BERGER

...enduring beauty and protection

Berger Paints Nigeria Plc

Annual Report

31 December 2018

Contents

Page

Corporate Information

Board of Directors:	Abi Ayida	- Chairman (Appointed wef June 8, 2018)
	Oladimeji Alo	- Chairman (Retired wef June 7, 2018)
	Peter Folikwe	- Managing Director (Retired wef Jan 6, 2019)
	Musa Danjuma	- Non - Executive Director
	Nelson Nweke	- Independent Non - Executive Director
	Sanjay Datwani (British)	- Non - Executive Director
	Patrick Buruche	- Non - Executive Director
	Adekunle Olowokande	- Non - Executive Director
	Raj Mangtani (Indian)	- Non - Executive Director
	Modupe Oguntade	- Ag. Managing Director (Appointed wef Jan 7, 2019)
	Wole Abegunde	- Non - Executive Director (Resigned wef October 22, 2018)

Company Secretary/Legal Adviser
Ayokunle Ayoko

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

Contact Details
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Email: customercare@bergerpaintnig.com
Website: www.bpnplc.com

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

NSE Trading Information

Trading Name:	Berger Paints Plc. (Berger)
Ticker Symbol:	Berger
Sector:	Industrial Goods
Sub Sector:	Building Materials
Market Classification:	Main Board

Registration Number: CAC RC: 1837

FRC Registration Number: FRC/2012/0000000000295

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

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

Bankers:

Access Bank Plc	Guaranty Trust Bank Plc
Diamond Bank Plc	Polaris Bank Plc
Fidelity Bank Plc	UBA Plc
First Bank of Nigeria Limited	Zenith Bank Plc
First City Monument Bank Limited	Wema Bank Plc
Heritage Bank Ltd	Ecobank Nig. Plc

Financial Highlights

In thousands of naira

	2018	**2017**	**%**
Revenue	3,377,223	3,012,648	12
Gross profit	1,480,361	1,171,984	26
Operating profit	442,299	339,524	30
Profit before taxation	454,328	339,456	34
Profit for the year	320,509	246,276	30
Share capital	144,912	144,912	-
Total equity	2,813,052	2,641,145	7
Data per 50k share			
Basic earnings per share (kobo)	111	85	30
Declared dividend*	50	50	-
Net assets per share (kobo)	9.71	9.11	7
Market price per share as at 31 December	8.60	8	8
Market capitalization as at 31 December	2,492,482	2,318,592	7
Dividend per 50k share in respect of current year results only			
Dividend proposed (kobo)**	65	50	30

*The dividend declared represents dividend proposed for the preceeding year but declared during the current year.

**The Directors propose a dividend of 65 kobo (2017: 50 kobo) per share on issued share capital of 289,823,447 (2017: 289,823,447) ordinary shares of 50 kobo each, subject to approval by the shareholders at the Annual General Meeting.

Directors' report
For the year ended 31 December 2018

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 2018.

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 2018, the subsidiary was 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:

In thousands of naira	**2018**	**2017**
Revenue	3,377,223	3,012,648
Results from operating activities	442,299	339,524
Profit before taxation	454,328	339,456
Profit for the year	320,509	246,276
Total comprehensive income for the year	320,509	265,250

4. **Dividend**
The directors are pleased to recommend to shareholders the payment of a dividend of 65 kobo per share for the 2018 financial year which amounts to ₦188,385,000 subject, to the approval of the members at the Annual General Meeting (2017: ₦144,912,000, that is, 50 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 29, 2019.

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.

Directors' report (cont'd)
For the year ended 31 December 2018

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 and 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 operations.

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 ten Directors consisting of two Independent Non-Executive Directors (which included the Chairman), seven Non-Executive Directors and one Executive Director (i.e. the Managing Director). The Board met 5 times in 2018. In compliance with Section 258(2) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004, the Record of Directors' attendance at Board meetings is exhibited for inspection at the meeting. It is summarized hereunder:

S/N	Name	Mar 29	Jun 7	Jul 19	Oct 25	Dec 18	No. (5)
1	Dr. Oladimeji Alo	P	P	R	R	R	2
2	Mr. Abi Ayida	P	P	P	P	P	5
3	Chief Musa Danjuma	A	P	P	P	P	4
4	Mr. Nelson Nweke	P	P	P	A	P	4
5	Mr. Oluwole Abegunde	P	P	P	R	R	3
6	Mr. Raj Mangtani	P	P	P	P	P	5
7	Mr. Adekunle Olowokande	P	P	P	P	P	5
8	Engr. Patrick Buruche	P	P	P	P	P	5
9	Mr. Sanjay Datwani	P	P	P	P	P	5
10	Mr. Peter Folikwe	P	P	P	P	P	5

** P - Present **A - Apology **R - Retired

(ii) **Board Changes**
There were no appointments to the Board during the year under review. In practice, Directors are appointed in line with articulated guidelines, taking into consideration of various factors, including the nominee's profile, other commitments and value addition to the Company. However, a new Company Secretary, Mr Ayokunle Ayoko was appointed during the year. Conversely, there were two exits from the Board during the year under review. Dr Oladimeji Alo retired as the Chairman of the Board and was replaced by Mr Abi Ayida. Similarly, Mr Wole Abegunde resigned from the Board due to other commitments which may impact his time devotion to the Company.

(iii) **Board Training**
Directors have the opportunity to attend programs, relating to governance and business practices, as part of their continuing education.

Directors' report (cont'd)
For the year ended 31 December 2018

(iv) **Directors retiring by rotation**
The Directors retiring by rotation in accordance with the Company's Articles of Association are Chief Musa Danjuma and Mr Kunle Olowokande who, being eligible offer themselves for re-election.

(v) **Directors' interest in shares as at 31 December 2018**
The interests of each Director in the shares of the Company, as at 31st December 2018, as recorded in the Register of Members and/or notified by the Directors for the purpose of section 275 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004, 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 Interest	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
Mr. Nelson Nweke	234,320	Nil		None
Mr. Oluwole Abegunde	Nil	Nil		Registrar services, through Meristem Registrars Limited and Fund management, through Meristem Wealth Management.
Mr. Raj Mangtani	Nil	Nil		Raw materials and product formulation, through Emychem Nigeria Ltd.
Mr. Adekunle Olowokande	197,965	Nil		Nil
Engr. Patrick Buruche	272,336	Nil		Nil
Mr. Sanjay Datwani	Nil	Nil		Raw materials, through Clayton Finance Limited.
Mr. Peter Folikwe	7,000	Nil		Nil

(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, CAP C20, Laws of the Federation of Nigeria, 2004. In so doing, the Directors ensure that:

Directors' report (cont'd)
For the year ended 31 December 2018

- 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 Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004;
- 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 conformity with the Code of Best Practices in Corporate Governance, the Finance & General Purpose Committee, Establishment, Remuneration & Governance Committee and Strategy & Risk Management Committee were in operation as at December 31 2018. The Board worked through these committees, along with ad-hoc Factory upgrade committee, all of which were guided by terms of reference. The terms of reference of the Committees are summarized below, in addition to the record of directors' attendance:

Record of 2018 Committee attendance

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

S/N	Name	Feb 25	Mar 20	Apr 24	Jul 12	Oct 18	Nov 22	No. (6)
1	Mr. Adekunle Olowokande (Chairman)	P	P	P	P	P	P	6
2	Mr. Oluwole Abegunde	P	P	P	P	A	R	4
3	Mr. Nelson Nweke	P	A	P	P	P	P	5
4	Eng. Patrick Buruche	P	P	P	P	P	P	6
5	Mr. Peter Folikwe	P	P	P	A	P	P	5

** P - Present **A - Apology **R - Retired

Establishment Remuneration & Governance Committee: Review of the management development and succession plans, as well as the assessment of the effectiveness of the Board's governance practices.

S/N	Name	Jan 25	Jul 10	Nov 1	No. (3)
1	Mr. Nelson Nweke (Chairman)	NYM	P	P	2
2	Mr. Raj Mangtani	NYM	P	P	2
3	Engr. Patrick Buruche	P	P	P	3
4	Mr. Abi Ayida	P	NMM	NMM	1
5	Chief Musa Danjuma	A	P	P	2
6	Mr. Wole Abegunde	P	NMM	R	1

** NYM - Not Yet Member of commitee **NMM - No More Member of commitee **A - Apology **R - Resigned **P - Present

Directors' report (cont'd)
For the year ended 31 December 2018

Strategy & Risk Management Committee: Monitoring of the corporate strategy and review of the risk management policy.

S/N	Name	Jul 13	Oct 22	No. (2)
1	Mr. Raj Mangtani (Chairman)	P	P	2
2	Mr. Kunle Olowokande	P	P	2
3	Mr. Peter Folikwe	P	P	2

**P - Present

8. **Audit committee**

In accordance with the provisions of section 359(4) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004, the Audit Committee comprises of three non-executive directors and three shareholders' representatives. The Committee, in the conduct of its affairs as stipulated in Section 359 (6) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004, reviews 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 have direct access to both the Internal Auditors and the External Auditors. The Committee met 4 times in 2018 as indicated below.

