented by Management. The objectives of the company's risk management policy are;

- Maximising the benefits from new opportunities, challenges and initiatives
- Avoiding damage to the Company's reputation
- Taking appropriate risks for appropriate returns while improving shareholders' value
- Prioritising effectively between different risks
- Demonstrating good corporate governance by managing our risks effectively

13. Safety and Environmental Policy

Health & Safety

The safety of our employees is a priority. The Company has taken every precaution to provide a safe workplace and there is a zero tolerance policy for workplace violence. Our operations and procedures are regularly certified by both state and federal regulatory agencies. Accidents are investigated, and corrective actions put in place to forestall future occurrences.

The Company has developed a number of policies to promote safety and minimize accidents in the workplace, and it ensures the safety of its staff and visitors through various means including:

- Ensuring that plant equipment are adequately maintained to prevent accidents.
- Using up to date methods to control hazards inherent in our operations.
- Providing personal protective equipment and enforcing its usage
- Ensuring that safe work procedures are followed
- Ensuring that jobs are awarded only to contractors with laudable safety performances
- Ensuring that the working environment is clean, tidy and conducive
- Implementing an effective emergency management program so as to minimize adverse impact on human and the environment, in case of emergencies; and
- Continuously training employees to create safety consciousness.

Sustainability

Part of the fulfilment of our environmental friendliness practice is to conduct a periodic environmental audit to monitor the significant environmental aspects of our operations and put in place controls that will minimize or eliminate their adverse impact on the environment. The Company also complies with all environmental laws and strives to minimize environmental impact associated with our activities through:

- The use of modern technology and expertise to reduce environmental pollution

- Conservation of resources in a cost effective manner
- The proper disposal or recycle of waste; and
- The assessment of the adverse impact of our raw materials or new products on both humans and the environment.

Wellbeing, diversity and other human resource policies

The Company's policy on managing diversity recognizes that there are differences among employees and that harnessing these differences create a productive environment in which everyone feels valued, their talents utilized and organizational goals met. We have also created an enabling environment where patterns of thinking are nurtured as a way of developing our employees as agents of change. Berger Paints Nigeria Plc. is committed to providing employment for people with physical challenges who are able to work. As at the end of the year, there was no physically challenged person in the employment of Berger Paints Nigeria Plc (2019: 1)

Berger Paints Nigeria Plc. does not permit direct or indirect discrimination against any employee on the grounds of ethnicity, nationality, sex, sexual orientation, disability, religion, marital status or age. The Company encourages equal opportunities as a human resources policy and in dealing with human resources issues, we encourage equity, fair play, learning, quality of life, ethical operations among others.

Partnership, representation and dialogue are encouraged through staff associations. Our Talent Management Policy and the Technical Sales Trainee Scheme are examples of a commitment to continuous development of the skills and abilities of employees in order to maximize their contribution.

Berger Paints Nigeria Plc. has a fully funded and comprehensive health policy that covers not only members of the Berger family but their dependents as well, under a comprehensive plan with approved Health Management Organisations (HMO). In addition, we have an in-house clinic staffed by qualified personnel and conduct regular health and wellness talks for employees.

In compliance with the requirements of the National Health Insurance Act, our employees are given the opportunity to choose a health provider nearest to their residence, for health related matters outside the workplace.

We also have a policy on HIV/AIDS and other serious diseases which aims to reassure employees that AIDS is not spread through casual contact during normal work practices and also to reduce unrealistic fears about contacting the certain diseases in the work place.

The Company is fully compliant with the provisions of the revised Pension Reform Act, 2014. Berger Paints staff enjoy highly subsidized meals served in a hygienically maintained canteen. The Company believes that productivity emanates from a healthy mind in a healthy body.

14. Berger Business Partners

The Company has numerous business partners and dealers all over the country who have contributed to the turnover and to whom the Company remains grateful. Our Berger Business Partners are detailed in the Annual Report.

15. Suppliers

Overseas: The bulk of overseas purchases of raw materials were made from:

- 1 Chemours Intl Operations
- 2 Clayton Finance Ltd.
- 3 G. Koepcke & Co. Gmbh
- 4 Hazel Middle East
- 5 Lewis Berger Intl. Supplies Ltd (United Kingdom)
- 6 Quimidroga Sarl
- 7 The National Titanium Dioxide Company Ltd. (Cristal)

Local: In addition, local purchases were made from the following indigenous companies:

- | | |
|--|---|
| 1 Amoke Oluwo & Sons | 23 Nycil Ltd. |
| 2 Avery Nigeria Limited | 24 Onokeno Business Venture |
| 3 Avon Crowncaps & Containers Nig. Plc | 25 Orkila Chemicals Limited |
| 4 Carose Nigeria Limited | 26 Phobica Chemicals Ltd. |
| 5 Chizzy Nig Ltd. | 27 Regatta Industries Ltd. |
| 6 Cornat Nig Ltd. | 28 Remfemlaby Nig Enterprises |
| 7 Dafe Industries Ltd. | 29 Robinson Ventures Ltd. |
| 8 Didoboss International Company | 30 Samking Chemical Ltd. |
| 9 Emychem Nigeria Limited | 31 Shokay Resource Ventures |
| 10 Eurobridge Ind. Ltd. | 32 Somaluck Chemical & Products Venture |
| 11 Falcon Chemicals Ltd. | 33 Sowis Energy Limited |
| 12 Festo-Chem Ventures | 34 Sudunni Nig Ltd. |
| 13 Glister Success Ltd. | 35 The Freedom Group Ltd. |
| 14 Jo-Noble Chem. Ltd. | 36 Trisa Nig. Ltd. |
| 15 Lexcel Products & Packaging Ltd. | 37 Wahum Pkg Ltd. |
| 16 Logata Point Services Limited | 38 Whitex Industries (Nigeria) Limited |
| 17 Mathsix Mega Investment Ltd. | 39 Yadebell Global Ventures |
| 18 Melvyn Nickson Nigeria Limited | 40 Zadema Ventures |
| 19 Metoxide (Nigeria) Ltd. | |
| 20 Nagode Industries Ltd. | |
| 21 Nampak Nig. Plc | |
| 22 Nikky Ventures | |

16. Independent auditor

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as independent auditors to the Company. In accordance with section 401(2) of the Companies and Allied Matters Act (CAMA), 2020 therefore, the auditor will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

17. Compliance with regulatory requirements & company policies

The Company in the year under review did not contravene the rules of any of the regulatory authorities and did not receive any sanctions. The Company has adopted a policy regulating the procedure for handling shareholders' complaints, as well as a policy on trading in the Company's shares. These can be found on the Company's website at www.bergerpaintsnig.com.

18. Responsibility for Accuracy of Information

Pursuant to Article 2.2.4 of the Amended Listing Rules 2015 of the Nigerian Stock Exchange, the directors accept responsibility for the accuracy of the information contained in this report.

