Berger Paints Nigeria Plc

Unaudited Interim Financial Statements

For the nine months ended 30 September, 2018

Contents

Contents	Page
Corporate Information	2
Financial Highlights	3
Statement of Financial Position	18
Statement of Profit or Loss and Other Comprehensive Income	19
Statement of Changes in Equity	20
Statement of Cash Flows	21
Notes to the Financial Statements	22

Corporate Information

Board of Directors:	Abi Allison Ayida	-	Chairman
	Peter Folikwe	-	Managing Director
	Chief Musa Danjuma	-	Non - Executive Director
	Nelson C. Nweke	-	Non - Executive & Independent Director
	Oluwole O. Abegunde	-	Non - Executive Director
	Sanjay Datwani (British)	-	Non - Executive Director
	Engr. Patrick Nnamdi Buruche	-	Non - Executive Director
	Adekunle Olowokande	-	Non - Executive Director
	Raj S. Mangtani (Indian)	-	Non - Executive Director

Company Secretary/Legal Adviser Ayokunle Olushola Ayoko

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

Contact Details
Tel: +234(01)2805167, 28095169
Mobile: +234(01)2805167, 28095169
0700BERGERPAINTS [0700237437724687]
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/BergerPaintsNig
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

Major Bankers:

Access Bank Plc	Guaranty Trust Bank Plc
Diamond Bank Plc	Skye Bank Plc
Fidelity Bank Plc	UBA Plc
First Bank of Nigeria Limited	Zenith Bank Plc
First City Monument Bank Limited	

Financial Highlights
In thousands of naira

	30-Sep 2018	30-Sep 2017	%
Revenue	2,453,373	2,144,156	14
Gross profit	1,084,929	932,652	16
Operating profit	259,231	156,492	66
Profit before income tax	267,203	167,601	59
Profit for the period	181,698	113,968	59
Share capital	144,912	144,912	(0)
Total equity	2,677,931	2,590,697	3
Data per 50k share			
Basic earnings per share (kobo)	63	39	62
Declared dividend*			
Net assets per share (kobo)	9	9	-
Dividend per 50k share in respect of current year results only			
Dividend proposed (kobo)**	-	-	

Statement of Financial Position

As at 30 September, 2018

In thousands of naira

	Notes	30 September 2018	Audited 31 December 2017
Assets			
Property, plant and equipment	11	2,393,961	2,208,523
Intangible assets	12	38,956	54,628
Investment property	13	450,565	466,295
Total non-current assets		2,883,481	2,729,447
Inventories	14	616,686	574,991
Trade and other receivables	15	193,573	175,390
Deposit for imports	16	148,203	29,411
Prepayments and advances	17	129,121	46,439
Cash and cash equivalents	18	517,828	755,747
Total current assets		1,605,410	1,581,978
Total assets		**4,488,891**	**4,311,424**
Equity			
Share capital	19(a)	144,912	144,912
Share premium	19(b)	635,074	635,074
Retained earnings		1,897,945	1,861,159
Total equity		2,677,931	2,641,145
Liabilities			
Loans and borrowings (non-current)	22	339,402	380,821
Deferred income		73,612	71,579
Deferred tax liabilities	9(e)	137,347	137,347
Total non-current liabilities		550,361	589,748
Loans and borrowings (current)	22	140,731	73,435
Current tax liabilities	9(b)	143,670	102,498
Trade and other payables	20	638,408	557,395
Deferred income	21	24,668	26,077
Dividend payable	24	313,122	321,127
Total current liabilities		1,260,599	1,080,532
Total liabilities		1,810,960	1,670,279
Total equity and liabilities		**4,488,891**	**4,311,424**

These financial statements were approved by the Board of Directors on 25 October, 2018 and signed on its behalf by:

Peter Folikwe (FRC/2015/IMN/0000012628)
Managing Director

Modupe Oguntade (FRC/2014/ICAN/00000002246)
Head of Finance

The accompanying notes on pages 22 to 60 form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 September, 2018

In thousands of naira	**Notes**	**3 Mths to Sep 2018**	**3 Mths to Sep 2017**	**9 Mths to Sep 2018**	**9 Mths to Sep 2017**
Revenue	4	810,162	685,248	2,453,373	2,144,156
Cost of sales	7(b)(i)	(454,677)	(394,304)	(1,368,444)	(1,211,505)
Gross profit		**355,485**	**290,944**	**1,084,929**	**932,652**
Other income	5	22,206	16,272	59,052	47,059
Selling and distribution expenses	7(b)(i)	(68,262)	(63,762)	(244,217)	(170,401)
Administrative expenses	7(b)(i)	(223,010)	(220,569)	(640,533)	(652,817)
Operating profit		**86,419**	**22,885**	**259,231**	**156,492**
Finance income	6	8,425	(920)	19,622	11,109
Finance costs	6	(6,990)	-	(11,650)	-
Net finance costs		**1,435**	**(920)**	**7,972**	**11,109**
Profit before taxation		**87,854**	**21,965**	**267,203**	**167,601**
Income tax expense	9(a)	(28,113)	(7,029)	(85,505)	(53,632)
Profit for the period		**59,740**	**14,936**	**181,698**	**113,968**
Other comprehensive income					
Available-for-sale financial assets - net change in fair value	13	-	13,375	-	25,675
Related tax	9(b)	-	(4,280)	-	(8,216)
Other comprehensive income for the period		**-**	**9,095**	**-**	**17,459**
Total comprehensive income		**59,740**	**24,031**	**181,698**	**131,427**
Earnings per share:					
Basic earnings per share (kobo)	10	21	5	63	39

The accompanying notes on pages 22 to 60 form an integral part of these financial statements.