S/N	Name	Mar 22	Jul 13	Oct 23	Dec 11	No. (4)
1	Mr. Chibuzor Eke (Chairman)	P	P	P	P	4
2	Mrs. Mary Shofolahan	P	P	P	P	4
3	Mr. Taiwo Afinju	P	P	P	P	4
4	Chief Musa Danjuma	P	P	P	P	4
5	Mr. Nelson Nweke	A	P	P	P	3
6	Mr. Adekunle Olowokande	P	P	P	P	4

**P - Present **A - Apology

9. **Donations and gifts**

In compliance with Section 38 (2) of the Companies & Allied Matters Act CAP C20, Laws of the Federation of Nigeria, 2004, 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 are stated below:

Beneficiary	Purpose	2018
In thousands of naira		
Schools*	Donation of paint	251,460
Manufacturer Association of Nigeria Centre	Donation of paint	224,487
Chemical & Non Metallic Products Employers Federation (CANMPEF)	Donation of paint	194,212
Police Community Relations- Area F command	Donation of paint and painting	114,999
Ikeja Golf Club	Donation of paint	87,854
Igbogbo Bayeku Council	Donation towards Life after 65 funfair	50,000
Total		**923,012**

Directors' report (cont'd)
For the year ended 31 December 2018

*The schools who benefitted from this donation includes Basil Int'l School, Unilag Women Society Nursery & Primary School, Grace Nursery & Primary School, Straitgate School and Emerald School.

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.

11. **Post balance sheet events**
There are no significant post balance sheet events which have not been provided for or disclosed in these financial statements.

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;

- Maximise the benefit from new opportunities, challenges and initiatives
- Avoid damage to our reputation
- Take appropriate risk for appropriate return while improving shareholders' value
- Prioritise effectively between different risks
- Demonstrate 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:

Directors' report (cont'd)
For the year ended 31 December 2018

- 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.

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. **Outsourced Business Partners**

The Company has numerous outsourced business partners and dealers all over the country who have contributed to the turnover and to whom the Company remains grateful. Our Outsourced Business Partners are detailed in this 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)

Directors' report (cont'd)
For the year ended 31 December 2018

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

1 Amoke Oluwo & Sons
2 Avery Nigeria Limited
3 Avon Crowncaps & Containers Nig. Plc
4 Carose Nigeria Limited
5 Chizzy Nig Ltd.
6 Cormat Nig Ltd.
7 Dafe Industries Ltd.
8 Didoboss International Company
9 Emychem Nigeria Limited
10 Eurobridge Ind. Ltd.
11 Falcon Chemicals Ltd.
12 Festo-Chem Ventures
13 Glister Success Ltd.
14 Jo-Noble Chem. Ltd.
15 Lexcel Products & Packaging Ltd.
16 Logata Point Services Limited
17 Mathsix Mega Investment Ltd.
18 Melvyn Nickson Nigeria Limited
19 Metoxide (Nigeria) Ltd.
20 Nagode Industries Ltd.
21 Nampak Nig. Plc
22 Nikky Ventures
23 Nycil Ltd.
24 Onokeno Business Venture
25 Orkila Chemicals Limited
26 Phobica Chemicals Ltd.
27 Regatta Industries Ltd.
28 Remfemlaby Nig Enterprises
29 Robinson Ventures Ltd.
30 Samking Chemical Ltd.
31 Shokay Resource Ventures
32 Somaluck Chemical & Products Venture
33 Sowis Energy Limited
34 Sudunni Nig Ltd.
35 The Freedom Group Ltd.
36 Trisa Nig. Ltd.
37 Wahum Pkg Ltd.
38 Whitex Industries (Nigeria) Limited
39 Yadebell Global Ventures
40 Zadema 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 auditors to the Company. In accordance with section 357(2) of the Companies and Allied Matters Act of Nigeria, CAP C20 Laws of the Federation of Nigeria, 2004 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 warnings or 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
March 19, 2019
FRC/2015/NBA/00000013900

Statement of directors' responsibilities

For the year ended 31 December 2018

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 Cap C.20, Laws of the Federation of Nigeria, 2004 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 Cap C.20, Laws of the Federation of Nigeria, 2004 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
Date March 19, 2019

Kunle Olowokande (FRC/2019/IODN/00000019259)
Director
Date March 19, 2019

REPORT OF THE AUDIT COMMITTEE

In compliance with the provisions of Section 359 (6) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004 (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, 2018 were adequate in our opinion.

2. The accounting and reporting policies of the Company conformed to statutory requirements and agreed ethical practices.

3. The internal control was being constantly and effectively monitored.

4. Having reviewed the External Auditors' findings and recommendations on management matters, we are satisfied with management response thereon.

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

The members of the Audit Committee for the 2018 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.	Mr Nelson Nweke	-	Independent Non-Executive Director/Member
5.	Mr Kunle Olowokande	-	Non-Executive Director/Member
6.	Chief Musa Danjuma	-	Non-Executive Director/Member

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

Dated March 12, 2019

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 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 16 to 66.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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, Cap C.20, Laws of the Federation of Nigeria, 2004 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 the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (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 significant judgment by management in the estimation of the percentage of completion of individual contracts at year end. See notes 4 (significant accounting policies) and note 6 (revenue) respectively of these financial statements.

How the matter was addressed in our audit
Our audit procedures included the following:

- evaluated the design, implementation and operating effectiveness of key internal 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;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;

- recalculated rental revenue recognised in respect of the Company's investment property based on the report issued by the external property manager and;

- checked that for a sample of revenue transactions occurring prior to, and immediately after the year end date, revenue was recognized in the appropriate period.

The Company's accounting policy and notes on revenue are shown in notes 4(L) and 6 respectively of these financial statements.

Other Information

The Directors are responsible for the other information which comprises the Corporate Information, Financial Highlights, Directors Report, Statement of Directors' Responsibilities, Report of the Audit Committee and Other National Disclosures (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. It 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 identified above 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.

When we read the outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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, Cap C.20, Laws of the Federation of Nigeria, 2004 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 the 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, related safeguards.

From the matters communicated with the 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 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and 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.

Oluwatoyin A. Gbagi, FCA
FRC/2012/ICAN/00000000565
For: KPMG Professional Services
Chartered Accountants
29 March 2019
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0241292

Statement of Financial Position

As at 31 December

In thousands of naira

	Notes	2018	2017
Assets			
Property, plant and equipment	14(a)	2,410,120	2,208,523
Intangible assets	15	33,785	54,628
Investment property	16	445,270	466,295
Total non-current assets		2,889,175	2,729,446
Inventories	17	606,712	574,991
Trade and other receivables	18	190,982	175,390
Deposit for imports	19	134,775	29,411
Prepayments and advances	20	65,578	46,439
Other financial assets	22	129,213	-
Cash and cash equivalents	21	518,864	755,747
Total current assets		1,646,124	1,581,978
Total assets		**4,535,299**	**4,311,424**
Equity			
Share capital	23(a)	144,912	144,912
Share premium	23(b)	635,074	635,074
Retained earnings		2,033,066	1,861,159
Total equity		2,813,052	2,641,145
Liabilities			
Loans and borrowings	26	256,707	380,821
Deferred income	25	64,327	71,579
Deferred taxation	12(e)	116,175	137,347
Total non-current liabilities		437,209	589,747
Loans and borrowings	26	109,897	73,435
Current tax liabilities	12(d)	175,649	102,498
Trade and other payables	24	622,491	557,395
Deferred income	25	24,668	26,077
Dividend payable	28	352,333	321,127
Total current liabilities		1,285,038	1,080,532
Total liabilities		1,722,247	1,670,279
Total equity and liabilities		**4,535,299**	**4,311,424**

These financial statements were approved by the Board of Directors on March 19, 2019 and signed on its behalf by:

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

Kunle Olowokande (FRC/2019/IODN/00000019259)
Director

Modupe Oguntade (FRC/2014/ICAN/00000002246)
Ag. Managing Director

Shakiru Oyegbele (FRC/2013/ICAN/00000002321)
Ag. Chief Finance Officer

The accompanying notes on pages 20 to 66 form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

In thousands of naira	Notes	2018	2017
Revenue	5 & 6	3,377,223	3,012,648
Cost of sales	5 & 10(a)	(1,896,862)	(1,840,664)
Gross profit		**1,480,361**	**1,171,984**
Other income	7	43,821	183,441
Selling and distribution expenses	5 & 10(a)	(237,375)	(161,541)
Administrative expenses	5 & 10(a)	(829,609)	(847,468)
Operating profit before credit impairment charges		**457,198**	**346,416**
Impairment loss on trade receivables	5 & 10(a)	(14,899)	(6,892)
Operating profit		**442,299**	**339,524**
Finance income	8	31,189	29,888
Finance costs	8	(19,160)	(29,956)
Net finance income/(costs)		**12,029**	**(68)**
Profit before taxation	9	**454,328**	**339,456**
Taxation	12(a)	(133,819)	(93,180)
Profit for the year		**320,509**	**246,276**
Other comprehensive income			
Available-for-sale financial assets - net change in fair value	12(b)	-	27,903
Related tax	12(b)	-	(8,929)
Other comprehensive income for the year		**-**	**18,974**
Total comprehensive income		**320,509**	**265,250**
Earnings per share:			
Basic and diluted earnings per share (kobo)	13	111	85