BY ORDER OF THE BOARD



Ayokunle Ayoko
Company Secretary/Legal Adviser
March 26, 2021
FRC/2015/NBA/00000013900

Statement of Directors' Responsibilities

For the year ended 31 December 2020

The Directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

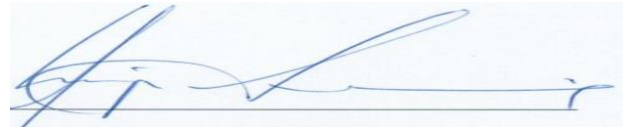
The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act (CAMA), 2020 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Abi Ayida (FRC/2019/IODN/00000019260)
Chairman
March 26, 2021



Anjan Sircar (FRC/2020/003/00000020547)
Managing Director/CEO
March 26, 2021

Statement of Corporate Responsibility

For the year ended 31 December 2020

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director and Chief financial Officer, hereby certify the financial statements of the Berger Paints Nigeria Plc for the year ended 31 December 2020 as follows:

- (a) That we have reviewed the audited Company's financial statements of the Company for the year ended 31 December 2020.
- (b) That the audited Company's financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.
- (c) That the audited Company's financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the year ended 31 December 2020
- (d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company is made known to the officer by other officers of the companies, during the period end 31 December 2020.
- (e) That we have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of audited Company's financial statements, and certify that the Company's internal controls are effective as of that date
- (f) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.
- g) That we have disclosed the following information to the Company's Auditors and Audit Committee:
 - there are no significant deficiencies in the design or operation of internal controls which could adversely affect the
 - (i) Company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors any material weaknesses in internal controls, and
 - there is no fraud that involves management or other employees who have a significant role in the Company's
 - (ii) internal control

SIGNED ON BEHALF OF THE COMPANY BY:



Anjan Sircar (FRC/2020/003/00000020547)
Managing Director/CEO
March 26, 2021



Pheobe Obi (FRC/2020/003/00000022016)
Chief Finance Officer
March 26, 2021

Report of the Audit Committee

In compliance with the provisions of Section 404 (4) of the Companies and Allied Matters Act, 2020 (Act), we, the members of the Audit Committee of Berger Paints Nigeria Plc., having carried out our statutory functions under the Act hereby report that:

1. The scope and planning of both the external and internal audit programs for the year ended 31st December, 2020 were adequate in our opinion.
2. The accounting and reporting policies of the Company conformed to statutory requirements and agreed ethical practices.
3. The systems of internal control were constantly and effectively monitored.
4. Having reviewed the External Auditors' findings and recommendations on Management matters, we are satisfied with Managements' response thereon.

Finally, we acknowledge the cooperation of Management in the conduct of these duties.

The members of the Audit Committee for the 2020 financial year were:

Members of the Committee

1 Mr Chibuzor Eke	Shareholder Representative/Chairman
2 Mrs Mary Joke Shofolahan	Shareholder Representative/Member
3 Mr Taiwo Afinju	Shareholder Representative/Member
4 Chief Nelson Nweke	Independent Non-Executive Director/Member
5 Chief Musa Danjuma	Non-Executive Director/Member
6 Engr. Patrick Buruche	Non-Executive Director/Member (Retired on Dec 31, 2020)

The Company Secretary /Legal Adviser, Mr. Ayokunle Ayoko served as the Secretary to the Committee.

Dated March 19, 2021



Mr. Chibuzor Eke
Chairman, Audit Committee
FRC/2013/NIMN/00000004670



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Berger Paints Nigeria Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Berger Paints Nigeria Plc (the Company), which comprise:

- the statement of financial position as at 31 December, 2020;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Revenue is the most significant item in the Statement of Profit or Loss and Other Comprehensive Income and impacts key performance indicators on which the Company and its Directors are assessed. Its significance makes revenue a matter of focus in our audit. Furthermore, the recognition and measurement of revenue from rendering painting services to customers requires the application of judgement by management in the estimation of the percentage of completion of individual contracts as at year end.

How the matter was addressed in the audit

Our audit procedures included the following:

- evaluated the design, implementation and operating effectiveness of key controls established within the revenue process;
- obtained a sample of revenue transactions recognised for the year and agreed to invoices and delivery waybills acknowledged by customers;

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Partners:

Adegoke A. Oyelami	Chibuzor N. Anyanechi	Martins I. Arogie	Olutoyin I. Ogunlowo
Adetunle A. Elebute	Chineme B. Nwigbo	Mohammed M. Adama	Oluwafemi O. Awotoye
Adetola P. Adeyemi	Elijah O. Oladunmoye	Nneka C. Eluma	Oluwatoyin A. Gbagi
Adewale K. Ajayi	Goodluck C. Obi	Olabimpe S. Afolabi	Tayo I. Ogungbenro
Ajibola O. Olomola	Ibitomi M. Adepoju	Oladimeji I. Salaudeen	Temitope A. Onitiri
Akinyemi Ashade	Ijeoma T. Emezie-Ezigo	Olanike I. James	Tolulope A. Odukale
Ayobami L. Salami	Joseph O. Tegbe	Olufemi A. Babem	Victor U. Onyenkpa
Ayodele A. Soyinka	Kabir O. Okunlola	Olumide O. Olayinka	
Ayodele H. Othihiwa	Lawrence C. Amadi	Olusegun A. Sowande	



- assessed the accuracy of a sample of sales returns and rebates by checking them to supporting documentation such as approved credit notes to customers;
- challenged the Company's basis for recognition and measurement of revenue from contract services rendered to customers by recalculating the proportion of cost incurred relative to the total expected cost and;
- checked that for a sample of revenue transactions occurring prior to, and immediately after the year end date, revenue was recognised in the appropriate period;

The Company's accounting policy and notes on revenue are shown in Notes 3(L) and 5 respectively of the accompanying financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate Information, Financial Highlights, Directors' Report, Statement of Directors' Responsibilities, Statement of Corporate Responsibility, Report of the Audit Committee and Other National Disclosures, which we obtained prior to the date of this auditor's report; but does not include the financial statements and our auditor's report thereon. Other information also includes financial and non-financial information such as the Mission Statement, Vision Statement, Shared Values, Corporate Profile, Board of Directors, Directors' Profile, Chairman's Statement, Notice of Annual General Meeting, Shareholders' Information, Corporate Social, Responsibility Activities, amongst others, together the "Outstanding reports", which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
- iii. The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account

Signed: 

Adegoke Oyelami

FRC/2012/ICAN/00000000444

For: KPMG Professional Services

Chartered Accountants

31 March 2021

Lagos, Nigeria



Statement of Financial Position

As at 31 December 2020

In thousands of naira

		2020	2019
Assets	Notes		
Property, plant and equipment	14(a)	2,757,223	2,823,810
Intangible assets	15	52,578	44,911
Investment property	16	403,020	424,119
Total non-current assets		3,212,821	3,292,840
Inventories	17	702,294	812,048
Trade and other receivables	18(a)	317,381	330,541
Deposit for imports	19	65,836	143,535
Prepayments and advances	20	49,569	61,588
Other financial assets	22	267,372	209,208
Cash and cash equivalents	21	356,599	216,689
Total current assets		1,759,051	1,773,609
Total assets		4,971,872	5,066,449
Equity			
Share capital	23(a)	144,912	144,912
Share premium	23(b)	635,074	635,074
Retained earnings		2,366,986	2,293,414
Total equity		3,146,972	3,073,400
Liabilities			
Loans and borrowings	26	137,428	224,221
Deferred income	25	68,705	71,158
Deferred taxation	11(d)	289,900	231,945
Total non-current liabilities		496,033	527,324
Loans and borrowings	26	149,223	171,114
Current tax liabilities	11(c)	30,836	72,034
Trade and other payables	24	704,369	804,589
Deferred income	25	6,321	10,737
Dividend payable	28	438,118	407,251
Total current liabilities		1,328,867	1,465,725
Total liabilities		1,824,900	1,993,049
Total equity and liabilities		4,971,872	5,066,449

These financial statements were approved by the Board of Directors on 26 March 2021 and signed on its behalf by:



Abi Ayida (FRC/2019/IODN/00000019260)
Chairman



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

Additionally certified by:



Pheobe Obi (FRC/2020/003/00000022016)
Chief Finance Officer

The Significant accounting policies and accompanying notes form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