Statement of Changes in Equity
Attributable to equity owners of the company
For the period ended 30 September, 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**	**-**	**1,861,158**	**2,641,145**
Comprehensive income for the period						
Profit for the period		-	-	-	181,698	181,698
Other comprehensive income	9(b)	-	-	-	-	-
Total comprehensive income for the period		-	-	-	181,698	181,698
Transactions with owners, recorded directly in equity						
Fair value reserve reclassified to profit or loss		-	-	-	-	-
Dividend	24	-	-	-	(144,912)	(144,912)
Total transactions with owners		-	-	-	(144,912)	(144,912)
Balance at 30 September, 2018		**144,912**	**635,074**	**-**	**1,897,945**	**2,677,931**
Balance at 1 January 2017		**144,912**	**635,074**	**64,400**	**1,759,795**	**2,604,181**
Comprehensive income for the period						
Profit for the period		-	-	-	113,968	113,968
Other comprehensive income	9(b)	-	-	17,459	-	17,459
Total comprehensive income for the period		-	-	17,459	113,968	131,427
Transactions with owners, recorded directly in equity						
Fair value reserve reclassified to profit or loss		-	-	-	-	-
Dividend paid	24	-	-	-	(144,912)	(144,912)
Total transactions with owners		-	-	-	(144,912)	(144,912)
Balance at 30 September 2017		**144,912**	**635,074**	**81,859**	**1,728,851**	**2,590,697**

The accompanying notes on pages 22 to 60 form an integral part of these financial statements.

Statement of Cash Flows

For the period ended 30 September, 2018

In thousands of naira

	Note	30 September, 2018	30 September, 2017
Cash flows from operating activities			
Profit for the period		181,698	113,968
Adjustments for:			
- Depreciation	11(a) &13	93,241	72,869
- Amortization	12	15,673	-
- Finance income	6	(19,622)	(11,109)
- Finance cost	6	11,650	-
- Exchange gain		-	(984)
- Gain on sale of property, plant and equipment	7(a)	(6,313)	(4,874)
- Tax expense	9(a)	85,505	53,632
		361,832	223,502
Changes in:			
- Inventories		(41,695)	(48,823)
- Trade and other receivables	15(a)	(18,183)	177,773
- Deposit for imports		(118,791)	(145,263)
- Prepayments and advances		(94,475)	53,364
- Trade and other payables	20(d)	81,013	(71,024)
- Deferred income		624	(10,557)
Cash generated from operating activities		170,325	178,972
WHT credit notes utilized	9(c)	(8,045)	(10,482)
Tax paid	9(c)	(32,540)	(138,554)
Net cash generated from operating activities		129,740	29,936
Cash flows from investing activities			
Purchase of property plant and equipment	11(g)	(281,671)	(367,427)
Proceeds from sale of property, plant and equipment		21,429	9,523
Interest income on bank deposits	6	19,622	11,109
Net cash used in investing activities		(240,619)	(346,795)
Cash flows from financing activities			
Proceeds from loans and borrowings	22(b)	46,825	361,006
Repayment of borrowings	22(b)	(77,345)	-
Interest accrued	22(b)	56,398	-
Dividend paid	24	(152,917)	(149,237)
Net cash generated from/(used in) financing activities		(127,039)	211,769
Net increase/(decrease) in cash and cash equivalents		(237,919)	(105,090)
Cash and cash equivalents at 1 January		755,746	486,949
Cash and cash equivalents at period ended 30 September 2018	18	517,828	381,858

The accompanying notes on pages 22 to 60 form an integral part of these financial statements.

Notes to the financial statements
For the period ended 30 September, 2018

		Page			Page
1	Reporting Entity	23	18	Cash and cash equivalents	44
2	Basis of Preparation	23	19	Capital and reserves	44
3	Significant Accounting Policies	24	20	Trade and other payables	44
4	Revenue	34	21	Deferred income	45
5	Other income	34	22	Loans and borrowings	45
6	Finance income and finance costs	34	23	Dividends	48
7	Profit before tax	35	24	Dividend payable	47
8	Personnel expense	35	25	Related Parties	47
9	Taxation	37	26	Financial instruments – Fair values and financials risk management	49
10	Basic earnings and declared dividend per share	38	27	Operating leases	58
11	Property, plant and equipment	39	28	Provision of Non Audit Services	58
12	Intangible assets	41	29	Contingencies	58
13	Investment property	42	30	Subsequent events	58
14	Inventories	42	31	Operating segments	59
15	Trade and other receivables	43			
16	Deposit for imports	43			
17	Prepayments and advances	43			

Notes to the Financial Statements
For the period ended 30 September, 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 continue 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 25 October 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:
*Non-derivative financial instruments initially measured at fair value and subsequently measured at amortised cost.

- Inventories: Lower of cost and net realisable value.

The methods used to measure fair value are discussed further 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 recognized 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 recognized in the financial statements are included in the following notes:

Note 3(P) and 28	Leases: whether an arrangement contains a lease
Note 3(D),(F),11 and 12	Determination of the useful life of leasehold land
Note 3(L) and 4	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 27	Determination of fair values
Note 3(G) and 16	Impairment test: key assumptions underlying recoverable amounts,
Note 23 (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 period ended 30 September, 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 26 – Financial instruments- Fair values and financial risk management.