The accompanying notes on pages 20 to 66 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2018

In thousands of naira

	Note	Share capital	Share premium	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2018		144,912	635,074	-	1,861,159	2,641,145
IFRS transition adjustment (net of tax)	3(b)	-	-	-	(3,690)	(3,690)
Adjusted balance at 1 January, 2018		**144,912**	**635,074**	**-**	**1,857,469**	**2,637,455**
Comprehensive income for the year						
Profit for the year		-	-	-	320,509	320,509
Other comprehnsive income for the year					-	-
Total comprehensive income for the year		-	-	-	320,509	320,509
Transactions with owners, recorded directly in equity						
Dividend	28	-	-	-	(144,912)	(144,912)
Total transactions with owners		-	-	-	(144,912)	(144,912)
Balance at 31 December, 2018		**144,912**	**635,074**	**-**	**2,033,066**	**2,813,052**
Balance at 1 January 2017		**144,912**	**635,074**	**64,400**	**1,759,795**	**2,604,181**
Comprehensive income for the year						
Profit for the year		-	-	-	246,276	246,276
Other comprehensive income	12(b)	-	-	18,974	-	18,974
Total comprehensive income for the year		-	-	18,974	246,276	265,250
Transactions with owners, recorded directly in equity						
Fair value reserve reclassified to profit or loss		-	-	(83,374)	-	(83,374)
Dividend	28	-	-	-	(144,912)	(144,912)
Total transactions with owners		-	-	(83,374)	(144,912)	(228,286)
Balance at 31 December 2017		**144,912**	**635,074**	**-**	**1,861,159**	**2,641,145**

The accompanying notes on pages 20 to 66 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2018

In thousands of naira

	Note	2018	2017
Cash flows from operating activities			
Profit for the year		320,509	246,276
Adjustments for:			
- Depreciation	10(b)	125,569	106,787
- Amortisation	15	20,922	6,883
- PPE write off		9,762	-
- Finance income	8	(31,189)	(29,888)
- Finance cost	8	19,160	29,956
- Fair value reserve reclassified to profit or loss	23(c)	-	(83,374)
- Gain on sale of property, plant and equipment	9	(6,335)	(14,669)
- Taxation	12(a)	133,819	93,180
		592,217	355,151
Changes in:			
- Inventories		(31,721)	(5,516)
- Trade and other receivables	18(c)	(15,275)	211,020
- Deposit for imports		(105,364)	(29,411)
- Prepayments and advances	20(a)	(55,437)	49,909
- Trade and other payables	24(d)	64,576	(133,850)
- Deferred income		(8,661)	46,188
Cash generated from operating activities		440,335	493,491
WHT credit notes utilised	12(d)	(9,982)	(10,482)
Tax paid	12(d)	(50,300)	(166,284)
Net cash generated from operating activities		380,053	316,725
Cash flows from investing activities			
Purchase of property plant and equipment	14(g)	(268,981)	(383,756)
Purchase of intangible assets	15	(79)	(61,511)
Proceeds from sale of available for sale financial assets		-	215,040
Proceeds from sale of property, plant and equipment		25,068	14,614
Interest income on bank deposits	8	17,831	24,507
Interest income on other financial asset	8	13,041	-
Other financial assets	22	(129,213)	-
Net cash used in investing activities		(342,333)	(191,106)
Cash flows from financing activities			
Proceeds from loans and borrowings	26(b)	26,640	349,748
Repayment of borrowings	26(b)	(187,537)	(57,332)
Dividend paid	28	(113,706)	(149,237)
Net cash (used in)/generated from financing activities		(274,603)	143,179
Net (decrease)/increase in cash and cash equivalents		(236,883)	268,798
Cash and cash equivalents at 1 January		755,747	486,949
Cash and cash equivalents at 31 December	21	518,864	755,747

The accompanying notes on pages 20 to 66 form an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2018

Notes to the Financial Statements
For the year ended 31 December 2018

1 Reporting Entity

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

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

2 Basis of Preparation

(a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011. The financial statements were authorised for issue by the Board of Directors on March 19, 2019.

(b) *Basis of measurement*

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

-Non-derivative financial instruments initially measured at fair value and subsequently measured at amortised cost.

-Government grant (recognised as deferred income) measured at fair value.

- Inventories: Lower of cost and net realisable value.

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

(c) *Functional and presentation currency*

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

(d) *Use of estimates and judgment*

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

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

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

Note 4(Q) and 31	Leases: whether an arrangement contains a lease
Note 4(D),(F),14 and 15	Determination of the useful life of leasehold land
Note 4(L) and 6	Recognition and measurement of revenue from rendering of 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	Determination of fair values
Note 4(G) and 18	Impairment of financial assets: Expected credit loss and forward looking information
Note 26 (a)	Determination of repayment cashflows in respect of the investment property development financing arrangement.

(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:

Notes to the Financial Statements
For the year ended 31 December 2018

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

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

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

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

3 Changes in significant accounting policies

The Company has initially adopted IFRS 15 Revenue from Contracts with Customers (see (a) below) and IFRS 9 Financial Instruments (see (b) below) from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Company’s financial statements.

The effect of initially applying these standards, especially IFRS 9, is mainly attributed to an increase in impairment losses recognised on financial assets.

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated- i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

IFRS 15 did not have a significant impact on the Company's accounting policies, statement of financial position, statement of profit or loss and other comprehensive income, statement of cashflows and earnings per share. The Company's accounting policies relating to revenue from contract with customers is disclosed in Note 4(L).

(b) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company’s approach was to include the impairment of trade receivables in administrative expenses. Consequently, the Company reclassified impairment losses amounting to ₦6.89million, recognised under IAS 39, from ‘administrative expenses’ to ‘impairment loss on trade receivables’ in the statement of profit or loss and OCI for the year ended 31 December 2017.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

Notes to the Financial Statements
For the year ended 31 December 2018

The table below summarises the impact, net of tax, of transition to IFRS 9 on the retained earnings.

in thousands of naira	**Impact of adopting IFRS 9**
Retained earnings as previously reported	1,861,159
Recognition of expected credit losses under IFRS 9	(5,427)
Related tax	1,737
IFRS transition adjustment (net of tax)	(3,690)
Retained earnings under IFRS 9 at 1 January 2018	**1,857,469**

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

in thousands of naira	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Financial assets:				
Trade and other receivables*	Loans and trade receivable	Amortised cost	175,390	169,963
Cash and cash equivalents	Cash and cash equivalent	Amortised cost	755,747	755,747
Other financial assets**	-	Amortised cost	-	-
Total financial assets			**931,137**	**925,710**

in thousands of naira	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Financial liabilities:				
Trade payables	Other financial liabilities	Other financial liabilities	557,395	557,395
Loans and borrowings	Other financial liabilities	Other financial liabilities	454,256	454,256
Total financial liabilities			**1,011,651**	**1,011,651**

Notes to the Financial Statements
For the year ended 31 December 2018

*Trade and other receivables previously classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of ₦5.4 million in allowance for impairment over these receivables was recognised in opening retained earnings as at 1 January 2018 on transition to IFRS 9.

**The Company did not have other financial assets as at 1 January 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

in thousands of naira	**IAS 39 carrying amount at 31 December 2017**	**Reclassification**	**Remeasurement**	**IFRS 9 carrying amount at 1 January 2018**
Financial assets				
Amortised cost;				
Trade and receivables:				
Brought forward: loans and receivables	175,390	-	-	-
Remeasurement	-	-	(5,427)	-
Carried forward: Amortised cost	-	-	-	169,963
Other financial assets	-	-	-	-
Cash and cash equivalents	755,747	-		755,747
Total amortised cost	931,137	-	(5,427)	925,710

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 30.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows:

in thousand of naira	**2018**
Loss allowance at 31 December 2017 under IAS 39	99,674
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables	5,427
Loss allowance at 1 January 2018 under IFRS 9	105,101

(iii) Transition

The Company has used an exemption not to restate the comparative for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amount of financial instruments resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39. The determination of the business model under which a financial asset is held has been made based on the basis of the fact and circumstances that existed at the date of initial application.

Notes to the Financial Statements
For the year ended 31 December 2018

4 Significant Accounting Policies

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

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

Policy applicable from 1 January 2018

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.

ii. Classification

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;

Notes to the Financial Statements
For the year ended 31 December 2018

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Business model assessment: Policy applicable from 1 January 2018

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.

Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

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).

Notes to the Financial Statements
For the year ended 31 December 2018

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 paramount, 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.

(iii) Subsequent measurement

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.

(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.

Policy applicable before 1 January 2018

i. Non-derivative financial assets

The Company's financial asset comprises loans and receivables and cash and cash equivalent. The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Notes to the Financial Statements
For the year ended 31 December 2018

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Subsequent to initial recognition, non-derivative financial assets are measured as described below:

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables and cash & cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash balances with banks, and short term investments with maturities of three months or less from the date of acquisition, which are subject to an insignificant risk of change in value, less any overdrafts.

ii. Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has the following non-derivative financial liabilities: Trade & other payables, and loans and borrowings. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities, for which the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date, are classified as non-current liabilities.