<i>In thousands of naira</i>	Notes	2020	2019
Revenue	5	3,837,582	3,584,804
Cost of sales	9(a)	(2,418,504)	(1,920,480)
Gross profit		1,419,078	1,664,324
Other income	6	47,093	51,015
Selling and distribution expenses	9(a)	(251,302)	(219,016)
Administrative expenses	9(a)	(1,013,724)	(945,283)
Operating profit before credit impairment charges		201,145	551,040
Impairment loss on trade receivables	8	(6,194)	(38,112)
Operating profit		194,951	512,928
Finance income	7	78,848	56,626
Finance costs	7	(61,949)	(17,993)
Net finance income		16,899	38,633
Profit before minimum tax		211,850	551,561
Minimum tax expense	12	(947)	(18,462)
Profit before income tax	8	210,903	533,099
Income tax expense	11(a)	(64,875)	(84,366)
Profit for the year		146,028	448,733
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		146,028	448,733
Earnings per share:			
Basic and diluted earnings per share (kobo)	13	50	155

The Significant accounting policies and accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity*For the year ended 31 December 2020**In thousands of naira*

	Note	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 January 2020		144,912	635,074	2,293,414	3,073,400
Comprehensive income for the year					
Profit for the year		-	-	146,028	146,028
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	146,028	146,028
Transactions with owners, recorded directly in equity					
Dividend	28	-	-	(72,456)	(72,456)
Total transactions with owners		-	-	(72,456)	(72,456)
Balance at 31 December 2020		144,912	635,074	2,366,986	3,146,972
Balance at 1 January 2019					
		144,912	635,074	2,033,066	2,813,052
IFRS transition adjustment (net of tax)		-	-	-	-
Adjusted balance at 1 January, 2019		144,912	635,074	2,033,066	2,813,052
Comprehensive income for the year					
Profit for the year		-	-	448,733	448,733
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	448,733	448,733
Transactions with owners, recorded directly in equity					
Dividend	28	-	-	(188,385)	(188,385)
Total transactions with owners		-	-	(188,385)	(188,385)
Balance at 31 December 2019		144,912	635,074	2,293,414	3,073,400

The Significant accounting policies and accompanying notes form an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2020
In thousands of naira

	Note	2020	2019
Cash flows from operating activities			
Profit for the year		146,028	448,733
Adjustments for:			
- Depreciation	9(b)	243,372	143,385
- Amortisation	15	7,708	20,857
- Finance income	7	(78,848)	(56,626)
- Finance cost	7	61,949	17,993
- Gain on sale of property, plant and equipment	8	(5,085)	(824)
- Minimum tax expense	12	947	18,462
- Taxation	11(a)	64,875	84,366
		440,946	676,347
<i>Changes in:</i>			
- Inventories		109,754	(205,336)
- Trade and other receivables	18(c)	13,160	(139,544)
- Deposit for imports		77,699	(8,760)
- Prepayments and advances	20(a)	(5,287)	21,970
- Trade and other payables	24(c)	(100,220)	58,714
- Deferred income		(6,869)	(7,100)
Cash generated from operating activities		529,183	396,290
WHT credit recovered	11(c)	-	45,370
WHT credit notes utilised	11(c)	(15,573)	(105,231)
Tax paid	11(c)	(16,186)	(48,793)
Interest paid	26(b)	(42,812)	(41,149)
Net cash generated from operating activities		454,612	246,487
Cash flows from investing activities			
Purchase of property plant and equipment	14(h)	(111,611)	(256,950)
Purchase of intangible assets	15	(15,375)	(3,845)
Proceeds from sale of property, plant and equipment		5,085	2,957
Interest income on bank deposits	7	1,074	2,781
Additions to investment in financial assets	22	(42,840)	(62,943)
Net cash used in investing activities		(163,667)	(318,000)
Cash flows from financing activities			
Repayment of Principal of Loan and Borrowings	26(b)	(109,445)	(97,195)
Dividend paid	28	(41,589)	(133,467)
Net cash used in financing activities		(151,034)	(230,662)
Net increase/ (Decrease) in cash and cash equivalents		139,910	(302,175)
Cash and cash equivalents at 1 January		216,689	518,864
Cash and cash equivalents at 31 December	21	356,599	216,689

The Significant accounting policies and accompanying notes form an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2020

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1 Reporting entity	24	19 Deposit for imports	50
2 Basis of preparation	24	20 Prepayments and advances	50
3 Significant accounting policies	25	21 Cash and cash equivalents	51
4 Changes in Significant Accounting Policies	40	22 Other financial assets	51
5 Revenue	40	23 Capital and reserves	51
6 Other income	40	24 Trade and other payables	52
7 Finance income and finance costs	41	25 Deferred income	52
8 Profit before tax	41	26 Loans and borrowings	53
9 Expenses	41	27 Dividends	54
10 Personnel expenses	42	28 Dividend payable	55
11 Taxation	43	29 Related Parties	55
12 Minimum tax	45	30 Financial instruments – Fair values and financials risk management	56
13 Basic earnings and diluted earning per share	45	31 Leases	64
14 Property, plant and equipment	46	32 Provision of Non Audit Services	64
15 Intangible assets	48	33 Contingencies	64
16 Investment property	49	34 Subsequent events	64
17 Inventories	49	35 Operating segments	65
18 Trade and other receivables	50		

Notes to the Financial Statements
For the year ended 31 December 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, (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011. The 2020 financial statements were authorised for issue by the Board of Directors on 26 March, 2021.

(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.

- 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 3(Q) and 31	leases: whether an arrangement contains a lease
Note 3(D),(F),14 and 16	determination of the useful life of leasehold land
Note 3(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 3(G) and 30(b) impairment of financial assets: Expected credit loss and forward looking information

Notes to the Financial Statements
For the year ended 31 December 2020

(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.

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.

(f) Change in accounting estimate

During the year, the Company reviewed and revised the estimated useful life of items of Property, Plant and Equipment including Plant and Machinery, Motor Vehicles, Computer Equipment, Computer Software and Furnitures and fitting. This change in accounting estimate was applied prospectively in accordance with the IAS 8- Accounting Policy and Changes in Accounting Estimates and Error.

3 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.

A. Foreign currency transactions	26	O. Taxation	35
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M. Finance income and finance costs	35		
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Notes to the Financial Statements
For the year ended 31 December 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

Notes to the Financial Statements*For the year ended 31 December 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.

Notes to the Financial Statements*For the year ended 31 December 2020***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.
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.

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.

Notes to the Financial Statements*For the year ended 31 December 2020*

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 2020.

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.

D. Property, plant and equipmenti. **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.

Notes to the Financial Statements
For the year ended 31 December 2020

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

	2020	2019
• Leasehold land	Unlimited	Unlimited
• Buildings	20 years	20 years
• Plants and machinery		
- Fixed plant	12- 40 years	12 years
- Movable plant	7 years	7 years
- Generators	5 years	5 years
• Motor vehicles		
- Trucks	6 years	6 years
- Cars	4 years	4 years
• Furniture and fittings	5 years	8 years
• Computer equipment	5 years	2 years
• Computer Software	5 years	3 years
• Motor vehicles under lease	lease period	lease period

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.

As disclosed in Note 2(f), the Company reviewed and revised the useful life of items of Property, Plant and Equipment including Plant and Machinery, Motor Vehicles, Computer Equipment, Computer Software and Furnitures and fitting. The Impact of the change on accounting estimate on depreciation charge in the profit or loss is disclosed in Note 14(g)

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 the remaining useful life of the Asset.

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.

Notes to the Financial Statements**For the year ended 31 December 2020**

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.

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.

Notes to the Financial Statements
For the year ended 31 December 2020

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.

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.

Notes to the Financial Statements*For the year ended 31 December 2020***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.

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.