3 Significant Accounting Policies

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

A.	Foreign currency transactions	11	O.	Income tax	17
B.	Financial instruments	11	P.	Earnings per share	18
C.	Capital and other reserves	12	Q.	Leases	18
D.	Property, plant and equipment	12	R.	Statement of cashflows	18
E.	Intangible assets	12	S.	Operating segment	19
F.	Investment property	13	T.	Dividends	19
G.	Impairment	14	U.	Prepayments and advai	19
H.	Contingent liabilities and contingent assets	15	V.	Deposit for imports	19
I.	Provisions	15	W.	Investment in subsidiai	19
J.	Employee benefits	16	X.	Related parties	19
K.	Inventory	16	Y.	New standards and interpretations not yet adopted	20
L.	Revenue	16			
M.	Finance income and finance costs	17	Z.	New currently effective	20
N.	Government grants	17			

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.

Notes to the Financial Statements

For the period ended 30 September, 2018

B. Financial instruments

i. Non-derivative financial assets

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.

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.

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.

Notes to the Financial Statements
For the period ended 30 September, 2018

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.

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.

Notes to the Financial Statements
For the period ended 30 September, 2018

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

• Leasehold land	–	Unlimited
• Buildings	–	20 years
• Plants and machinery		
- Fixed plant	–	12 years
- Movable plant	–	7 years
- Generators	–	5 years
• Motor vehicles		
- Trucks	–	6 years
- Official vehicles	–	4 years
• Furniture and equipment	–	8 years
• Computer equipment	–	2 years
• Computer software	–	3 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 usueful 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 amortization 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 usueful lives are recognised as assets if there is suffucient 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.

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 impairment losses.

Notes to the Financial Statements

For the period ended 30 September, 2018

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.

Except for leasehold land, the estimated useful lifes 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

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

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.

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 grouping 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.

Notes to the Financial Statements
For the period ended 30 September, 2018

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 equity instrument classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. Where such evidence exists, the cumulative gain or loss that has been previously recognised in OCI and transferred to equity is removed from equity (through OCI) and recognised in profit or loss. Reversals of impairment of equity instruments are not recognised in the profit or loss. Subsequent increases in the fair value of equity instruments after impairment are recognised directly in OCI.

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 grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups 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 (group 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.

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.

Notes to the Financial Statements
For the period ended 30 September, 2018

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.

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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of conversion and selling expenses.

Notes to the Financial Statements
For the period ended 30 September, 2018

L. Revenue

i. Sale of goods

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 recognized 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 recognized as a reduction of revenue as the sales are recognized.

ii. Rendering of service - supply and apply services contract

Supply and apply services contract revenue results from rendering painting services to customers. These services are rendered based on specifically 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.

iii. 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 period ended 30 September, 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. Income tax

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 relates 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.

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 period ended 30 September, 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.

Notes to the Financial Statements
For the period ended 30 September, 2018

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

– **IFRS 16 - Leases**

This standard will replace IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

a. assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

b. depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

The Company is not expected to be significantly impacted by the single lessee accounting model of IFRS 16.

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
- IFRIC 23 Uncertainty over Income Tax Treatments

Notes to the Financial Statements
For the period ended 30 September, 2018

	9 Mths to Sep 2018	9 Mths to Sep 2017
4 Revenue		
Revenue for the period comprises:		
In thousands of naira		
(a) Sale of paints and allied products	2,413,943	2,143,697
Contract revenue	39,430	459
	2,453,373	2,144,156

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

5 Other income

(a) Other income comprises:

In thousands of naira	9 Mths to Sep 2018	9 Mths to Sep 2017
Sale of Scrap	3,673	12,177
Rental income on property subleases	48,845	27,730
Profit from disposal of property, plant and equipment	6,313	4,874
Insurance claims received	33	1,040
Income from business partners	188	-
Exchange gain	-	984
Sale of diesel oil & misc income	-	234
	59,052	47,039

6 Finance income and finance cost

Recognized in profit or loss:

In thousands of naira	9 Mths to Sep 2018	9 Mths to Sep 2017
Interest income on bank deposits	19,622	11,109
Exchange gain	-	-
Finance income	19,622	11,109
Interest expense on financial liabilities measured at amortised costs.	(11,650)	-
Finance cost	(11,650)	-
Net finance costs recognised in profit or loss	7,972	11,109

Notes to the Financial Statements
For the period ended 30 September, 2018

7 Profit before tax

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

In thousands of naira	Note	30 September 2018	30 September 2017
Directors' emoluments	8(d)	46,606	28,508
Depreciation	11(a) &13	93,240	77,442
Amortization (See Note 12)	12	15,673	-
Personnel expenses	8(a)	361,828	372,110
Auditors' remuneration	7(b)	16,740	13,020
Profit on disposal of property, plant and equipment		(6,313)	4,874

(b)(i) Analysis of expenses by nature
In thousands of naira

Directors emoluments	46,606	28,508
Personnel expenses (Note 8(a))	361,828	372,110
Training expenses	10,479	10,206
Repairs and maintenance	58,303	54,329
Office and corporate expenses	24,532	41,313
License and permits	13,084	14,782
Utilities	55,811	41,185
Insurance	3,775	7,073
Travel, transport and accommodation	82,296	93,621
Rent expenses	2,301	3,041
Subscriptions and donations	5,611	6,549
Depreciation	93,240	77,442
Amortization (See Note 12)	15,673	-
Printing and stationery	4,454	4,649
Legal and professional services fees	71,899	70,937
Auditors' remuneration	16,740	13,020
Bank charges	3,548	5,491
Advertisement and publicity	71,829	62,056
Distribution and selling expenses	172,388	108,345
Raw materials and consumables	1,116,572	1,017,337
Supply and apply services contract expenses	22,224	2,730
	2,253,194	**2,034,724**

