Berger Paints Nigeria Plc
Annual Report
31 December 2021

Contents

Corporate Information

Board of Directors:

Abi Ayida	-	Chairman
Adekunle Olowokande	-	Non - Executive Director
Raj Mangtani (Indian)	-	Non - Executive Director
Ogechi Iheanacho	-	Non - Executive Director
Erejuwa Gbadebo	-	Independent Non - Executive Director
Aisha Umar	-	Independent Non - Executive Director
Victor Olusegun Adeniji	-	Independent Non - Executive Director (Resigned wef March 9 2022)
Nelson Nweke	-	Independent Non - Executive Director (Retired wef May 19 2021)
Anjan Sircar (Indian)	-	Managing Director (Retired wef January 4, 2022)
Musa Danjuma	-	Non - Executive Director (Retired wef May 19 2021)
Sanjay Datwani	-	Non - Executive Director (Retired wef May 19 2021)
Adeyemi Adetomiwa	-	Ag. Managing Director (Appointed wef January 5 2022)

Company Secretary/Legal Adviser Ayokunle Ayoko

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

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

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

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

NSE Trading Information

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

Registration Number: RC: 1837

TIN 01335257-0001

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 1 271 8955 (or 8599)

Bankers:

Access Bank Plc	Keystone Bank Limited
Ecobank Nigeria Limited	Polaris Bank Limited
Fidelity Bank Plc	Union Bank of Nigeria Plc
First Bank of Nigeria Limited	United Bank for Africa Plc
First City Monument Bank Limited	Wema Bank Plc
Guaranty Trust Bank Plc	Zenith Bank Plc
Heritage Bank Ltd	

Financial Highlights

In thousands of naira

	2021	2020	%
Revenue	4,964,796	3,837,582	29
Gross profit	1,582,720	1,419,078	12
Operating profit	199,544	194,951	2
Profit before minimum tax	190,761	211,850	(10)
Profit before income tax	178,089	210,903	(16)
Profit after tax	135,635	146,028	(7)
Share capital	144,912	144,912	-
Total equity	3,230,703	3,146,972	3
Data per 50k share			
Basic earnings per share (kobo)	47	50	(7)
Declared dividend*	40	40	-
Net assets per share (Naira)	11.15	10.86	3
Market price per share as at year end (Naira)	7.50	6.75	11
Market capitalization as at year end	2,173,680	1,956,312	11
Dividend per 50k share in respect of current year results only			
Dividend proposed (kobo)**	40	40	-

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

**The Directors proposed a dividend of 40 kobo (2020: 40 kobo) per share on issued share capital of 289,823,447 (2020: 289,823,447) ordinary shares of 50 kobo each, subject to approval by the shareholders at the Annual General Meeting.

Directors' Report

The Directors are pleased to present to the distinguished members this Annual Report, together with the Audited Financial Statements of the Company for the year ended 31 December 2021.

1. **Legal status**

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

2. **Principal activities**

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

3. **Operating results**

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

In thousands of naira	**2021**	**2020**
Revenue	4,964,796	3,837,582
Operating profit	199,544	194,951
Profit before minimum tax	190,761	211,850
Profit before income tax	178,089	210,903
Profit after tax	135,635	146,028
Total comprehensive income for the year	135,635	146,028

4. **Dividend**

   The directors are pleased to recommend to shareholders the payment of a dividend of 40 kobo per share for the 2021 financial year which amounts to ₦115,929,379 subject, to the approval of the members at the Annual General Meeting (2020: ₦115,929,000 that is, 40 kobo per share). If approved, the dividend is payable less withholding tax to all members whose names appear in the Company's Register of Members as at the close of business on May 19, 2022.