Notes to the Financial Statements*For the year ended 31 December 2020***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 – purchase cost on a weighted average basis including materials and consumable spare parts	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.

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.

Notes to the Financial Statements*For the year ended 31 December 2020*

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.

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.

Notes to the Financial Statements*For the year ended 31 December 2020***(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
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on 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.

(c) Minimum tax expense

The Company is subject to the Finance Act 2020 which amended the Company Income Tax Act (CITA). Total amount of tax payable under the Finance Act 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 0.25% 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.

Notes to the Financial Statements*For the year ended 31 December 2020***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**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
- 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 expense on a straight-line basis over the lease term.

Notes to the Financial Statements*For the year ended 31 December 2020***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 in profit or loss on a straight -line basis over the lease term

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.

Notes to the Financial Statements*For the year ended 31 December 2020***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.

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 2020 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.

- Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37).
- COVID-19-Related Rent Concessions (Amendments to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

Z. Standards, Interpretations effective from 1 January 2020

There are new issued accounting standards, amendment to standards and interpretations that are effective first beginning 1 January 2020. 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:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)

Notes to the Financial Statements*For the year ended 31 December 2020***4 Changes in Significant Accounting Policies**

The Company has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements. The Company has adopted the above new amendments to IFRS Standards and Interpretations but these standards do not have a material effect on the Company's financial statements.

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

<i>In thousands of naira</i>	Recognition policy	2020	2019
(i) Revenue from contract with customers			
- Sale of paints and allied products*	At a point in time	3,630,790	3,382,411
- Contract services	Over time	203,673	172,695
(ii) Revenue from leases of investment property			
		3,119	29,698
		3,837,582	3,584,804

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

<i>In thousands of naira</i>	2020	2019
Revenue (net of value added tax)	4,331,194	4,040,929
Discounts and rebates	(700,404)	(658,518)
	3,630,790	3,382,411

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>	2020	2019
Billed receivables in respect of sales of paints and allied products	273,463	229,415
Unbilled receivables in respect of contract services	5,733	46,808
Trade receivables (Note 18(a))	279,196	276,223

(c) Revenue included in contract liability balance at the beginning of the year

The revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was nil (2019: N3.16million).

6 Other income

Other income comprises:

<i>In thousands of naira</i>	2020	2019
Sale of Scrap	6,821	6,411
Income on property leases*	30,875	37,441
Profit from disposal of property, plant and equipment	5,085	824
Income from enrolment of new distributors	4,312	6,339
	47,093	51,015

*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 year ended 31 December 2020

7 Finance income and finance cost

Recognised in profit or loss:

In thousands of naira

	2020	2019
Interest income on bank deposits	1,074	2,781
Interest income on other financial assets	15,324	17,052
Foreign currency exchange	-	15
Net gain on financial liabilities measured at amortised	62,450	36,778
Total finance income	78,848	56,626
Interest expense on lease liabilities	(23,464)	(8,209)
Interest expense on financial liabilities measured at amortised costs.	(38,485)	(9,784)
Total finance cost	(61,949)	(17,993)
Net finance income recognised in profit or loss	16,899	38,633

8 Profit before income tax

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

In thousands of naira

	Note	2020	2019
Directors' emoluments	9(a)	56,941	54,084
Depreciation	9(b)	243,374	143,385
Amortisation	15	7,708	20,857
Personnel expenses	10(a)	718,128	610,073
Auditors' remuneration	9(a)	18,000	20,125
Impairment loss on trade receivables	18(b)	6,194	38,112
Minimum tax	12	947	18,462
Profit on disposal of property, plant and equipment	6	5,085	824
		5,085	824

9 (a) Expenses

(i) Analysis of expenses by nature

In thousands of naira

	Note	2020	2019
Directors emoluments	10(d)	56,941	54,084
Personnel expenses	10(a)	718,128	610,073
Training expenses		6,634	12,580
Repairs and maintenance		95,099	80,153
Office and corporate expenses		37,641	53,292
License and permits		21,597	24,153
Utilities		49,810	42,903
Insurance		10,622	9,305
Travel, transport and accommodation		103,793	91,097
Rent, rate and levies		14,021	6,767
Subscriptions and donations		3,859	5,672
Depreciation	9(b)	243,374	143,385
Amortisation	15	7,708	20,857
Printing and stationery		7,503	7,287
Legal and professional services fees		92,756	81,454
Auditors' remuneration		18,000	20,125
Other receivables written off		-	6,456
Bank charges		6,535	5,063
Advertisement and publicity expenses		93,031	90,427
Distribution expenses		158,271	128,588
Raw materials and consumables		1,842,973	1,495,910
Contract services expenses		95,234	95,147
		3,683,530	3,084,779

Notes to the Financial Statements
For the year ended 31 December 2020

<i>In thousands of naira</i>	Note	2020	2019
<i>Summarised as follows:</i>			
(ii) Cost of sales		2,418,504	1,920,480
Selling and distribution expenses		251,302	219,016
Administrative expenses		1,013,724	945,283
Total cost		3,683,530	3,084,779

(b) Depreciation

<i>In thousands of naira</i>	Note	2020	2019
Depreciation charged for the year comprises:			
Depreciation of property, plant and equipment	14	222,273	122,234
Depreciation of investment property	16	21,099	21,151
Total depreciation		243,372	143,385

10 Personnel expenses

(a) Personnel expenses, including remuneration of the executive director during the year comprises:

<i>In thousands of naira</i>	2020	2019
Salaries, wages and allowances	671,933	572,834
Employer contribution to compulsory pension fund scheme	46,195	37,239
	718,128	610,073

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

		2020	2019	
₦	₦	Number	Number	
500,001	-	1,000,000	7	13
1,000,001	-	1,500,001	21	89
1,500,001	-	2,000,001	56	37
2,000,001	-	3,000,001	32	24
3,000,001	and	above	37	16
		153	179	

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

	2020	2019
	Number	Number
Production	23	38
Sales and marketing	53	53
Finance	8	9
Administration	14	15
Maintenance	8	10
Corporate	6	6
Procurement	3	4
Distribution	16	21
Information Technology (IT)/CSR	7	6
Technical & Compliance	9	10
Raw materials	6	7
	153	179

Notes to the Financial Statements
For the year ended 31 December 2020

(d) Remuneration paid to non- executive directors of the Company and charged to the profit or loss are as follows:

<i>In thousands of naira</i>	2020	2019
Fees paid to non-executive directors	56,941	54,084
	56,941	54,084

The directors' remuneration shown above includes:

<i>In thousands of naira</i>	2020	2019
Chairman	6,716	6,994

Other directors received emoluments in the following ranges:

2020		2019	
N	-	N	-
		Number	Number
250,001	-	1,000,000	-
1,000,001	-	3,000,000	-
3,000,001	-	5,000,000	-
5,000,001	-	8,000,000	-
		7	7

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>	2020	2019
Current tax expense:		
Company income tax	-	-
Nigeria Police Trust Fund Levy (NPTF)	10	26
Tertiary education tax	6,910	13,940
	6,920	13,966
WHT credit recovered	-	(45,370)
Charge/(credit) for the year	6,920	(31,404)
Deferred tax expense:		
Origination and reversal of temporary differences (Note 11(e))	57,955	115,770
Income tax expense	64,875	84,366

(b) Reconciliation of effective tax rate:

<i>In thousands of naira</i>	%	2020	%	2019
Profit for the year		146,028		448,733
Taxation		64,875		84,366
Profit before taxation		210,903		533,099
Income tax using the Company's domestic rate of 30%	30	63,271	30	159,930
Tertiary education tax @ 2%	2	4,218	2	10,662
Effect of NPTF levy	-	10	-	26
- Non-deductible expenses	1	4,729	1	6,716
- Tax exempt income	(9)	(5,017)	-	(11,769)
- Tax incentives	(1)	(2,414)	(7)	(37,674)
- Net WHT notes recovered	-	-	(9)	(45,370)
- Other tax differences	7	78	0	1,845
Tax expense	30	64,875	16	84,366