(b)(ii) *Summarised as follows;*

Cost of sales	1,368,444	1,211,505
Selling and distribution expenses	244,217	170,401
Administrative expenses	640,533	652,817
Total cost	**2,253,194**	**2,034,723**

8 Personnel expenses

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

Salaries, wages and allowances	332,489	341,408
Employer contribution to compulsory pension fund scheme	29,339	30,702
	361,828	372,110

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

Notes to the Financial Statements
For the period ended 30 September, 2018

			30 September 2018	30 September 2017
₦		₦	Number	Number
500,001	-	1,000,000	7	26
1,000,001	-	1,500,001	73	76
1,500,001	-	2,000,001	42	37
2,000,001	-	3,000,001	30	10
3,000,001	and	above	14	17
			166	166

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

	30 September 2018	30 September 2017
	Number	Number
Production	38	42
Sales and marketing	44	38
Finance	16	15
Administration	13	9
Maintenance	10	10
Corporate	4	7
Procurement	3	4
Distribution	14	13
I.T.	2	3
Technical	13	13
Raw materials	9	12
	166	166

(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

	30 September 2018	30 September 2017
Fees paid to non-executive directors	26,695	12,120
Salaries	19,911	16,388
	46,606	28,508

The directors' remuneration shown above includes:
In thousands of naira

	30 September 2018	30 September 2017
Chairman	3,374	1,755
Highest paid director	19,911	16,388

Other directors received emoluments in the following ranges:

			30 September 2018	30 September 2017
₦		₦	Number	Number
250,001	-	1,000,000	1	7
1,000,001	-	8,000,000	6	1
			7	8

Notes to the Financial Statements

For the period ended 30 September, 2018

9 Taxation

(a) The tax charge for the period 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	30 September 2018	30 September 2017
Current tax expense:		
Company income tax	80,161	50,280
Tertiary education tax	5,344	3,352
	85,505	53,632
WHT credit recovered	-	-
Charge for the period	85,505	53,632
Income tax expense	**85,505**	**53,632**

(b) Reconciliation of effective tax rate:
In thousands of naira

	%	30 September 2018	%	30 September 2017
Profit for the period		181,698		113,968
Taxation		85,505		53,632
Profit before income tax		267,203		167,600
Income tax using the Company’s domestic rate of 30%	30	80,161	30	50,280
Tertiary education tax @ 2%	2	5,344	2	3,352
Tax expense	32	85,505	32	53,632

(c) The movement on the tax payable account during the period was as follows:
In thousands of naira

i. Current tax liabilities

	30 September 2018	31 December 2017
Balance, beginning of the year	126,680	271,009
Current period charge	85,505	59,682
Cash payments	(32,540)	(166,284)
WHT credit notes previously impaired, now recovered	-	(27,245)
WHT credit notes utilised	(8,045)	(10,482)
Balance, end of the period	171,600	126,680

ii. WHT credit notes	30 September 2018	31 December 2017
Balance, beginning of the year	24,182	24,535
Additions	11,793	10,129
WHT credit notes utilised	(8,045)	(10,482)
	27,930	24,182
Balance, end of the period	143,670	102,498

Notes to the Financial Statements
For the period ended 30 September, 2018

(e) Movement in deferred tax balances
In thousands of naira

				Balance at 30 September, 2018		
	Balance at 1 January	**Recognised in profit or loss**	**Recognised in Other comprehensive income**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
30 September 2018						
Property, plant and equipment	185,087	-	-	185,087		185,087
Allowance on trade receivable	(26,345)	-		(26,345)	(26,345)	
Provision for gratuity discontinued	(2,730)	-		(2,730)	(2,730)	
Provision for slow moving inventories	(16,516)	-	-	(16,516)	(16,516)	-
Unrealised exchange losses/(gain)	(2,149)	-		(2,149)	(2,149)	
Available-for-sale financial assets - net change in fair value	-	-	-	-	-	-
				-		
Net tax (assets)/ liabilities	137,347	-	-	137,347	(47,740)	185,087
30 September 2017						
Property, plant and equipment	75,652	(12,783)	4,806.00	67,675		67,675
Available-for-sale financial assets - net change in fair value	-	-	8,216	8,216	-	8,216
Net tax (assets)/ liabilities	75,652	(12,783)	13,022	75,891	-	75,891

10 Basic earnings per share

Basic earnings per share of 63 kobo (2017: 39 kobo) is based on the profit for the period of ₦182 million (2017: ₦114million) 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 period.