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

C. Capital and other reserves

i. Share capital

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

ii. Share premium

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

iii. Retained earnings

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

Notes to the Financial Statements
For the year ended 31 December 2018

iv. Fair value reserve

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

D. Property, plant and equipment

i. **Recognition and measurement**

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

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

ii. **Subsequent cost**

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

iii. **Derecognition**

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

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

iv. **Depreciation**

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

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

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

- Leasehold land – Unlimited
- Buildings – 20 years
- Plants and machinery
  - Fixed plant – 12 years
  - Movable plant – 7 years
  - Generators – 5 years

Notes to the Financial Statements
For the year ended 31 December 2018

- Motor vehicles
  - Trucks – 6 years
  - Official vehicles – 4 years
- Furniture and fittings – 8 years
- Computer equipment – 2 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.
The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

E. Intangible assets

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

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

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

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.

Notes to the Financial Statements
For the year ended 31 December 2018

Except for leasehold land, the estimated useful lives for the current and comparative periods are as follows:

- Buildings – 20 years
- Leasehold land – unlimited

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

iv. **Transfers**

Transfers to, or from, investment property are made when there is a change in use, evidenced by:
- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;

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

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

G. Impairment

Non-derivative financial assets

Policy applicable from 1 January 2018

i. Financial instrument

The Company's financial assets consist of cash and cash equivalent, trade receivables and other financial assets, The Company recognises loss allowances for expected credit loss (ECL) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs.
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.
The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.
The Company considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 60 days past due.

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

Notes to the Financial Statements
For the year ended 31 December 2018

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

ii Measurement of ECLs

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

iii Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

v Write off

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

Policy applicable before 1 January 2018

i. Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Notes to the Financial Statements
For the year ended 31 December 2018

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by Companying together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

For debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets above. Reversals of impairment of debt instruments are recognised in the profit or loss.

ii. Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are Combined together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Company's of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the other assets in the unit (Company of units) on a pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

Notes to the Financial Statements
For the year ended 31 December 2018

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

K. Inventories

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

Raw materials, non-returnable packaging materials and consumable spare parts	– purchase cost on a weighted average basis including transportation and applicable clearing charges.
Finished products and products-in-process	– weighted average cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.
Goods in transit	– Purchase cost incurred to date

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

L. Revenue by nature

(i) Revenue from contract with customers

The Company has initially applied IFRS 15 from 1 January, 2018. Information about the Company's accounting policies relating to contracts with customers and the effect of initially applied IFRS 15 is disclosed in note 3.

Policy applicable from 1 January 2018

a Sale of paints and allied products

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

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

b Contract services - supply and apply services contract

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

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

Revenue is recognized overtime on basis of the Company’s cost incurred relative to the total expected cost for the satisfaction of the performance obligation. The related cost are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities.

Policy applicable before 1 January 2018

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.

Notes to the Financial Statements
For the year ended 31 December 2018

Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

b Contract services - supply and apply services contract

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

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

If the outcome of a service can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed by recalculating the proportion that costs incurred to date bears to the estimated total costs of the service. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

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

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

N. Government grant

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2018

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 expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax includes company income tax, tertiary education tax and capital gains tax.
Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Income tax liabilities are presented in the statement of financial position net of withholding taxes.

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 is recognised in profit or loss account except to the extent that it relates to a transaction that is recognised directly in equity. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the amount will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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. Determining whether an arrangement contains a lease

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

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

ii. Leased assets

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

Notes to the Financial Statements
For the year ended 31 December 2018

iii. Lease payments

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

R. Statement of cashflows

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

S. Operating Segment

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

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

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

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

T. Dividends

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

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

U. Prepayments and advances

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

V. Deposit for imports

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

W. Investment in subsidiary

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

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 are effective for annual periods beginning after 1 January, 2018 and earlier adoption is permitted; however, the Company has not early adopted the new or amended standard in preparing the financial statement.

– **A) - IFRS 16 - Leases**

The Company is required to adopt IFRS 16 leases from 1 January, 2019. IFRS 16 introduces a single on-balance sheet accounting model for leases. A lessee recognisese a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments; there are recognition exemption for short term leases and leases of low value items. As at 31 December, 2018, the company does not have lease arangement where the company is a leasee. Hence, no impact upon initial application of the standard.

– **B) - Other standards**

- IFRIC 23 Uncertainty over Income Tax Treatments

Z. New currently effective requirement

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Annual improvements to IFRSs 2014 - 2016 Cycle - Amendments to IFRS 1 and IAS 28
- Transfers of Investment Property (Amendments to IAS 40)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

5 Change in presentation

To enhance comparability, certain comparative figures were reclassified as shown below

In thousands of naira	**Prior period presentation (31 Dec 2017)**	**Reclassifications**	**Current period presentation (31 Dec 2017)**
Revenue*	3,092,445	(79,797)	3,012,648
Cost of sales**	(1,819,368)	(21,296)	(1,840,664)
Gross profit	**1,273,077**	**(101,093)**	**1,171,984**
Other income	183,441	-	183,441
Selling and distribution expenses*	(216,774)	55,233	(161,541)
Administrative expenses**	(900,220)	52,752	(847,468)
Operating profit before credit impairment charges	**339,524**	**6,892**	**346,416**
Impairment loss on trade receivables (note 3(b))	-	(6,892)	(6,892)
Operating profit	**339,524**	**-**	**339,524**
Finance income	29,888	-	29,888
Finance costs	(29,956)	-	(29,956)
Net finance costs	**(68)**	**-**	**(68)**
Profit before taxation	**339,456**	**-**	**339,456**
Taxation	(93,180)		(93,180)
Profit for the year	**246,276**	**-**	**246,276**

*In prior year, rebates and other incentives given to the Outsourced Business Partners were treated as selling and distribution expenses. This has been reclassified to revenue to provide a fairer presentation of revenue.

**In prior year, amortisation charge from the investment property, maintainance and fuel expenses of delivery trucks were treated as a part of administrative expenses. This has been treated as cost of sales to give a fairer presentation of cost of sales and selling and distribution expenses.

6 Revenue

The effect of initially applying IFRS 15 on the Company's revenue from contracts with customers is described in Note 3(a). Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

(a) Revenue stream for the year comprises:

In thousands of naira	**Recognition policy**	**2018**	**2017**
(i) Revenue from contract with customers			
- Sale of paints and allied products*	At a point in time	3,283,477	2,914,694
- Contract services	Over time	59,507	49,500
(ii) Revenue from investment property	Over time	34,239	48,454
		3,377,223	**3,012,648**

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

In thousands of naira	**2018**	**2017**
Revenue (net of value added tax)	3,875,144	3,427,407
Discount allowed to customers	(472,423)	(432,916)
Rebates to customers	(76,247)	(51,159)
Customers support fee	(42,997)	(28,638)
Total revenue	**3,283,477**	**2,914,694**

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

(b) Contract balances

The Company's contract balance comprises of trade receivables from contract with customers.

In thousands of naira	**2018**	**2017**
Trade receivables (note 18(a))	149,297	143,126

7 Other income

Other income comprises:

In thousands of naira	**2018**	**2017**
Sale of Scrap	5,017	10,551
Rental income on property subleases*	32,215	45,369
Profit from disposal of property, plant and equipment	6,335	14,669
Insurance claims received	66	1,356
Income from outsourced business partners (distributors)	188	27,873
Gain from sale of financial assets**	-	83,374
Sale of diesel oil & miscellaneous income	-	249
	43,821	**183,441**

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

**This represents a one-off gain from sale of "available for sale financial assets" in prior year.

Notes to the Financial Statements
For the year ended 31 December 2018

8 Finance income and finance cost

Recognized in profit or loss:

In thousands of naira	2018	2017
Interest income on bank deposits	17,831	24,507
Interest income on other financial assets	13,041	-
Foreign currency gain	317	5,381
Toal finance income	**31,189**	**29,888**
Foreign currency loss	(520)	(12,095)
Interest expense on financial liabilities measured at amortised costs.	(18,640)	(17,861)
Total finance cost	**(19,160)**	**(29,956)**
Net finance income/(costs) recognised in profit or loss	**12,029**	**(68)**

9 Profit before taxation

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

In thousands of naira	Note	2018	2017
Directors' emoluments	10(a)	59,083	53,055
Depreciation	10(b)	125,569	106,787
Amortisation	15	20,922	6,883
Personnel expenses	11(a)	466,075	580,909
Auditors' remuneration	10(a)	17,500	17,500
Profit on disposal of property, plant and equipment	7	(6,335)	(14,669)

10 (a) Operating Expenses

Analysis of expenses by nature

In thousands of naira	Note	2018	2017
Directors emoluments	11(d)	59,083	53,055
Personnel expenses	11(a)	466,075	580,909
Training expenses		14,032	14,455
Repairs and maintenance		76,557	81,256
Office and corporate expenses		35,811	33,802
License and permits		17,302	15,876
Utilities		76,304	41,212
Insurance		5,929	8,324
Travel, transport and accommodation		110,981	108,003
Rent, rate and levies		3,025	4,318
Subscriptions and donations		6,917	7,783
Depreciation	10(b)	125,569	106,787
Amortisation	15	20,922	6,883
Printing and stationery		4,662	7,724
Legal and professional services fees		85,519	42,525
Auditors' remuneration		17,500	17,500
Impairment loss on trade receivables		14,899	6,892
Item of plant, property and equipment write off		9,762	-
Bank charges		5,642	6,403
Selling expenses -Advertisement and publicity		103,536	69,115
Distribution and selling expenses		133,839	92,426
Raw materials and consumables		1,552,881	1,526,417
Supply and apply services contract expenses		31,998	24,900
		2,978,745	**2,856,565**