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

i. **Current tax liabilities**

<i>In thousands of naira</i>	2020	2019
Balance as at 1 January	72,034	193,629
Current year charge	6,920	13,966
Minimum tax charge	947	18,462
Cash payments	(16,186)	(48,793)
WHT credit notes utilised	(15,573)	(105,231)
Balance as at year end (A)	48,141	72,034

ii. **WHT credit notes**

Balance as at 1 January	-	17,980
WHT credit recovered	-	45,370
Additions	32,879	19,491
Transfer from prepayment and advances (Note 19)	-	22,390
WHT credit notes utilised	(15,573)	(105,231)
Balance as at year end (B)	17,306	-
Total current tax liabilities as at 31 December 2020 (A-B)	30,836	72,034

Notes to the Financial Statements
For the year ended 31 December 2020

(d) Movement in deferred taxation
In thousands of naira

	Balance at 1 January	Recognised in profit or loss	Net	Deferred tax assets	Deferred tax liabilities
31 December 2020					
Property, plant and equipment	307,524	56,127	363,651	-	363,651
Allowance on trade receivable	(50,597)	(1,499)	(52,096)	(52,096)	-
Right of use assets	483	4,184	4,667	-	4,666
Provision for gratuity discontinued	(713)	0	(713)	(713)	-
Provision for slow moving inventories	(24,756)	(852)	(25,608)	(25,608)	-
Unrealised exchange losses/(gain)	4	(5)	(1)	-	(1)
Net tax (assets)/ liabilities	231,945	57,955	289,900	(78,418)	368,317
31 December 2019					
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	-	4
Net tax (assets)/ liabilities	116,175	115,770	231,945	(76,067)	308,012

12 Minimum tax

Minimum tax in current year has been computed based on 0.25% of turnover in line with the Finance Act, 2020 and this amounts to ₦0.9 million (2019: ₦18.5 million).

Minimum tax Comprises:

In thousands of naira

	2020	2019
Minimum tax	9,909	18,462
Tax Credit *	(8,962)	-
Minimum tax expenses	947	18,462

* Amount represent tax credit due to change in the Minimum tax rate from 0.5% in prior year to 0.25% in current year.

13 Basic and diluted earnings per share

Basic earnings per share of 50 kobo (31 December 2019: 155 kobo) is based on the profit for the year of ₦146 million (31 December 2019: ₦449 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 year.

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

Notes to the Financial Statements

For the year ended 31 December 2020

14 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 Equipmen t N'000	Motor Vehicles under N'000	Capital work- in progress N'000	TOTAL N'000
Cost										
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	15	-	-	-	-	-	-	-	(28,138)	(28,138)
Disposals/write-off		-	-	(2,550)	-	(21,350)	(473)	-	-	(24,373)
Balance at 31 December 2019		390,000	1,291,534	1,429,116	58,865	240,461	125,517	138,275	-	3,673,768
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		-	12,353	73,073	5,687	13,117	7,381	44,075	-	155,686
Disposals		-	-	-	-	(19,925)	-	-	-	(19,925)
Balance at 31 December 2020		390,000	1,303,887	1,502,189	64,552	233,653	132,898	182,350	-	3,809,529
Accumulated depreciation										
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		78,081	236,526	209,520	34,168	209,768	70,079	11,816	-	849,958
Balance at 1 January 2020		78,081	236,526	209,520	34,168	209,768	70,079	11,816	-	849,958
Charge for the year	9(b)	-	64,885	79,066	8,209	13,904	18,174	38,035	-	222,273
Disposals		-	-	-	-	(19,925)	-	-	-	(19,925)
Balance at 31 December 2020		78,081	301,411	288,586	42,377	203,747	88,253	49,851	-	1,052,306
Carrying amounts										
At 31 December 2019		311,919	1,055,008	1,219,596	24,697	30,693	55,438	126,459	-	2,823,810
At 31 December 2020		311,919	1,002,476	1,213,603	22,175	29,906	44,645	132,499	-	2,757,223

Notes to the Financial Statements**For the year ended 31 December 2020****(b) Assets pledged as security**

No asset of the Company was pledged as security for loan as at 31 December, 2020 (December 2019: Nil)

(c) Impairment of property, plant and equipment

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

(d) Capital commitments

Capital expenditure commitments for the year ended 31 December 2020 authorised by the Board of Directors comprise:

In thousands of naira

Approved but not contracted

	<u>2020</u>	<u>2019</u>
	387,897	45,716
	<u>387,897</u>	<u>45,716</u>

No Capitalised borrowing cost included in capital work in progress for the year (December 2019: ₦45.72 million). No Capital work-in-progress during the year.

(e) Property, plant and equipment under construction

There are no property, plant and equipment under construction (2019:Nil)

(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.

(g) Change in accounting estimate

As disclosed in Note 2(f), the Company has reviewed and revised the estimated useful life of items of Property, Plant and Equipment including Plant and Machinery, Motor Vehicles, Computer Equipment, Computer Software and Furnitures and fitting.

In thousands of naira

Decrease in Depreciation of property, plant and equipment

	2020	2021	2022	2023	2024
	60,435	33,441	23,892	32,630	44,702

(h) Additions in statement of cash flows

In thousands of naira

Additions (Note 14(a))

Additions to Right of Use assets (Motor vehicles under lease)

Accrued additions to PPE (Note 24(c))

Borrowing cost capitalised

	<u>2020</u>	<u>2019</u>
	155,686	566,194
	(44,075)	(138,275)
	-	(123,384)
	-	(47,585)
	<u>111,611</u>	<u>256,950</u>

Notes to the Financial Statements
For the year ended 31 December 2020

15 **Intangible assets**

In thousands of naira

Cost

	<i>Note</i>	Computer Software	Intangible assets under development	Total
Balance at 1 January 2019		61,590	-	61,590
Additions		3,845	-	3,845
Transfers		-	28,138	28,138
Disposals				-
Balance at 31 December 2019		65,435	28,138	93,573
Balance at 1 January 2020		93,573	-	93,573
Additions		15,375	-	15,375
Reclassification from property, plant & equipment	<i>14(a)</i>	-	-	-
Balance at 31 December 2020		108,948	-	108,948

Accumulated amortisation

Balance at 1 January 2019		27,805	-	27,805
Charge for the year	<i>9(a)</i>	20,857	-	20,857
Balance at 31 December 2019		48,662	-	48,662
Balance at 1 January 2020		48,662	-	48,662
Charge for the year	<i>9(a)</i>	7,708	-	7,708
Balance at 31 December 2020		56,370	-	56,370

Carrying amounts

At 31 December 2019		16,773	28,138	44,912
At 31 December 2020		24,440	28,138	52,578

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 five years.

The Company reviewed and revised the useful life of Computer Software from 3 years to 5 years. The change in accounting estimate impacted the amortisation charge in the profit or loss by 9.1 Million over the remaining useful life of the intangible asset.

Intangible assets amortisation charged to profit or loss for the year amounts to ₦7.71million (2019: ₦20.86million) 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 automated water based paints factory.

Notes to the Financial Statements*For the year ended 31 December 2020***16 Investment property**

The movement on this account was as follows:

<i>In thousands of naira</i>	<u>2020</u>	<u>2019</u>
Cost		
Balance at 1 January	604,468	604,468
Balance at 31 December	<u>604,468</u>	<u>604,468</u>
Accumulated depreciation		
Balance at 1 January	180,349	159,198
Charge for the year	21,099	21,151
Balance at 31 December	<u>201,448</u>	<u>180,349</u>
Carrying amounts at year ended	<u><u>403,020</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 year was ₦3.12 million (2019: ₦29.70million).