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

Notes to the Financial Statements
For the period ended 30 September, 2018

11 Property Plant and equipment

(a) The movement on these accounts was as follows:
In thousands of naira

	Leasedhold Land N'000	Building N'000	Plant and Machinery N'000	Office 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
Transfers	-	-	-	-	-	-	-	-
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	-	0	15,343	2,206	20,531	19,569	224,022	281,671
Transfer			49,342				(49,342)	-
Disposals	(12,650)	(8,520)	(8,723)	(940)	(1,845)	(4,436)	-	(37,114)
Balance at 30 September 2018	390,000	334,482	434,867	56,094	309,646	167,385	1,664,848	3,357,321
Accumulated depreciation								
Balance at 1 January 2017	79,183	186,631	208,343	42,927	224,193	133,925	-	828,934
Charge for the year	-	17,103	10,058	2,962	47,980	7,387	-	85,078
Disposals			(2,646)	(590)	(45,315)	(7,900)	-	(38,810)
Balance at 31 December 2017	79,183	203,734	215,755	45,299	226,858	133,412	-	875,202
Balance at 1 January 2018	79,183	203,734	215,755	45,299	226,858	133,412	-	904,241
Charge for the period	1.00	12,710	23,248	2,985	27,513	11,054	-	77,511
Disposals	(1,103)	(1,386)	(8,690)	(932)	(1,845)	(4,436)	-	(18,392)
Balance at 30 September 2018	78,081	215,058	230,313	47,352	252,526	140,030	-	963,360
Carrying amounts								
At 31 December 2017	323,467	139,268	163,149	9,529	64,102	18,840	1,490,168	2,237,562
Balance at 30 September 2018	311,919	119,424	204,554	8,742	57,120	27,355	1,664,848	2,393,961

Notes to the Financial Statements
For the period ended 30 September, 2018

(b) **Assets pledged as security**

No asset of the company was pledged as security for loan as at 30 September, 2018 (December 2017: Nil)

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

No impairment loss is recognised for the period (December 2017: Nil).

(d) **Capital commitments**

Capital expenditure commitments for the period ended 30 September 2018 authorised by the Board of Directors comprise:

In thousands on naira	Sep-18	Dec-17
Approved and contracted	281,671	341,780
Approved but not contracted	139,003	85,445
	420,674	427,225

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

Expenditure on capital work in progress during the period is analysed as follows:

In thousands on naira	Sep-18	Dec-17
Plant and machinery	1,036,937	1,036,937
Buildings	627,911	453,231
	1,664,848	1,490,168

Included in this amount of capital work in progress are capitalized borrowing costs of N56.40 million (September 2017: Nil), 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.

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

In thousands on naira	Sep-18	Sep-17
Additions (Note 11(a))	281,671	367,427
Accrued additions to PPE	-	-
	281,671	367,427

Notes to the Financial Statements
For the period ended 30 September, 2018

12 **Intangible assets**

Cost	**Computer Software N'000**	**TOTAL N'000**
Balance at 1 January 2017	-	-
Additions	61,511	61,511
Balance at 31 December 2017	61,511	61,511
Balance at 1 January 2018	61,511	61,511
Additions	-	-
Balance at 30 September, 2018	61,511	61,511
Accumulated amortization		
Balance at 1 January 2018	-	-
Charge for the period	6,883	6,883
Balance at 31 December 2017	6,883	6,883
Balance at 1 January 2018	6,883	6,883
Additions	15,673	15,673
Balance at 30 September, 2018	22,556	22,556
Carrying amounts		
At 31 December 2017	54,628	54,628
Balance at 30 September, 2018	38,956	38,956

The Company's intangible asset represents investment on licence and technical agreement on Microsoft Navision ERP applications. The Microsoft Navision ERP application was acquired in 2017 to be amortised to profit or loss over a period of three years.

Intangible assets amortization charged to profit or loss amounts to N15.67m (2017-Nil) and is included as part of administrative expenses.

Notes to the Financial Statements

For the period ended 30 September, 2018

13 Investment property

The movement on these accounts was as follows:

In thousands of naira	30-Sep 2018	31-Dec 2017
Cost		
Balance at 1 January	604,468	604,468
Balance at 30 September, 2018	604,468	604,468
Accumulated depreciation		
Balance at 1 January	138,173	116,876
Charge for the period	15,730	21,297
Balance at 30 September, 2018	153,903	138,173
Carrying amounts	450,565	466,295

Rental income generated from investment property during the period was N18m (September 2017: Nil).

Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period was Nil (2017: Nil).

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 30 September 2018 has been estimated to be N2.02 billion. The fair value was determined December 2017 by external, independent property valuers, having appropriate recognized and relevant professional qualifications as well as recent experience in the location and category of the property being valued.

14 Inventories

In thousands of naira	30-Sep 2018	31-Dec 2017
Raw materials	240,592	323,162
Goods in transit	26,495	18,927
Work-in-progress	15,523	19,595
Finished goods	374,003	246,924
Engineering spares and consumables	18,381	17,998
	674,994	626,606
Impairment allowance	(58,308)	(51,613)
	616,686	574,993

The value of raw and packaging materials, changes in finished products and products in process consumed during the period and recognised in cost of sales amounted to ₦1.14 billion (2017 :₦1..02 billion).

Notes to the Financial Statements
For the period ended 30 September, 2018

15 Trade and other receivables

(a)

In thousands of naira	30-Sep 2018	31-Dec 2017
Trade receivables	158,399	196,688
Staff debtors	4,087	4,312
Deposit with company registrar	46,400	46,400
Outstanding balance on proceeds of disposal	6,000	8,761
Interest receivable	-	2,923
Rent Receivable	78,361	15,981
Total trade and other receivables	293,247	275,065
Impairment allowance	(99,674)	(99,674)
	193,573	175,391

The Company's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 26(b).

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

In thousands of naira	30-Sep 2018	31-Dec 2017
Balance at 1 January	99,674	92,782
Impairment loss recognised	-	6,892
Balance at 30 September, 2018	99,674	99,674

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

	30-Sep 2018	31-Dec 2017
Movement in trade and other receivables	(18,183)	205,640
Exchange gain (Note 6)	-	5,381
Changes in trade and other receivables per statement of cash flows	(18,183)	211,021

16 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. The total value of deposit for imports as at 30 September 2018 amounted to N148 million (December 2017: N29.41 million).