Notes to the Financial Statements
For the year ended 31 December 2018

Summarised as follows;

Cost of sales		1,896,862	1,840,664
Selling and distribution expenses		237,375	161,541
Administrative expenses		829,609	847,468
Impairment loss on trade receivables		14,899	6,892
Total cost		**2,978,745**	**2,856,565**

(b) Depreciation

Depreciation charged for the year comprises:			
Depreciation of property, plant and equipment	14	104,544	85,490
Depreciation of investment property	16	21,025	21,297
Total depreciation		**125,569**	**106,787**

11 Personnel expenses

(a) Personnel expenses, excluding remuneration of executive directors during the year comprises:
In thousands of naira

Salaries, wages and allowances	431,587	542,492
Employer contribution to compulsory pension fund scheme	34,488	38,417
	466,075	580,909

(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:

			2018	**2017**
₦		₦	Number	Number
500,001	-	1,000,000	31	30
1,000,001	-	1,500,001	78	86
1,500,001	-	2,000,001	29	22
2,000,001	-	3,000,001	20	12
3,000,001	and	above	12	15
			170	165

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

	2018	**2017**
	Number	Number
Production	39	40
Sales and marketing	47	35
Finance	16	16
Administration	13	11
Maintenance	10	10
Corporate	4	7
Procurement	3	4
Distribution	14	14
Information Technology (IT)	3	4
Technical	12	13
Raw materials	9	11
	170	165

Notes to the Financial Statements
For the year ended 31 December 2018

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

In thousands of naira	**2018**	**2017**
Fees paid to non-executive directors	29,286	28,895
Salaries	29,797	24,160
	59,083	53,055

The directors' remuneration shown above includes:

In thousands of naira	**2018**	**2017**
Chairman	2,242	3,100
Highest paid director	29,797	24,160

Other directors received emoluments in the following ranges:

			2018	**2017**
₦		₦	Number	Number
250,001	-	1,000,000	1	3
1,000,001	-	3,000,000	3	3
3,000,001	-	5,000,000	2	1
5,000,001	-	8,000,000	1	1
			7	8

12 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:

In thousands of naira	**2018**	**2017**
Current tax expense:		
Company income tax	139,839	53,973
Capital gains tax	74	25
Tertiary education tax	12,533	5,684
	152,446	59,682
Back duty assessment for 2015 YOA *	17,285	-
WHT credit impairment **	26,023	-
WHT credit recovered	(42,500)	(27,245)
Charge for the year	153,254	32,437
Deferred tax (credit)/expense:		
Origination and reversal of temporary differences (Note 12(e))	(19,435)	60,743
	(19,435)	60,743
Income tax expense	**133,819**	**93,180**

*Amount represents back duty assessment by the Federal Inland Revenue Service (FIRS) in respect of 2015 year of assessment (YOA).

**This represent impairment of long outstanding WHT receivable with low probability of recovery as at year end.

(b) Amounts recognised in other comprehensive income:

The Company did not have assets measured at fair value through profit or loss as at 31 December 2018.

In thousands of naira	2018			2017		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Fair value change on financial asset*	-	-	-	27,903	(8,929)	18,974
	-	-	-	27,903	(8,929)	18,974

*The Company did not have a financial asset classified as fair value through other comprehensive income (FVOCI) as at 1 January 2018.

(c) Reconciliation of effective tax rate:

In thousands of naira	%	2018	%	2017
Profit for the year		320,509		246,276
Taxation		133,819		93,180
Profit before taxation		454,328		339,456
Income tax using the Company's domestic rate of 30%	30	136,298	30	101,837
Tertiary education tax @ 2%	2	9,087	2	6,789
- Non-deductible expenses	2	10,800	2	6,797
- Tax exempt income	-	(2,029)	-	-
- Tax incentives	(1)	(2,692)	(0)	(1,000)
- Net WHT notes recovered	(4)	(16,477)	(8)	(27,245)
- Other tax differences	-	(1,242)	2	5,994
- Effect of capital gains tax	-	74	-	8
Tax expense	29	133,819	27	93,180

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

In thousands of naira

i. **Current tax liabilities**

	2018	2017
Balance as at 1 January	126,680	271,009
Current year charge	152,446	59,682
Back duty assessment for 2015 YOA (note 12a)	17,285	-
Cash payments	(50,300)	(166,284)
WHT credit notes previously impaired, now recovered	(42,500)	(27,245)
WHT credit notes utilised	(9,982)	(10,482)
Balance as at 31 December	193,629	126,680

ii. **WHT credit notes**

	2018	2017
Balance as at 1 January	24,182	24,535
Additions	16,870	10,129
WHT credit notes impaired	(13,090)	-
WHT credit notes utilised	(9,982)	(10,482)
Balance as at 31 December	17,980	24,182
Total current tax liabilities as at 31 December	175,649	102,498

Notes to the Financial Statements
For the year ended 31 December 2018

(e) Movement in deferred taxation
In thousands of naira

	Balance at 1 January	Tax Impact of IFRS 9 transition Adjustment	Recognised in profit or loss	Recognised in Other comprehensive income	Net	Deferred tax assets	Deferred tax liabilities
31 December 2018							
Property, plant and equipment	185,087	-	(3,451)	-	181,636	-	181,636
Allowance on trade receivable*	(26,345)	(1,737)	(12,056)	-	(40,138)	(40,138)	-
Provision for gratuity discontinued	(2,730)	-	1,919	-	(811)	(811)	-
Provision for slow moving inventories	(16,516)	-	(7,930)	-	(24,446)	(24,446)	-
Unrealised exchange losses/(gain)	(2,149)	-	2,083	-	(66)	(66)	-
Net tax (assets)/ liabilities	137,347	(1,737)	(19,435)	-	116,175	(65,461)	181,636
31 December 2017							
Property, plant and equipment	126,838	-	58,249	-	185,087	-	185,087
Allowance on trade receivable	(27,890)	-	1,545	-	(26,345)	(26,345)	-
Provision for gratuity discontinued	(52,391)	-	49,661	-	(2,730)	(2,730)	-
Provision for slow moving inventories	-	-	(16,516)	-	(16,516)	(16,516)	-
Unrealised exchange losses/(gain)	444	-	(2,593)	-	(2,149)	(2,149)	-
Available-for-sale financial assets - net change in fair value	20,674	-	(29,603)	8,929	-	-	-
Net tax (assets)/ liabilities	67,675	-	60,743	8,929	137,347	(47,740)	185,087

*The movement in trade receivable as at 1 January 2018 upon the adoption of IFRS 9 is disclosed in note 30(b(ii)).

13 Basic and diluted earnings per share

Basic earnings per share of 111 kobo (2017: 85 kobo) is based on the profit for the year of ₦321 million (2017: ₦246million) and on 289,823,447 (2017: 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 2018

14 Property Plant and equipment

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

In thousands of naira

	Leasehold Land N'000	Buildings N'000	Plants and Machinery N'000	Furniture and fittings N'000	Motor Vehicles N'000	Computer Equipment N'000	Capital work-in progress N'000	TOTAL N'000
Cost								
Balance at 1 January 2017	402,650	343,002	370,116	52,475	288,330	138,257	1,147,215	2,742,045
Additions	-	-	11,434	2,943	48,000	21,895	342,953	427,225
Disposals	-	-	(2,646)	(590)	(45,370)	(7,900)	-	(56,506)
Balance at 31 December 2017	402,650	343,002	378,904	54,828	290,960	152,252	1,490,168	3,112,764
Balance at 1 January 2018	402,650	343,002	378,904	54,828	290,960	152,252	1,490,168	3,112,764
Additions	-	1,343	26,086	3,874	20,158	20,003	263,172	334,636
Transfer	-	-	58,047	-	-	-	(58,047)	-
Disposals/write-off	(12,650)	(8,520)	(87,336)	(19,879)	(53,768)	(105,163)	-	(287,316)
Balance at 31 December 2018	390,000	335,825	375,701	38,823	257,350	67,092	1,695,293	3,160,084
Accumulated depreciation								
Balance at 1 January 2017	79,183	186,631	208,343	42,927	224,193	133,925	-	875,202
Charge for the year	-	17,103	10,058	2,962	47,980	7,387	-	85,490
Disposals	-	-	(2,646)	(590)	(45,315)	(7,900)	-	(56,451)
Balance at 31 December 2017	79,183	203,734	215,755	45,299	226,858	133,412	-	904,241
Balance at 1 January 2018	79,183	203,734	215,755	45,299	226,858	133,412	-	904,241
Charge for the year	-	16,975	31,796	3,825	35,594	16,354	-	104,544
Disposals/write-off	(1,102)	(1,386)	(78,487)	(18,959)	(53,768)	(105,119)	-	(258,821)
Balance at 31 December 2018	78,081	219,323	169,064	30,165	208,684	44,647	-	749,964
Carrying amounts								
At 31 December 2017	323,467	139,268	163,149	9,529	64,102	18,840	1,490,168	2,208,523
At 31 December 2018	311,919	116,502	206,637	8,658	48,666	22,445	1,695,293	2,410,120

Notes to the Financial Statements
For the year ended 31 December 2018

(b) **Assets pledged as security**

No asset of the Company was pledged as security for loan as at 31 December, 2018 (December 2017: Nil)

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

No impairment loss was recognised for the year (December 2017: Nil).