Direct operating expenses (included in repairs and maintenance expenses) arising from investment property that generated rental income during the year was Nil (2019: ₦0.70 million)

Depreciation of ₦21.10 million (31 December 2018: ₦21.15 million) charged on investment property for the year was included in cost of sales

The fair value of the investment property as at year 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.

17 Inventories

In thousands of naira

	<u>2020</u>	<u>2019</u>
Raw and packaging materials	428,242	475,873
Finished products	306,280	343,525
Product-in-process	10,889	35,151
Consumable spare parts	36,907	24,721
Goods in transit	-	10,140
	<u>782,318</u>	<u>889,410</u>
Impairment allowance	(80,024)	(77,362)
	<u><u>702,294</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 year and recognised in cost of sales amounted to ₦1.82 billion (2019: ₦1.49 billion). In addition, the carrying amount of inventories have been reduced by ₦3.2 million (2019: ₦2.3 million) as a result of the write-down to net realisable value. The write down was recognised as an expense during the year and is included in cost of sales.

Notes to the Financial Statements
For the year ended 31 December 2020

18 Trade and other receivables comprises:

	2020	2019
Trade and other receivables comprises:		
(a) <i>In thousands of naira</i>		
Trade receivables (Note 5(b))	273,463	229,415
Lease receivable	83,688	83,688
Staff debtors	152	3,616
Deposit with Company registrar	101,459	113,433
Contract assets	5,733	46,808
Other receivables (Note 30 (a)(iii))	17,192	11,693
Total trade and other receivables	481,687	488,653
Impairment allowance	(164,306)	(158,112)
Carrying amount as at year ended	317,381	330,541

The Company's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 30(b).

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

	2020	2019
<i>In thousands of naira</i>		
Balance at 1 January	158,112	120,000
Net impairment loss recognised	6,194	38,112
Balance at 31 December	164,306	158,112

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

	2020	2019
<i>In thousands of naira</i>		
Movement in trade and other receivables	13,160	(139,559)
Exchange gain	-	15
Changes in trade and other receivables per statement of cash flows	13,160	(139,544)

19 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. The total value of deposit for imports as at 31 December 2020 amounted to ₦65.84 million (2019: ₦143.54 million).

20 Prepayments and advances

Prepayments and advances comprises:

	2020	2019
<i>In thousands of naira</i>		
Prepaid rent	-	540
Advance payment to suppliers	22,843	49,275
Prepaid insurance and others	26,726	11,773
	49,569	61,588

There were no non-current prepayments and advances made at year-end (2019:Nil)

Notes to the Financial Statements
For the year ended 31 December 2020

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

In thousands of naira

	2020	2019
Movement in prepayment and advances	12,019	3,990
Movement in WHT credit notes	(17,306)	17,980
Changes in prepayments and advances per statement of cash flows	(5,287)	21,970

21 Cash and cash equivalents

Cash and cash equivalents comprises:

In thousands of naira

	2020	2019
Cash on hand	216	500
Balance with banks	356,383	216,189
Cash and cash equivalents	356,599	216,689

The Company's exposure to credit and market risk for financial assets is disclosed in Note 30(b).

22 Other financial assets

This represents unclaimed dividend returned by the Company's registrar and invested in Fixed Deposit.

As at 31 December 2020, the investment is analysed as stated below:

	2020	2019
At 1 January	209,208	129,213
Additions	42,840	62,943
Interest income	15,323	17,052
At 31 December	267,372	209,208

The Company's exposure to credit and market risk for financial assets is disclosed in Note 30(b).

23 Capital and reserves

(a) Ordinary shares as at 31 December

In thousands of naira

	2020	2019
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

	2020	2019
At 1 January	635,074	635,074
At 31 December	635,074	635,074

Notes to the Financial Statements
For the year ended 31 December 2020

24 Trade and other payables

(a) Trade and other payables comprises:

<i>In thousands of naira</i>	<u>2020</u>	<u>2019</u>
Trade payables	285,998	415,750
Customer deposits for paints	146,251	107,623
Statutory payables	133,946	104,284
Related party payables (Note 29 (a))	10,619	29,581
Pension payable (Note (b))	9,382	5,974
Contract liabilities	-	4,495
Accruals	106,061	118,685
Other payables	12,112	18,197
	<u>704,369</u>	<u>804,589</u>

The Company's exposure to liquidity risks related to trade and other payables is disclosed in Note 30(b).

(b) **Pension payable**

<i>In thousands of naira</i>	<u>2020</u>	<u>2019</u>
Balance at 1 January	5,974	5,334
Charge for the year	69,243	43,633
Remittances	(65,835)	(42,993)
Balance at 31 December	<u>9,382</u>	<u>5,974</u>

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

<i>In thousands of naira</i>	<u>2020</u>	<u>2019</u>
Movement in trade and other payable	(100,220)	182,098
Impact of accrued additions to PPE (Note 14(g))	-	(123,384)
Changes in trade and other payables per statement of cash flows	<u>(100,220)</u>	<u>58,714</u>

25 Deferred income

Deferred income comprises:

<i>In thousands of naira</i>	<u>2020</u>	<u>2019</u>
Government grant (note (a))	71,158	73,612
Lease income received in advance	3,868	8,283
Deferred income	<u>75,026</u>	<u>81,895</u>
Non-current	68,705	71,158
Current	6,321	10,737
	<u>75,026</u>	<u>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. Unwinding of the government grant has been recognised in profit or loss for the year ended 31 December 2020: N2.45million (2019: nil)

Notes to the Financial Statements
For the year ended 31 December 2020

26 Loans and borrowings

In thousands of naira

	Non- current <u>liabilities</u>	Current <u>liabilities</u>	<u>Total</u>
31 December 2020			
Bank of Industry loan	79,984	88,918	168,902
Lease liability (Note 14(f))	57,444	60,305	117,749
	137,428	149,223	286,651
31 December 2019			
Bank of Industry loan	130,990	78,675	209,665
Development financing arrangement	27,896	32,100	59,996
Lease liability (Note 14(f))	65,335	59,613	124,948
Import finance facility	-	726	726
	224,221	171,114	395,335

Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 30(b).

(a) **Terms and repayment schedule**

<i>In thousands of naira</i>	Curre ncy	Nominal interest rate	Year of maturity	31 December 2020		31 December 2019	
				Face Value	Carrying amount	Face Value	Carrying amount
(i) Bank of Industry loan	NGN	10%	2023	185,623	168,902	301,587	209,665
(ii) Development financing arrangement	NGN	18%	2025	-	-	101,671	59,996
(iii) Import finance facility	NGN	10% + 90 day LIBOR	2019	-	-	726	726
(iv) Lease liability 1	NGN	18%	2022	85,663	85,202	124,740	124,948
(v) Lease liability 2	NGN	15%	2022	32,547	32,547	-	-
Total interest-bearing loans				303,833	286,651	528,724	395,335

(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 a twelve months moratorium between March 2017 to February 2018) at various dates between March 2018 to March 2023.

For the year ended 31 December 2020, net interest expense of ₦38.40 million which accrued on the facility, was charged to Profit or loss (2019: ₦47.56 million was capitalised as borrowing cost).

Notes to the Financial Statements
For the year ended 31 December 2020

(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. The substance of the transaction over the past 7 years of which the MOU agreement has been operational is to settle on a net basis. Consequently, the contractor does not have the right to demand payment and the financial liability has been derecognised.