17 Prepayments and advances

In thousands of naira	30-Sep 2018	31-Dec 2017
Prepaid rent	-	311
Advance payment to suppliers	59,695	17,013
WHT receivables	29,741	21,535
Prepaid insurance and others	39,685	7,580
	129,121	46,439

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

	30-Sep 2018	31-Dec 2017
Movement in prepayment and advances	(82,682)	76,801
Movement in WHT credit notes	(3,748)	353
Changes in prepayments and advances per statement of cash flows	(86,430)	77,154

Notes to the Financial Statements
For the period ended 30 September, 2018

18 Cash and cash equivalents

In thousands of naira	30-Sep 2018	31-Dec 2017
Cash on hand	849	105
Balance with banks	293,155	449,078
Unclaimed dividend fund with Meristem Wealth Nig. Ltd.	123,824	113,969
Short term deposits with banks	100,000	192,595
Cash and cash equivalents	**517,828**	**755,747**

The short term deposit with banks included in cash and cash equivalents is with rollable maturity of thirty (30) days term.

The company's exposure to credit and market risk for financial assets is dislcosed in Note 27.

19 Capital and reserves

(a) Ordinary shares as at 30 September 2018

In thousands of naira	30-Sep 2018	31-Dec 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	30-Sep 2018	31-Dec 2017
At 1 January	635,074	635,074
At 30 September 2018	635,074	635,074

20 Trade and other payables

(a) Trade and other payables comprises:

In thousands of naira	30-Sep 2018	31-Dec 2017
Trade payables	165,795	178,196
Customer deposits for paints	140,387	117,011
Value Added Tax payable	21,329	16,494
Withholding Tax payable	35,242	34,043
PAYE payable	39,342	28,061
Short term employee payables (Note (c))	2,535	8,531
Pension payable (Note (b))	9,798	27,132
Other non-income taxes	20,620	19,603
Accruals	194,081	101,460
Other payables	9,279	26,871
	638,408	557,402

The Company’s exposure to liquidity risks related to trade and other payables is disclosed in Note 27.

(b) ***Pension payable***

In thousands of naira	30-Sep 2018	31-Dec 2017
Balance at 1 January	18,175	18,175
Charge for the period	24,542	49,976
Payments	(32,919)	(49,976)
At 30 September 2018	9,798	18,175

Notes to the Financial Statements
For the period ended 30 September, 2018

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

The company existed staff gratuity benefits in December 31, 2015. However, after mutual understanding and collective agreement that was reached between the representative of the staff trade and labour unions and the company, the discountinued gratuity benefit was extended to 31 December 2016. . All qualifying staff were paid out and the balance of N2.5million short term employee payables as stated below represents amount accruing to staff that have not collected their benefits as at 30 September, 2018.

In thousands of naira	30-Sep 2018	31-Dec 2017
Balance at 1 January	8,531	163,721
Charge for the period	-	79,284
Benefits paid	(5,996)	(234,474)
At 30 September 2018	2,535	8,531

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

In thousands of naira	30-Sep 2018	31-Dec 2017
Movement in trade and other payable	81,013	(121,755)
Unrealised exchange loss	-	(2,605)
Changes in trade and other payables per statement of cash flows	81,013	(124,360)

21 Deferred income

Deferred income comprises:

In thousands of naira	30-Sep 2018	31-Dec 2017
Government grants	73,612	73,612
Advance rent received	24,668	24,045
Deferred income	98,280	97,657
Non-current	73,612	71,580
Current	24,668	26,077
	98,280	97,657

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 required to support 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 30 September, 2018, there has been no unwinding of the government grant into profit or loss in current period.

22 Loans and borrowings

In thousands of naira

2018	Non-current liabilities	Current liabilities	Total
Development financing arrangement	101,665	4,528	106,193
Import finance facility	-	46,824	46,824
Bank of Industry loan	237,738	89,379	327,117
	339,402	140,731	480,133

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
	380,822	73,435	454,257

Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 26.

Notes to the Financial Statements
For the period ended 30 September, 2018

(a) **Terms and repayment schedule**

	In thousands of	Currency	Nominal interest rate	Year of maturity	30 September 2018 Face Value	30 September 2018 Carrying amount	31 December 2017 Face Value	31 December 2017 Carrying amount
(i)	Bank of Industry	NGN	10%	2022	435,703	327,117	435,703	359,714
(ii)	Development financing arrangement	NGN	0%	2025	-	106,193	-	94,542
	Total interest-bearing loans				435,703	433,310	435,703	454,257

i) **Bank of Industry Loan**

The loan is a Central Bank of Nigeria (CBN) intervention fund through Bank of Industry (BOI), the loan is secured through 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 condions. 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 30 September 2018, net interest expense of N56.40 million (September 2017: Nil) accrued on the facility was capitalised to capital work-in progress.

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.

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

	30-Sep 2018	31-Dec 2017
Balance, beginning of year	454,257	127,864
Additions - Import finance facility	46,825	349,748
Repayments	(77,345)	(57,332)
Interest accrued	56,398	33,977
Balance, end of the period	480,134	454,257

23 Dividends

The following dividends were declared and paid by the Company for the period.