(d) **Capital commitments**

Capital expenditure commitments for the year ended 31 December 2018 authorised by the Board of Directors comprise:

In thousands on naira	**2018**	**2017**
Approved and contracted	334,636	341,778
Approved but not contracted	177,028	85,444
	511,664	427,222

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

Expenditure on capital work in progress as at 31 December 2018 is analysed as follows:

In thousands on naira	**2018**	**2017**
Plant and machinery	1,171,415	1,036,937
Buildings	523,878	453,231
	1,695,293	1,490,168

Included in this amount of capital work in progress are capitalized borrowing costs of ₦65.7 million (December 2017: ₦43.5 million), at a capitalization rate of 100%.

(f) **Assets held on finance lease**

The leasehold land is held under finance lease arrangements for a minimum lease term of 99 years. The lease amounts were fully paid at the inception of the lease.

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.

Notes to the Financial Statements
For the year ended 31 December 2018

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

In thousands on naira	**2018**	**2017**
Additions (Note 14(a))	334,636	427,225
Borrowing cost capitalised	(65,655)	(43,469)
	268,981	383,756

15 Intangible assets

In thousands of naira	**Computer Software**
Cost	
Balance at 1 January 2017	-
Additions	61,511
Balance at 31 December 2017	61,511
Balance at 1 January 2018	61,511
Additions	79
Balance at 31 December, 2018	61,590
Accumulated amortisation	
Balance at 1 January 2018	-
Charge for the year	6,883
Balance at 31 December 2017	6,883
Balance at 1 January 2018	6,883
Charge for the year	20,922
Balance at 31 December, 2018	27,805
Carrying amounts	
At 31 December 2017	54,628
At 31 December 2018	33,785

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

Intangible assets amortisation charged to profit or loss for the year amounts to ₦20.92million (2017: ₦6.88million) and is included as part of administrative expenses.

Notes to the Financial Statements
For the year ended 31 December 2018

16 Investment property

The movement on this account was as follows:

In thousands of naira	**2018**	**2017**
Cost		
Balance at 1 January	604,468	604,468
Balance at 31 December	604,468	604,468
Accumulated depreciation		
Balance at 1 January	138,173	116,876
Charge for the year	21,025	21,297
Balance at 31 December	159,198	138,173
Carrying amounts at 31 December	445,270	466,295

Rental income generated from investment property during the year was ₦34 million (2017: ₦48 million).

Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the year was ₦3.76million (2017: ₦3.4million).

Depreciation of ₦21.0 million (December 2017: ₦21.3 million) charged on investment property for the year was included in cost of sales.

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.

The fair value of the investment property as at year end has been estimated to be ₦2.05billion (2017: ₦ 2.02 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/00000013406. 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.

17 Inventories

In thousands of naira

	2018	**2017**
Raw and packaging materials	361,249	323,161
Finished products	258,607	246,924
Product-in-procress	11,845	19,595
Consumables and spare parts	23,159	17,997
Goods in transit	28,245	18,927
	683,105	626,604
Impairment allowance	(76,393)	(51,613)
	606,712	574,991

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 ₦1.55 billion (2017 :₦1.52 billion).

Notes to the Financial Statements
For the year ended 31 December 2018

18 Trade and other receivables

(a)

In thousands of naira	**2018**	**2017**
Trade receivables (Note 6(b))	149,297	143,126
Rent Receivable	67,695	69,542
Staff debtors	1,814	4,312
Deposit with Company registrar	85,610	46,400
Other receivables	6,566	11,684
Total trade and other receivables	310,982	275,064
Impairment allowance	(120,000)	(99,674)
	190,982	175,390

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:

In thousands of naira	**2018**	**2017**
Balance at 1 January under IAS 39	99,674	92,782
Adjustment on initial application of IFRS 9	5,427	-
Balance at 1 January under IFRS 9	105,101	92,782
Net impairment loss recognised	14,899	6,892
Balance at 31 December	120,000	99,674

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

	2018	**2017**
Movement in trade and other receivables	(15,592)	205,639
Exchange gain (Note 8)	317	5,381
Changes in trade and other receivables per statement of cash flows	(15,275)	211,020

19 Deposit for imports

The deposit for import represent amounts deposited with banks to fund letters of credit. These letters of credit are meant to finance the importation of raw materials and items of property, plant and equipment. The total value of deposit for imports as at 31 December 2018 amounted to ₦134.78 million (2017: ₦29.41 million).

20 Prepayments and advances

In thousands of naira	**2018**	**2017**
Prepaid rent	-	311
Advance payment to suppliers	29,838	17,013
WHT receivables	22,390	21,535
Prepaid insurance and others	13,350	7,580
	65,578	46,439

Notes to the Financial Statements
For the year ended 31 December 2018

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

In thousands of naira

	2018	2017
Movement in prepayment and advances	(19,139)	76,801
WHT credit notes previously impaired, now recovered (note 12(a))	(42,500)	(27,245)
Movement in WHT credit notes	6,202	353
Changes in prepayments and advances per statement of cash flows	(55,437)	49,909

21 Cash and cash equivalents

In thousands of naira	2018	2017
Cash on hand	100	105
Balance with banks	364,238	449,078
Short term deposits with banks	154,526	306,564
Cash and cash equivalents	**518,864**	**755,747**

The short term deposit with banks included in cash and cash equivalents is with roll able maturity of thirty (30) days term.
The Company's exposure to credit and market risk for financial assets is disclosed in Note 30.

22 Other financial assets

This represents unclaimed dividend returned by the Company's registrar and invested in short term fixed deposits as at year end (2017:Nil).
As at 31 December 2018, the investment is analysed as stated below:

Fixed deposit:	2018	2017
Principal	128,045	-
Interest	1,168	-
	129,213	**-**

23 Capital and reserves

(a) Ordinary shares as at 31 December 2018

In thousands of naira	2018	2017
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	2018	2017
At 1 January	635,074	635,074
At 31 December	635,074	635,074

(c) Fair value reserve

In thousands of naira

	2018	2017
At 1 January	-	64,400
Fair value change on available-for-sale investments (Note 12b)	-	27,903
Related tax on gains on available-for-sale investments (Note 12b)	-	(8,929)
Fair value reserve reclassified to profit or loss during the year	-	(83,374)
At 31 December	-	-

Notes to the Financial Statements
For the year ended 31 December 2018

24 Trade and other payables

(a) Trade and other payables comprises:

In thousands of naira	2018	2017
Trade payables	201,353	178,196
Customer deposits for paints	143,212	117,011
Value Added Tax payable	25,577	16,845
Withholding Tax payable	45,085	34,043
PAYE payable	36,224	36,659
Short term employee payables (Note (c))	-	8,531
Pension payable (Note (b))	5,334	18,175
Other non-income taxes	12,718	19,603
Accruals	116,056	101,460
Other payables	36,932	26,872
	622,491	557,395

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

(b) ***Pension payable***

In thousands of naira	2018	2017
Balance at 1 January	18,175	18,175
Charge for the year	56,997	49,976
Payments	(69,838)	(49,976)
Balance at 31 December	5,334	18,175

(c) ***Short term employee payables***

The Company officially discontinued the staff gratuity benefits in December 31, 2016. Additional charges were recognised in prior year after discussions and consultations with all stake holders such as the staff trade and labour unions. Benefits payable to employees were fully paid as at year end while the balance payable to ex-employees have been reclassified to other payables as at year end.

In thousands of naira	2018	2017
Balance at 1 January	8,531	163,721
Charge for the year	-	79,284
Benefits paid	(5,996)	(234,474)
Reclassified to other payable*	(2,535)	-
Balance as at 31 December	-	8,531

*Payable relating to ex-employees were reclassifed to other payables during the year.

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

In thousands of naira	2018	2017
Movement in trade and other payable	65,096	(121,755)
Unrealised exchange loss (note 8)	(520)	(12,095)
Changes in trade and other payables per statement of cash flows	64,576	(133,850)

25 Deferred income

Deferred income comprises:

In thousands of naira	2018	2017
Government grant (note (a))	73,612	73,612
Advance rent received	15,383	24,044
Deferred income	88,995	97,656
Non-current	64,327	71,579
Current	24,668	26,077
	88,995	97,656

Notes to the Financial Statements
For the year ended 31 December 2018

(a) Government grant arises as a result of the benefit received from below-market-interest rate government assisted loans (Bank of Industry loans) obtained to purchase items of machinery and equipment for the installation of the automated water base paint production plant. The production plant is under construction and the grant will be amortised on a systematic basis over the useful life of the production plant.
Due to the fact that the production plant is not yet available for use as at 31 December, 2018, there has been no unwinding of the government grant into profit or loss.