(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. The balance at year end is Nil (2019:0.7 million)

(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.

During the year, the Company entered into a lease arrangement for the procurement of one (1) motor vehicles for a lease interest rate of 15% per annum, it is repayable in twenty four (24) monthly equal instalments at various dates between May 2020 to May 2022.

As at 31 December 2020, interest expense and related charges of ₦23.29 million (₦8.21 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 ₦74.57million (2019: ₦19.8 million) and is included as part of repayment of borrowings in the statement of cashflows. The addition to lease liability is not included as a part of additions to loans and borrowings in the statement of cash flows.

(b) Movement in loans and borrowings

in thousands of naira

	2020	2019
Balance, beginning of year	395,335	366,604
Additions	44,075	138,275
Repayment of principal	(109,445)	(97,195)
Repayment of interest	(42,812)	(41,149)
Net gain on financial liabilities measured at amortised costs	(62,450)	(36,778)
Interest capitalised to property, plant and equipment	-	47,585
Interest accrued in profit or loss	61,949	17,993
Balance, end of the year	286,651	395,335

27 Dividends

The following dividends were declared and paid by the Company;

	Per share	2020	Per share	2019
	(kobo)	N'000	(kobo)	N'000
Declared Dividend	25	72,456	65	188,385

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

Notes to the Financial Statements
For the year ended 31 December 2020

28 Dividend payable

The movement in dividend payable is as follows:

In thousands of naira

	2020	2019
At 1 January	407,251	352,333
Declared dividend	72,456	188,385
Payments	(41,589)	(133,467)
At 31 December 2020	438,118	407,251

29 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:

In thousands of naira

	2020	2019
Short-term benefits	151,828	114,774
Post employment benefits	6,617	4,991
	158,445	119,765

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	
		2020	2019	Receivable/(Payable)	
		N'000	N'000	2020	2019
Emychem Limited	Supply of raw materials	73,029	146,708	(10,619)	(26,471)
		41,207	71,528	-	(3,110)
Clayton Finance Limited	Supply of raw materials	114,236	218,236	(10,619)	(29,581)

Emychem Limited

During the year, 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 31 December 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 year ended 31 December 2020

30 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 31 December 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.

31 December 2020

<i>In thousands of naira</i>	Amortized	Fair value			
	Cost	Level 1	Level 2	Level 3	Total
<i>Financial assets not measured at fair value</i>					
Other financial assets	267,372	-	267,372	-	267,372
Trade and other receivables	317,381	-	317,381	-	317,381
Cash and cash equivalents	356,599	-	356,599	-	356,599
	941,352	-	941,352	-	941,352
<i>Financial liabilities not measured at fair value</i>					
Loans and borrowings	286,651	-	303,833	-	303,833
Trade and other payables*	561,049	-	561,049	-	561,049
Dividend payable	438,118	-	438,118	-	438,118
	1,285,818	-	1,303,000	-	1,303,001

31 December 2019

<i>In thousands of naira</i>	Amortized	Fair value			
	Cost	Level 1	Level 2	Level 3	Total
<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
	756,438	-	756,438	-	756,438
<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	-	-
Dividend payable	407,251	-	407,251	-	-
	1,496,917	-	1,630,306	-	528,724

*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.

Notes to the Financial Statements

For the year ended 31 December 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>	2020	2019
Trade and other receivables (See (a) below)	317,381	330,541
Cash and cash equivalents (excluding cash at hand) (See (b) below)	356,383	216,189
Other financial assets (See (b) below)	267,372	209,208
	941,136	755,938

Notes to the Financial Statements*For the year ended 31 December 2020***(a) Trade and other receivables***In thousands of naira*

	<u>2020</u>	<u>2019</u>
Net trade and lease receivables (See a(i) below)	198,578	201,799
Deposit with company registrar (See a(ii) below)	101,459	113,433
Staff debtors (See a(iii) below)	152	3,616
Other receivables (See a(iii) below)	17,192	11,693
	<u>317,381</u>	<u>330,541</u>

(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 year.

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 31 December 2020, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows;

<i>In thousands of naira</i>	<u>Carrying amount</u>	
	<u>2020</u>	<u>2019</u>
Wholesale customers	70,270	60,211
Retail customers	3,511	20,282
Others (Corporates)	205,415	195,730
Lease receivable	83,688	83,688
	<u>362,884</u>	<u>359,910</u>

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	80,618	74,424
- Impairment loss on investment property lease contracts	83,688	83,688
	<u>164,306</u>	<u>158,112</u>
Net trade and lease receivables	<u>198,578</u>	<u>201,798</u>

Notes to the Financial Statements**For the year ended 31 December 2020**

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 year 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 31 December 2020, the ageing of trade receivables that were impaired was as follows:

31 December 2020

<i>In thousands of naira</i>	Credit impaired	Weighted average loss	Gross	Impairment	Net
Current (not past due)	No	0%	5,733	-	5,733
Past due 1–30 days	Yes	0%	121,388	-	121,388
Past due 31–60 days	Yes	8%	77,651	(6,194)	71,457
Over 61 days due	Yes	100%	74,424	(74,424)	-
			279,196	(80,618)	198,578

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)	-
			276,223	(74,424)	201,799

At 31 December 2020, the ageing of lease receivables that were impaired was as follows:

31 December 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)	-
			83,688	(83,688)	-

31 December 2019

<i>In thousands of naira</i>			Gross	Impairment	Net
Current (not past due)	No	0%	-	-	-
Past due 1–30 days	Yes	-	-	-	-
Past due 31–60 days	Yes	-	-	-	-
Over 61 days due	Yes	100%	83,688	(83,688)	-
			83,688	(83,688)	-

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 year was as follows:

<i>In thousands of naira</i>	2020	2019
Balance as at 1 January	158,112	120,000
Net impairment loss recognised	6,194	38,112
Balance as at 31 December	164,306	158,112

Notes to the Financial Statements*For the year ended 31 December 2020***(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.

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

The Company held cash and cash equivalents of ₦357 million and other financial asset of ₦267 million as at 31 December 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 31 December 2020, the expected cash flows from trade and other receivables maturing within three months were ₦142.5 million (31 December 2019: ₦136.1 million). This excludes potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the Financial Statements**For the year ended 31 December 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:

31 December 2020*In thousands of naira*

	Carrying Amount	Total	Contractual cash flows				
			6 months or less	6-12 months	1 – 2 years	2 – 5 years	More than 5 years
Loans and borrowings (excluding lease liability)	168,902	254,355	57,668	39,337	157,350	-	-
Lease liability	117,749	117,749	29,807	29,807	58,136	-	-
Trade and other payables*	561,049	561,049	561,049	-	-	-	-
Dividend payable	438,118	438,118	438,118	-	-	-	-
	1,285,818	1,371,272	1,086,642	69,144	215,486	-	-

31 December 2019*In thousands of naira*

	Carrying Amount	Total	Contractual cash flows				
			6 months or less	6-12 months	1 – 2 years	2 – 5 years	More than 5 years
Loans and borrowings	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	-	-	-	-
	1,496,917	1,496,917	1,189,057	69,144	222,684	16,032	-

*Trade and other payables excludes statutory deductions such as non- income tax and pension 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

Notes to the Financial Statements**For the year ended 31 December 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:

	31 December 2020			31 December 2019		
	US\$	€	GBP	US\$	€	GBP
Foreign currency included in cash and cash equivalents	142,215	973	356	315,954	361	356
Import finance liability (See Note 26(iii))	-	-	-	-	-	-

The following significant exchange rates were applied;

	Average rate during the year		Year end spot rate	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
<i>Naira</i>				
US\$ 1	382.05	389.07	400.33	354.07
€ 1	436.24	416.26	491.45	416.26
GBP 1	489.02	469.47	512.42	469.47

Sensitivity analysis

A reasonably possible strengthening /(weakening) of the naira against all other currencies at 31 December 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.