	Per share (kobo)	30-Sep 2018 N'000	Per share (kobo)	31-Dec 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

24 Dividend payable

In thousands of naira	30-Sep 2018	31-Dec 2017
At 1 January	321,127	325,452
Declared dividend	144,912	144,912
Payments	(152,917)	(149,237)
At 30 September 2018	313,122	321,127

Notes to the Financial Statements
For the period ended 30 September, 2018

25 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

i) Key management personnel compensation

Key management personnel compensation comprised the following:

	30-Sep	30-Sep
In thousands of naira	2018	2017
Short-term benefits	40,729	72,170
Post employment benefits	4,351	9,841
	45,080	82,011

Notes to the Financial Statements

For the period ended 30 September, 2018

ii) Key management personnel transactions

Directors of the Company control 2% of the voting shares of the Company. A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Company during the period. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows.

	Transaction values		Balance outstanding as at period end	
In thousands of naira	30-Sep	31-Dec	30-Sep	31-Dec
Transaction	2018	2017	2018	2017
Supply of raw materials*	82,062	130,560	4,852	5,682
Supply of raw materials**	8,831	8,906	-	-
Rental income*	-	2,842	-	-
Recruitment services***	1,176	3,549	-	-
Registrar's fees****	19,398	3,780	13,850	5,750

***** During the period, the Company bought various raw materials from Emychem Nigeria. Also, a portion of residential apartment rented at Wemabod Estate was sub-leassed to Emmychem. The managing director of Emmychem is Mr. Raj Mangtani who is also a non-executive director on the Board of Directors of Berger Paints Nigeria Plc. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

****** 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. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

******* The Company engaged the services of Excel Professional Services Limited for the recruitment of certain management staff during the period. The Managing Director of the company is Dr. Oladimeji Alo, and he is also the chairman of the Board of Directors of Berger Paints Nigeria Plc. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

******** Meristem Registrars Limited acts as the Registrars for the Company during the period. The Group Managing Director of the company is Mr. Oluwole Abegunde, and he is also a non-executive director on the Board of Directors of Berger Paints Nigeria Plc.

Notes to the Financial Statements
For the period ended 30 September, 2018

B. Other related party transactions
The Company incorporated a subsidiary in Ghana, Lewis Berger Ghana Limited, on 23 October 2013. As at 30 September 2018, the subsidiary had not commenced operations. The Company has not prepared consolidated financial statements on the account of materiality.

26 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.

30 September 2018	**Carrying Amount**		**Fair value**		
In thousands of naira	**Loans and receivables**	**Available-for-sale financial assets**	**Level 1**	**Level 2**	**Total**
Financial assets not measured at fair value					
Trade and other receivables	193,573	-	-	-	-
Cash and cash equivalents	517,828	-	-	-	-
	711,400	-	-	-	-
Financial liabilities not measured at fair value					
Loans and borrowings	433,310	-	-	433,310	433,310
Trade and other payables*	512,077	-	-	-	-
Dividend payable	313,122	-	-	-	-
	1,258,509	-	-	433,310	433,310
31 December 2017					
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	454,257	-	-	454,257	454,257
Trade and other payables*	432,062	-	-	-	-
Dividend payable	321,127	-	-	-	-
	1,207,445	-	-	454,257	454,257

*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.

Notes to the Financial Statements
For the period ended 30 September, 2018

(a) **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.

(b) **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.

Notes to the Financial Statements
For the period ended 30 September, 2018

(b) Financial risk management

Overview

The Company has exposure to the following risks arising from financial instruments:
- Credit risk
- Liquidity risk
- Market risk

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

(i) **Risk management framework**

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

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

The Company's Audit Committee oversees how management monitors compliance with the Company’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by the Internal Audit Function, outsourced to Bamidele Daramola & Co. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) **Credit risk**

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

Exposure to credit risk

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

In thousands of naira	30-Sep 2018	31-Dec 2017
Trade and other receivables	193,573	175,390
Cash and cash equivalents (excluding cash at hand)	393,155	755,642
	586,728	931,032

Notes to the Financial Statements
For the period ended 30 September, 2018
Trade and other receivables

In thousands of naira	30-Sep 2018	31-Dec 2017
Trade receivables	82,820	67,546
Deposit with company registrar	46,400	46,400
Other receivables	64,353	61,444
	193,573	175,390

(a) Trade receivables

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

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Concentration of risk

At 30 September 2018, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows;

	Carrying amount	
In thousands of naira	30-Sep 2018	31-Dec 2017
Wholesale customers	11,325	3,478
Retail customers	64,032	116,882
Other (Corporates)	83,042	22,766
	158,399	143,126

At 30 September 2018, the ageing of trade receivables that were not impaired was as follows:

In thousands of naira	30 September 2018			31-Dec-17		
	Gross	Impairment	Net	Gross	mpairment	Net
Neither past due nor impaired		-	-	-	-	-
Past due 1–90 days	87,339	-	87,339	17,632	-	17,632
Past due 91–180 days	8,869	(8,869)	-	103,875	(53,961)	49,914
Over 180 days	62,191	(66,711)	(4,520)	21,619	(21,619)	-
	158,399	(75,580)	82,819	143,126	(75,580)	67,546

The company does not hold collateral on these balances. The company believes that the unimpaired amounts that are past due are still collectible in full based on historic payment behaviour and analysis of customer credit risk.

Notes to the Financial Statements
For the period ended 30 September, 2018

(b) 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 Company's registrar is Meristem Registrars Limited, which has a history of reputable ratings. Based on past experience, the Company has not incurred impairment loss in respect of the deposits with the Company registrar as the amount is deemed recoverable.