26 Loans and borrowings

In thousands of naira

2018	Non-current liabilities	Current liabilities	Total
Development financing arrangement	75,435	15,697	91,132
Import finance facility	-	4,820	4,820
Bank of Industry loan	181,272	89,380	270,652
	256,707	109,897	366,604

2017	Non-current liabilities	Current liabilities	Total
Development financing arrangement	90,014	4,528	94,542
Bank of Industry loan	290,807	68,907	359,714
	380,821	73,435	454,256

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

(a) **Terms and repayment schedule**

					31 December 2018		**31 December 2017**	
	In thousands of naira	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face Value**	**Carrying amount**	**Face Value**	**Carrying amount**
(i)	Bank of Industry loan	NGN	10%	2022	314,699	270,652	436,511	359,714
(ii)	Development financing arrangement	NGN	18%	2025	101,671	91,132	127,969	94,542
(iii)	Import finance facility	NGN			4,820	4,820	-	-
	Total interest-bearing loans				421,190	366,604	564,480	454,256

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 subject to review by the BOI in line with the prevailing market conditions. The loan is repayable in seventy monthly instalments (including twelve months moratorium between March 2017 to February 2018) at various dates between March 2018 to December 2022.

As at 31 December 2018, net interest expense of ₦65.7 million (December 2017: ₦43.5 million) which accrued on the facility, was capitalised to capital work-in progress.

Notes to the Financial Statements
For the year ended 31 December 2018

ii) **Investment property 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 satisfaction of all fees and money due to the contractor in respect of the arrangement. Accordingly, the Company's obligation to the Contractor is measured at amortised cost using the effective interest method and based on the estimated cashflows specified above.

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

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 plant, property and equipments.

The balance of ₦4.8m as at 31 December 2018 (2017: Nil) represents equivalent of USD13,000.

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

in thousands of naira	**2018**	**2017**
Balance, beginning of year	454,256	127,864
Additions	26,640	349,748
Repayments	(187,537)	(57,332)
Interest accrued	73,245	33,976
Balance, end of year	366,604	454,256

27 Dividends

The following dividends were declared and paid by the Company;

	Per share (kobo)	**2018 N'000**	**Per share (kobo)**	**2017 N'000**
Dividend	50	144,912	50	144,912

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

28 Dividend payable

In thousands of naira	2018	2017
At 1 January	321,127	325,452
Declared dividend	144,912	144,912
Payments	(113,706)	(149,237)
At 31 December	352,333	321,127

Notes to the Financial Statements

For the year ended 31 December 2018

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	**2018**	**2017**
Short-term benefits	98,349	112,394
Post employment benefits	7,593	4,779
	105,942	117,173

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

In thousands of naira	Transaction values		Balance Receivable/(Payable) as at year end	
Transaction	2018	2017	2018	2017
Supply of raw materials (i)	109,673	43,217	(20,412)	(5,682)
Supply of raw materials (ii)	15,022	22,278	-	-
Recruitment services (iii)	-	1,176	-	-
Registrar's fees (iv)	15,834	4,855	(1,134)	(5,750)
Fund management service (v)	129,213	-	129,213	-

(i) Emychem Limited

During the year, the Company bought various raw materials from Emychem Limited and also awarded a contract of products formulation for the new automated factory. The Managing Director of Emychem Limited is Mr. Raj Mangtani who is also a non-executive director on the Board of Directors of Berger Paints Nigeria Plc.

(ii) Clayton Finance Limited

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

(iii) Excel Professional Services Limited

The Company engaged the services of Excel Professional Services Limited for the recruitment of certain management staff. However, no such service was provided by Excel Professional during the year. The Managing Director of the company is Dr. Oladimeji Alo, and he was the chairman of the Board of Directors of Berger Paints Nigeria Plc but retired with effect from June 7, 2018.

(iv) Meristem Registrars Limited

Meristem Registrars Limited acts as the Registrars for the Company during the year. The Group Managing Director of the company is Mr. Oluwole Abegunde, and he was a non-executive director of the Board of Directors of Berger Paints Nigeria Plc. Mr. Abegunde resigned from the Board with effect from October 22, 2018

(v) Meristem Wealth Nigeria Limited

Meristem Wealth Nigeria Limited was engaged as the Company's fund manager to manage the investment of unclaimed dividend during the year. The Group Managing Director of the company is Mr. Oluwole Abegunde, and he was a non-executive director of the Board of Directors of Berger Paints Nigeria Plc. Mr. Abegunde resigned from the Board with effect from October 22, 2018.

Notes to the Financial Statements
For the year ended 31 December 2018

B. Other related party transactions

The Company incorporated a subsidiary in Ghana, Lewis Berger Ghana Limited, on 23 October 2013. As at 31 December 2018, the subsidiary remained dormant and had not commenced operations. The Company has not prepared consolidated financial statements on the account of materiality.

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. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. As at 31 December 2018, 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 2018		**Fair value**		
In thousands of naira	**Amortized Cost**	**Level 1**	**Level 2**	**Total**
Financial assets not measured at fair value				
Other financial assets	129,213	-	-	-
Trade and other receivables	190,982	-	-	-
Cash and cash equivalents	518,864	-	-	-
	839,059	-	-	-
Financial liabilities not measured at fair value				
Loans and borrowings	366,604	-	421,190	421,190
Trade and other payables*	497,553	-	-	-
Dividend payable	352,333	-	-	-
	1,216,490	-	421,190	421,190

31 December 2017	**Carrying Amount**	**Fair value**		
In thousands of naira	**Loans and receivables**	**Level 1**	**Level 2**	**Total**
Financial assets not measured at fair value				-
Trade and other receivables	175,390	-	-	-
Cash and cash equivalents	755,747	-	-	-
	931,137	**-**	**-**	**-**
Financial liabilities not measured at fair value				
Loans and borrowings	454,256	-	564,480	564,480
Trade and other payables*	432,071	-	-	-
Dividend payable	321,127	-	-	-
	1,207,454	**-**	**564,480**	**564,480**

*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 Company has not disclosed the fair values of financial instruments such as short term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

Notes to the Financial Statements
For the year ended 31 December 2018

- **Financial instruments in level 1**

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

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

- **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.

Notes to the Financial Statements
For the year ended 31 December 2018

(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:

In thousands of naira	**2018**	**2017**
Trade and other receivables (See (a) below)	190,982	175,390
Cash and cash equivalents (excluding cash at hand) (See (b) below)	518,764	755,642
Other financial assets (See (b) below)	129,213	-
	838,959	931,032

(a) Trade and other receivables

In thousands of naira	**2018**	**2017**
Net trade and rent receivables (See a(i) below)	96,992	112,994
Deposit with company registrar (See a(ii) below)	85,610	46,400
Staff debtors (See a(iii) below)	1,814	4,312
Other receivables (See a(iii) below)	6,566	11,684
	190,982	**175,390**

In thousands of naira	**2018**	**2017**
Impairment losses on financial assets recognised in profit or loss were as follows:		
- Impairment loss on trade receivable arising from contract with customers	120,000	99,674
	120,000	**99,674**

(i) Trade 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 2018, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows;

	Carrying amount	
In thousands of naira	2018	2017
Wholesale customers	27,149	3,478
Retail customers	32,080	25,317
Others (Corporates)	90,068	114,331
Rent receivable	67,695	69,542
	216,992	212,668

Notes to the Financial Statements
For the year ended 31 December 2018

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

At 31 December 2018, the ageing of trade receivables that were impaired was as follows:

			31 December 2018		
In thousands of naira	Credit impaired	Weighted average loss	Gross	Impairment	Net
Current (not past due)	No	4%	78,662	(3,428)	75,234
Past due 1–30 days	Yes	100%	10,283	(10,283)	-
Past due 31–60 days	Yes	100%	5,263	(5,263)	-
Over 61 days due	Yes	100%	55,089	(55,089)	-
			149,297	(74,063)	75,234

At 31 December 2018, the ageing of rent receivables that were impaired was as follows:

			31 December 2018		
In thousands of naira	Credit impaired	Weighted average loss	Gross	Impairment	Net
Current (not past due)	No	14%	25,334	(3,576)	21,758
Past due 1–30 days	Yes	-	-	-	-
Past due 31–60 days	Yes	-	-	-	-
Over 61 days due	Yes	100%	42,361	(42,361)	-
			67,695	(45,937)	21,758

Comparative under IAS 39

	31 December 2017		
In thousands of naira	Gross	Impairment	Net
Neither past due nor impaired	4,316	-	4,316
Past due 1–90 days	17,632	-	17,632
Past due 91–180 days	119,910	(61,197)	58,713
Over 180 days	70,810	(38,477)	32,333
	212,668	(99,674)	112,994

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

Movement in the allowance for impairment in respect of trade receivable during the year was as follows; Comparative amounts for 2017 represent the allowance account for impairment under IAS 39.