	Profit or loss	
	Strengthening	Weakening
<i>In thousands of Naira</i>		
31 December 2020		
US\$ (20% movement)	11,387	(11,387)
€ (20% movement)	96	(96)
GBP (20% movement)	36	(36)
31 December 2019		
US\$ (20% movement)	22,374	(22,374)
€ (20% movement)	30	(30)
GBP (20% movement)	33	(33)

Notes to the Financial Statements

For the year ended 31 December 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:

Fixed rate instruments	Nominal amount	
<i>In thousands of naira</i>	<u>2020</u>	<u>2019</u>
Financial liabilities:		
Short term borrowings	149,223	171,114
Long term borrowing	<u>137,428</u>	<u>224,221</u>
	<u>286,651</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 31 December 2020 (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 31 December, was as follows.

<i>In thousands of naira</i>	<u>2020</u>	<u>2019</u>
Total liabilities	1,824,900	1,993,049
Less: Cash and Cash equivalents	<u>(356,599)</u>	<u>(216,689)</u>
Adjusted net debt	<u>1,468,301</u>	<u>1,776,360</u>
Total Equity	<u>3,146,972</u>	<u>3,073,400</u>
Net debt to equity ratio	0.47	0.58

Notes to the Financial Statements
For the year ended 31 December 2020

31 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.

The Company also entered into lease arrangements for the right to use of motor vehicles. 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 14(f)). Interest on lease liabilities as well as the repayments of the lease has been included in loans and borrowings (see Note 26(a)).

B. Leases as Lessor

The Company leases out its investment property consisting of its owned commercial properties (see Note 16) and insignificant portion of its office premise to 3rd parties.

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 as 31 December 2020 there are no future minimum lease payments under non cancellable and each of the leases are one year (2019: 83 million)

b. Amounts recognised in profit or loss

Investment property lease income recognised for the year is ₦3.12 million (2019: ₦29.69million) and was included in 'Revenue' (see note 5(a)). Depreciation expense on the investment property was included in 'Cost of Sales' (see note 9(b)).

32 Provision of Non Audit Services

The details of non-audit services and the applicable fees paid during the year ended 31 December 2020 were:

	2020 ₦' million	2019 ₦' million
i. Tax services	1.01	1.44
ii Transfer pricing advisory services	0.84	0.84

33 Contingencies

There are no contingent liabilities in respect of litigation and claims for the Company as at 31 December 2020 (2019: N6 million).

34 Subsequent events

On 26 March 2021, a dividend of 40 kobo per share was proposed by the directors for approval at the Annual General Meeting. There were no events after the reporting date that could have had a material effect on the consolidated and separate financial statements that have not been provided for or disclosed in these financial statements.

Notes to the Financial Statements*For the year ended 31 December 2020***35 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, distribution and selling of paints and allied products
Contract revenue	Rendering of painting services
Investment property rental	Rentals of trade shops and office spaces

The accounting policies of the reportable segments are described in Note 3(s).

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 the segments relative to other entities that operate within these industries.

b. Information about reportable segments

In thousands of naira

	Paints and allied products	Contract revenue	Investment property rental income	Unallocated	Total
31 December 2020					
External revenues	3,630,790	203,673	3,119	-	3,837,582
Finance income	-	-	-	16,398	16,398
Finance costs	-	-	-	(23,464)	(23,464)
Depreciation & amortisation	(229,786)	(197)	(21,099)	-	(251,082)
Net impairment loss on trade receivables	-	-	(6,194)	-	(6,194)
Reportable segment profit /(loss) before taxation	134,651	108,439	(24,174)	(7,066)	211,850
	Paints and allied products	Contract revenue	Investment property rental income	Unallocated	Total
31 December 2019					
External revenues	3,382,411	172,695	29,698	-	3,584,804
Finance income	-	-	36,778	19,848	56,626
Finance costs	-	-	(9,784)	(8,209)	(17,993)
Depreciation & amortisation	(141,846)	(1,245)	(21,151)	-	(164,242)
Impairment loss on trade receivables	-	-	(38,112)	-	(38,112)
Reportable segment profit before income taxation	464,945	77,548	(2,571)	11,639	551,561

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 year ended 31 December 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 year.

Profit or loss

In thousands of naira

	<u>2020</u>	<u>2019</u>
Total profit or loss for reportable segments	218,916	539,922
Unallocated finance income	16,398	19,848
Unallocated finance costs	(23,464)	(8,209)
Profit before minimum taxation	<u>211,850</u>	<u>551,561</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

Other national disclosures

Value Added Statement

For the year ended 31 December 2020

In thousands of naira

	<u>2020</u>	%	<u>2019</u>	%
Sales (note 5)	3,837,582		3,584,804	
Finance Income (note 7)	78,848		56,626	
Other income (note 6)	47,093		51,015	
	<u>3,963,523</u>		<u>3,692,445</u>	
Bought in materials and services				
- Imported	(403,458)		(403,458)	
- Local	(2,317,058)		(1,967,060)	
Value added	<u>1,243,007</u>	100	<u>1,321,927</u>	100
Distribution of value added				
To Employees:				
Personnel expenses	718,128	58	588,131	44
To Providers of Finance:				
Interest on loans (note 7)	61,949	5	17,993	1
To Government:				
Taxation (note 11(a))	64,875	5	84,366	6
Minimum tax (note 12)	947	-	18,462	1
Retained in the business as:				
Depreciation (note 9(b))	243,372	20	143,385	11
Amortisation (note 15)	7,708	1	20,857	2
To augment reserve	146,028	12	448,733	34
	<u>1,243,007</u>	100	<u>1,321,927</u>	100

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.

Other National Disclosures
Five Year Financial Summary

In thousands of naira

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Funds employed					
Share capital	144,912	144,912	144,912	144,912	144,912
Share premium	635,074	635,074	635,074	635,074	635,074
Fair value reserve	-	-	-	-	64,400
Retained earnings	2,366,986	2,293,414	2,033,066	1,861,159	1,759,795
Shareholder's fund	<u>3,146,972</u>	<u>3,073,400</u>	<u>2,813,052</u>	<u>2,641,145</u>	<u>2,604,181</u>
Current liabilities	1,328,867	1,465,725	1,285,038	1,080,532	1,306,347
Non-current liabilities	496,033	527,324	437,209	589,747	191,737
	<u>4,971,872</u>	<u>5,066,449</u>	<u>4,535,299</u>	<u>4,311,424</u>	<u>4,102,265</u>
Assets employed					
Non current assets	3,212,821	3,292,840	2,889,175	2,729,446	2,541,572
Current assets	1,759,051	1,773,609	1,646,124	1,581,978	1,560,693
	<u>4,971,872</u>	<u>5,066,449</u>	<u>4,535,299</u>	<u>4,311,424</u>	<u>4,102,265</u>

In thousands of naira

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenue	3,837,582	3,584,804	3,377,223	3,012,648	2,602,824
Profit before minimum tax	211,850	551,561	454,328	339,456	271,770
Profit before tax	210,903	533,099	454,328	339,456	271,770
Profit for the year	146,028	448,733	320,509	246,276	224,007
Other comprehensive income, net of	-	-	-	18,974	10,212
Declared dividend	72,456	188,385	144,912	144,912	217,368

Per 50k share data:

Basic and diluted earnings per share (kobo)	50	155	111	85	77
Declared dividend per share (kobo)	25	65	50	50	75
Net assets per share (kobo)	11	11	10	9	9