(c) Other receivables

This mainly represents the rent receivable on the operating leases of the Company's properties.

The Company believes that the amount is collectible based on subsequent payments made by the counterparty and credit worthiness. Other components of other recievables include staff debtors and accrued income which are deemed recoverable based on historical payment behaviours and subsequent collections.

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

Cash and cash equivalents:
The Company held cash and cash equivalents of ₦518 million at 30 September 2018 (31 December 2017: ₦756 million), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with commercial banks.

(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 assist it in monitoring cash flow requirements and optimizing 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 30 September 2018, the expected cash flows from trade and other receivables maturing within two months were N87 million (31 December 2017: N147 million). This excludes potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the Financial Statements
For the period ended 30 September, 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:

30 September 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	480,133	480,133	91,514	44,690	89,376	254,553	-
Trade and other payables*	512,077	512,077	512,077	-	-	-	-
Dividend payable	313,122	313,122	313,122	-	-	-	-
	1,305,332	**1,305,332**	**916,713**	**44,690**	**89,376**	**254,553**	**0**

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*	432,069	432,069	432,069	-	-	-	-
Dividend payable	321,127	321,127	321,127	-	-	-	-
	1,207,452	**1,207,452**	**782,989**	**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 optimizing returns.

Notes to the Financial Statements

For the period ended 30 September, 2018

1. ***Currency risk***

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

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

Exposure to currency risk

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

	30 September 2018			31 December 2017		
	US$	€	GBP	US$	€	GBP
Cash and cash equivalents	7,259	1,051	356	54,700	1,221	356

The following significant exchange rates were applied;

	Average rate during the		Period end spot rate	
Naira	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
US$ 1	340.00	332.40	363.00	360.00
€ 1	411.98	376.60	439.85	432.30
GBP 1	473.76	429.10	505.80	487.00

Sensitivity analysis

A reasonably possible strengthening /(weakening) of the naira against all other currencies at 30 September 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
30 September 2018		
US$ (5% movement)	132	(132)
€ (5% movement)	23	(23)
GBP (5% movement)	9	(9)
31 December 2016		
US$ (20% movement)	2,135	(2,135)
€ (20% movement)	106	(106)
GBP (20% movement)	27	(27)

Notes to the Financial Statements

For the period ended 30 September, 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	**Norminal amount**	
	30-Sep	31-Dec
In thousands of naira	2018	2017
Financial liabilities:		
Short term borrowings	140,731	73,435
Long term borrowing	339,402	380,821
	480,133	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 30 September, 2018 (September 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 30 September, 2018 was as follows.

	30-Sep	30-Sep
	2018	2017
In thousands of naira		
Total liabilities	1,810,960	1,689,659
Less: Cash and Cash equivalents	(517,828)	(381,858)
Adjusted net debt	1,293,132	1,307,801
Total Equity	2,677,931	2,590,696
Net debt to equity ratio	0.48	0.50

Notes to the Financial Statements
For the period ended 30 September, 2018

27 Operating leases
The Company leases out its investment property (see Note 12)

a. Future minimum lease payments

At 30 September, 2018 the future minimum lease payments under non-cancellable leases are receivable as follows:

In thousands of naira	30-Sep 2018	30-Sep 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 N18 million for the period ended 30 September, 2018 (September 2017: ₦28 million) was included in 'Revenue' (see Note 4). Depreciation expense on the investment property was included in 'Cost of sales' (see Note 7 and 12).

28 Provision of Non Audit Services
The details of non-audit services and the applicable fees paid during the period ended 30 September, 2018 were:

	Description of Non Audit Services	**Fee Paid**
	In thousands of naira	₦
i.	Tax services	N1.82 million
ii	Transfer pricing advisory services	N0.84 million
iii	New IFRS Impact assessment	N2.07 million

29 Contingencies

The Company is engaged in lawsuits that have arisen in the normal course of business. There are no pending litigation and claim against the Company. While contingent asset in respect of pending litigations for the Company is Nil as at 30 September, 2018 (December 2017: Nil).

30 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 30 September, 2018 that have not been adequately provided for or disclosed in the financial statements.

Notes to the Financial Statements
For the period ended 30 September, 2018

31 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 inc	Investment property rentals

The accounting policies of the reportable segments are the same as described in Notes 3.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, 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
30 September 2018					
External revenues	2,413,943	39,430	-	-	2,453,373
Finance income	-	-	-	19,622	19,622
Finance costs	-	-	(11,650)	-	(11,650)
Depreciation & amortization	-	-	(15,730)	(93,183)	(108,913)
Impairment loss on trade receivables	-	-	-	-	-
Reportable segment profit (loss) before income tax	350,938	17,206	(27,380)	-	340,764
	Paints and allied products	**Contract revenue**	**Investment property rental income**	**Unallocated**	**Total**
30 September 2017					
External revenues	2,143,697	459	-	-	2,144,156
Finance income	-	-	-	11,109	11,109
Finance costs	-	-	-	-	-
Depreciation	-	-	(16,093)	(61,349)	(77,442)
Impairment loss on trade receivables	-	-	-	-	-
Reportable segment profit before income tax	236,204	(2,271)	(16,093)	-	217,840

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.

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

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

Profit or loss *In thousands of naira*	30-Sep 2018	30-Sep 2017
Total profit or loss for reportable segments	340,764	217,840
Unallocated finance income	19,622	11,109
Unallocated depreciation	(93,183)	(61,349)
Unallocated finance costs	-	-
Profit before taxation	267,203	167,600

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.