	2018	**2017**
In thousands of naira		
Balance as at 1 January under IAS 39	99,674	92,782
Adjustment on initial application of IFRS 9 (note 3(b))	5,427	-
Balance as at 1 January under IFRS 9	105,101	92,782
Net impairment charge	14,899	6,892
Balance as at 31 December, 2018	120,000	99,674

Notes to the Financial Statements
For the year ended 31 December 2018

The significant change in gross carrying amounts of trade and rent receivables which contributed to the changes in impairment allowance in 2018;

- ₦6 million increase in gross trade receivables from sale of paint which contributed a ₦1.5 million decrease in impairment allowance being that atleast half of this balance is current and not past due.
- ₦2 million decrease in rent receivable which contributed a ₦22 million increase in impairment allowance being that atleast half of this balance are past due and credit impaired.

(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 the rent receivable from Lagos State Internal Revenue Service, receivable from employees and accrued interest on short term deposits.

These receivables are payable on demand and its contractual period is very short (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 ₦518 million and other financial asset of ₦129 million as at 31 December 2018 which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with commercial banks with investment grade rating and other financial institution counter parties which are rated A+ rating.

Impairment on cash and cash equivalent has been measured on a 12month 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 uses standard costing to cost its products, which assists it in monitoring cash flow requirements and optimising its cash return on investments. 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 2018, the expected cash flows from trade and other receivables maturing within three months were ₦88.9 million (31 December 2017: ₦21.9 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 2018

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:

2018		**Contractual cash flows**					
In thousands of naira	**Carrying Amount**	**Total**	**6 months or less**	**6-12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Loans and borrowings	366,604	366,604	91,514	39,336	157,344	78,410	-
Trade and other payables*	497,553	497,553	497,553	-	-	-	-
Dividend payable	352,333	352,333	352,333	-	-	-	-
	1,216,490	**1,216,490**	**941,400**	**39,336**	**157,344**	**78,410**	**-**

31 December 2017		**Contractual cash flows**					
In thousands of naira	**Carrying Amount**	**Total**	**6 months or less**	**6-12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Loans and borrowings	454,256	454,256	29,793	74,483	178,752	148,972	22,256
Trade and other payables*	432,071	432,071	432,071	-	-	-	-
Dividend payable	321,127	321,127	321,127	-	-	-	-
	1,207,454	**1,207,454**	**782,991**	**74,483**	**178,752**	**148,972**	**22,256**

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

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

(iv) **Market risk**

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

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.

Notes to the Financial Statements
For the year ended 31 December 2018

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 2018			31 December 2017		
	US$	€	GBP	US$	€	GBP
Foreign currency included in cash and cash equivalents	215,528	1,051	356	54,700	1,221	356
Import finance liability (See Note 26(iii))	(13,000)	-	-	-	-	-

The following significant exchange rates were applied;

	Average rate during the year		Year end spot rate	
Naira	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
US$ 1	354.07	332.40	365.00	360.00
€ 1	416.26	376.60	416.26	432.30
GBP 1	469.47	429.10	464.06	487.00

Sensitivity analysis

A reasonably possible strengthening /(weakening) of the naira against all other currencies at 31 December 2018 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	
In thousands of Naira	Strengthening	Weakening
2018		
US$ (5% movement)	3,696	(3,696)
€ (5% movement)	22	(22)
GBP (5% movement)	8	(8)
31 December 2017		
US$ (20% movement)	985	(985)
€ (20% movement)	26	(26)
GBP (20% movement)	9	(9)

Notes to the Financial Statements
For the year ended 31 December 2018

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**	
In thousands of naira	**2018**	**2017**
Financial liabilities:		
Short term borrowings	109,897	73,435
Long term borrowing	256,707	380,821
	366,604	454,256

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, 2018 (2017: 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, 2018 was as follows.

	2018	**2017**
In thousands of naira		
Total liabilities	1,722,247	1,670,279
Less: Cash and Cash equivalents	(518,864)	(755,747)
Adjusted net debt	1,203,383	914,532
Total Equity	2,813,052	2,641,145
Net debt to equity ratio	0.43	0.35

Notes to the Financial Statements
For the year ended 31 December 2018

31 Operating leases
The Company leases out its investment property (see Note 16)

a. Future minimum lease payments
At 31 December, 2018 the future minimum lease payments under non-cancellable leases are receivable as follows:

In thousands of naira	**2018**	**2017**
Less than one year	53,478	53,478
Between one and five years	24,309	22,483
	77,787	75,961

b. Amounts recognised in profit or loss
Investment property rentals of ₦34million for the year ended 31 December, 2018 (2017: ₦48 million) was included in ‘Revenue’ (see note 6). Depreciation expense on the investment property was included in ‘Cost of sales’ (see note 10b).

32 Provision of Non Audit Services
The details of non-audit services and the applicable fees paid during the year ended 31 December, 2018 were:

	₦' million
i. Tax services	1.82
ii Transfer pricing advisory services	0.84
iii New IFRS impact assessment	2.00

33 Contingencies
The Company is engaged in litigations that have arisen in the normal course of business. As at 31 December 2018, Berger Paints Nigeria Plc has three (3) pending legal cases comprising one (1) as plaintiff and two (2) as a defendant. Contingent liability in respect of pending litigations for the Company is ₦6 million as at 31 December 2018 (2017: Nil). In the opinion of the directors, it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

34 Subsequent events
There are no significant subsequent events, which could have had a material effect on the state of affairs of the Company as at 31 December, 2018 that have not been adequately provided for or disclosed in the financial statements.

Notes to the Financial Statements
For the year ended 31 December 2018

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:

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

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

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

b. Information about reportable segments

In thousands of naira

	Paints and allied products	**Contract revenue**	**Investment property rental income**	**Unallocated**	**Total**
31 December 2018					
External revenues	3,283,477	59,507	34,239	-	3,377,223
Finance income	-	-	-	31,189	31,189
Finance costs	-	-	(18,640)	(520)	(19,160)
Depreciation & amortisation	(124,177)	(1,295)	(21,025)	-	(146,497)
Net impairment loss on trade receivables	-	-	(14,899)	-	(14,899)
Reportable segment profit /(loss) before taxation	416,474	27,509	(20,325)	-	423,659

	Paints and allied products	**Contract revenue**	**Investment property rental income**	**Unallocated**	**Total**
31 December 2017					
External revenues	2,914,694	49,500	48,454	-	3,012,648
Finance income	-	-	-	29,888	29,888
Finance costs	-	-	(17,861)	(12,095)	(29,956)
Depreciation & amortisation	(90,872)	(1,502)	(21,297)	-	(113,671)
Impairment loss on trade receivables	(6,892)	-	-	-	(6,892)
Reportable segment profit before taxation	287,767	24,600	9,296	-	321,663

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 2018

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	**2018**	**2017**
Total profit or loss for reportable segments	423,659	321,663
Unallocated finance income	31,189	29,888
Unallocated finance costs	(520)	(12,095)
Profit before taxation	454,328	339,456

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 2018
In thousands of naira

	2018	%	2017	%
Sales (note 6)	3,377,223		3,012,648	
Finance Income (note 8)	31,189		29,888	
Other income (note 7)	43,821		183,441	
	3,452,233		3,225,976	
Bought in materials and services				
- Imported	(246,532)		(311,134)	
- Local	(2,157,967)		(1,910,764)	
Value added	1,047,734	100	1,004,079	100
Distribution of value added				
To Employees:				
Personnel expenses	466,075	44	580,909	57
To Providers of Finance:				
Interest on loans (note 8)	(19,160)	(2)	(29,956)	(3)
To Government:				
Taxation (note 12(a))	133,819	13	93,180	9
Retained in the business as:				
Depreciation (note 10(b))	125,569	12	106,787	11
Amortisation (note 10(b))	20,922	2	6,883	1
To augment reserve	320,509	31	246,276	25
	1,047,734	100	1,004,079	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
5 Year Financial Summary

In thousands of naira

	2018	2017	2016	2015	2014
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	54,188	39,636
Retained earnings	2,033,066	1,861,159	1,759,795	1,753,156	1,640,208
Shareholder's fund	2,813,052	2,641,145	2,604,181	2,587,330	2,459,830
Current liabilities	1,285,038	1,080,532	1,306,347	1,143,703	816,531
Long term liabilities	437,209	589,747	191,737	164,837	363,784
	4,535,299	4,311,424	4,102,265	3,895,870	3,640,145
Assets employed					
Non current assets	2,889,175	2,729,446	2,541,572	1,727,602	1,564,445
Current assets	1,646,124	1,581,978	1,560,693	2,168,268	2,075,700
	4,535,299	4,311,424	4,102,265	3,895,870	3,640,145

In thousands of naira

	2018	2017	2016	2015	2014
Revenue	3,377,223	3,012,648	2,602,824	3,022,264	3,082,930
Profit before taxation	454,328	339,456	271,770	565,212	249,258
Profit for the year	320,509	246,276	224,007	330,316	148,808
Other comprehensive income, net of tax	-	18,974	10,212	14,552	33,026
Declared dividend	144,912	144,912	217,368	217,368	202,876
Per 50k share data:					
Basic and diluted earnings per share (kobo)	111	85	77	114	51
Declared dividend per share (kobo)	50	50	75	75	70
Net assets per share (kobo)	10	9	9	9	8