5. **Corporate Governance**

   Whistleblowing

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

   Respect For Law

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

Role In The Larger Society

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

Integrity

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

6. **Board of directors**

(i) Composition of the Board and Attendance at Meetings

During the year under review, the Company was managed by a Board of eight Directors consisting of three Independent Non-Executive Directors, four Non-Executive Directors (which included the Chairman) and one Executive Director (i.e. the Managing Director). The Board met seven (7) times in 2021. In compliance with Section 284(2) of the Companies and Allied Matters Act, 2020, the Record of Directors' attendance at Board meetings is exhibited for inspection at the meeting. It is summarized hereunder:

S/N	Name	27-Jan-21	26-Mar-21	20-Apr-21	22-Jun-21	29-Jul-21	28-Oct-21	10-Dec-21	No. (7)
1	Mr. Abi Ayida	P	P	P	P	P	P	P	7
2	Mr. Adekunle Olowokande	P	P	P	P	P	P	P	7
3	Mr. Raj Mangtani	P	P	P	P	P	P	P	7
4	Mrs Ogechi Iheanacho	P	P	P	P	P	P	P	7
5	Mrs Erejuwa Gbadebo	NYA	P	P	P	P	P	P	6
6	Chief Nelson Nweke	P	P	P	R	R	R	R	3
7	Chief Musa Danjuma	P	P	P	R	R	R	R	3
8	Mr Sanjay Datwani	P	A	A	R	R	R	R	1
6	Mrs Aisha Umar	NYA	P	P	A	P	P	P	5
7	Mr. Victor Olusegun Adeniji	NYA	P	P	P	P	P	P	6
8	Mr. Anjan Sircar	P	P	P	P	P	P	P	7

P - Present; NYA- Not Yet Appointed; R - Retired;
A - Apology

(ii) **Board Changes**

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

During the year under review, Mrs Ogechi Iheanacho was appointed (wef January 2, 2021), whilst Mrs Erejuwa Gbadebo, Mrs Aisha Umar (wef January 27, 2021) and Mr Victor Olusegun Adeniji (wef February 16, 2021) were appointed as Independent Non Executive Directors to replace Chief Musa Danjuma, Chief Nelson Nweke and Mr Sanjay Datwani, who all retired at the 2021 Annual General Meeting.

Adeyemi Adetomiwa (wef January 5, 2022) was appointed as Acting Managing Director to replace Anjay Sircar who resigned on 4 January, 2022. Victor Olusegun Adeniji, an independent Non-Executive Director also resigned on 9 March 2022.

(iii) **Board Training**

Directors have the opportunity to attend programs, relating to governance and business practices, as part of their continuing education. For the 2021 financial year, the directors attended the following trainings.

- Induction Program for New Directors - Institute of Directors – February, 2021.
- Training on "Understanding the Business" – Internal Faculty- November, 2021.

(iv) **Directors retiring by rotation**

The Directors retiring by rotation in accordance with the Companies and Allied Matters Act 2020 are Mrs Ogechi Iheanacho and Mr Raj Mangtani who, being eligible offer themselves for re-election.

(v) **Directors' interest in shares as at 31 December 2021**

The interests of each Director in the shares of the Company, as at 31st December 2021, as recorded in the Register of Members and/or notified by the Directors for the purpose of Section 301 of the Companies and Allied Matters Act, 2020, and disclosed in accordance with the Listing Rules of Nigerian Stock Exchange are as stated below, along with the their interests in contracts:

Director	Direct	Indirect Interest		Interest in Contracts
Mr. Abi Ayida	625,601	Jurewa Investment	16,685,111	None
		Alemaje and Company Limited	16,315,506	
Mrs Erejuwa Gbadebo	Nil	Nil		None
Mrs Ogechi Iheanacho	Nil	Nil		None
Mr. Raj Mangtani	Nil	Nil		Raw materials and product formulation, through Emychem Nigeria Ltd.
Mrs Aisha Umar	Nil	Nil		None
Mr Victor Olusegun	Nil	Nil		None
Mr. Adekunle Olowokande	197,965	Nil		None
Mr. Anjar Sircar	Nil	Nil		None

(vi) **Directors' Responsibilities**

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

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

7. **Board Committees**

In alignment with extant codes of corporate governance, the Board Finance & General Purpose Committee, Board Establishment, Remuneration & Governance Committee and Board Audit, Strategy & Risk Management Committee were in operation as at December 31 2021. The Board worked through these Committees, all of which were guided by Charters containing their terms of reference. The terms of reference of the Committees are summarized below, in addition to the record of directors'attendance:

Board Committees – Terms of Reference/Attendance at Meetings

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

The responsibilities of the Committee are to:.

1 Consider and review the Company's financial performance, including significant capital allocations and expenditures.

2 Review debts owed to the Company and recovery efforts made by Management.

3 Review management accounts, forecasts and other financial statements.

4 Consider and review reports from the Management on stock of raw materials and finished products and strategies to keep these within approved limits.

5 Review, endorse and recommend for Board approval, the establishment and review of investment policy and procedure.

6 Consider and review reports on the Company's investments and ensure that all investment activities are guided by the investment policy.

7 Oversee the administration, effectiveness and compliance with the company's investment policies through the review of the processes and report to the Board on recommendations of the Management on placement proposals.

8 Consider and review the annual budget and ensure that expenditure is within the approved budget.

9 Recommend for Board approval, the dividend policy, including nature and timing.

10 Ensure that an effective tax policy is implemented.

11 Handle other duties and responsibilities delegated to the Committee by the Board.

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

S/N	Name	18-Jan-21	12-Apr-21	20-Jul-21	22-Oct-21	No. (4)
1	Mr. Adekunle Olowokande (Chair)	P	P	P	P	4
2	Chief Nelson Nweke	P	P	R	R	2
3	Mr Raj Mangtani	NYA	NYA	P	P	2
4	Mrs Aisha Umar	NYA	NYA	A	P	1
5	Mr. Sanjay Datwani	P	A	R	R	1
6	Mrs Ogechi Iheanacho	P	P	NMM	NMM	2
7	Mr Anjan Sircar	P	P	P	P	4

P - Present; R - Retired; NYA - Not Yet Appointed; NMM - No More Member

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

1 Review and recommend to the Board for approval, proposals on recruitment, promotion and employment termination of senior officers on Manager grade and above;

2 Consider and make recommendations to the Board for approval of disciplinary action to be carried out against senior officers from Manager grade and above;

3 Consider and make recommendations to the Board for approval on the organizational structure, remuneration policy and policies covering the evaluation, compensation and provision of benefits to employees and any other human capital issues;

4 Consider and make recommendations to the Board for approval on the Company's policy on Health and Safety at work and any proposed amendments;

5 Consider and make recommendations to the Board for approval on the Company's human resource strategies and compensation Policy.

6 Make recommendations to the Board regarding the remuneration, of the Board and its committees.

7 Assess the effectiveness of the corporate governance framework.

8 Consider and make recommendations to the Board on composition and the experience required by Board committee members, committee appointments and removal, operating structure, reporting and other Committee operational matters.

9 Consider and make recommendations to the Board on appointment and re-election of directors (including the CEO).

10 Ensure that all new directors receive a formal letter of appointment specifying their tenure, responsibilities, board committee involvement and other relevant details.

11 Ensure the Board composition includes at least three (3) Independent Directors.

12 Ensure that new directors receive a formal induction program to familiarize them with BPN's business, strategy and operations, enhance the discharge of their fiduciary duties, responsibilities, and understand their powers and potential liabilities.

13 Ensure the development and implementation of an annual training plan for continuous education of all Board members which will provide for periodic briefings on relevant laws and regulations to Board members.

14 Ensure adequate succession planning for Board of Directors and key management staff in BPN.

15 Review and make recommendations to the Board for approval of the terms and conditions of employment of company's staff, its staff handbook and any proposed amendment.

16 Ensure the performance evaluation of the CEO is performed by the Board on an annual basis and formal feedback provided to the CEO.

17 Nominate independent consultants to conduct annual review/appraisal of the performance of the Board and make recommendations to the Board in this regard. This review/appraisal should cover all aspects of the Board's structure, composition, responsibilities, individual competencies, board operations, board's role in strategy setting, oversight over corporate culture, monitoring role and evaluation of management performance and stewardship to shareholders.

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

S/N	Name	18-Jan	15-Feb-21	12-Apr-21	13-Jul-21	22-Oct-21	No. (5)
1	Mrs Erejuwa Gbadebo (Chair)	NYA	NYA	NYA	P	P	2
2	Chief Nelson Nweke	P	P	P	R	R	3
3	Mrs Ogechi Iheanacho	N/A	N/A	N/A	P	P	2
4	Mrs Aisha Umar	N/A	P	P	A	P	3
5	Chief Musa Danjuma	P	P	P	R	R	3
6	Mr. Raj Mangtani	P	P	P	P	P	5
7	Mr. Adekunle Olowokande	P	P	P	NMM	NMM	3

P - Present; R - Retired; NYA - Not Yet Appointed; NMM - No More Member; A - Apology

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

1 Review the audited and unaudited accounts of the Company. It shall also be responsible for overseeing the Company's long term strategy, risks.

2 Consider reports from the Internal Auditor and making recommendations to the Board on the internal control framework.

3 Review and monitor the Company's strategic plan to ensure viability and appropriate milestones.

4 Consider the viability of all major strategic initiatives and investments.

5 Review and monitor the Company's strategic plan to ensure viability and appropriate milestones.

6 Consider the viability of all major strategic initiatives and investments.

7 Monitor changes and trends in the business environment.

8 Review the adequacy and effectiveness of risk management and controls.

9 Evaluate and Assess the Company's risk management framework, including Management's process for the identification, prevention and reporting of significant risks.

10 Review the Company's compliance level with laws and regulatory requirements that may impact the company's risk profile.

11 Review the policy framework and ensure that the appropriate policies are in place.

12 To drive engagements with key stakeholders

13 Perform such other duties and responsibilities delegated to the Committee by the Board.

14 Develop the Company's Corporate Social Responsibility policy.

15 Constructively challenge Management's assumptions and contribute to the development of the Group's strategy and performance objectives.

16 Understand, identify and discuss with management the key issues, assumptions, risks and opportunities relating to the development and implementation of the company's strategic thrusts.

17 Arrange an annual strategy retreat for the Board and management, ensuring that the Board retains sufficient knowledge of BPN's businesses in order to provide strategic input and identify any critical strategic discontinuities in management's assumptions and planning premises.

18 Review the resources made available by Management including business plans and financial, operational and human resources required to implement the agreed strategy.

19 Critically evaluate and make recommendations to the Board for approval of BPN's business strategy, at least annually.

20 Periodically engage Management on informal dialogue and act as a sounding Board on strategic issues.

21 Regularly review strategic planning and implementation monitoring process.

22 Review and make recommendations to the Board for the approval of the Group's organizational structure and any proposed amendments.

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

S/N	Name	19-Jan-21	22-Mar-21	14-Apr-21	15-Jul	21-Oct-21	No. (5)
1	Mrs Ogechi Iheanacho (Chair)	P	P	P	P	P	5
2	Mr. Raj Mangtani	P	P	P	NMM	NMM	3
3	Mr Sanjay Datwani	A	A	A	R	R	0
4	Mrs Erejuwa Gbadebo	NYA	P	P	P	P	4
5	Mr. Kunle Olowokande	P	P	P	P	P	5
6	Mr Victor Olusegun	NYA	P	P	P	P	4

P - Present; R - Retired; NYA - Not Yet Appointed; NMM - No More Member; A - Apology

8. **Statutory Audit committee**

Within the year under review, the Audit Committee comprised of three non-executive directors and three shareholders' representatives. The Committee, in the conduct of its affairs as stipulated in Section 404 of the Companies and Allied Matters Act (CAMA), 2020, reviewed the overall risk management and control systems, as well as financial reporting procedures and standards of business conduct of the Company. In the performance of their duties, the members had direct access to both the Internal Auditors and the External Auditors. The Committee met 4 times in 2021 as detailed below.

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

S/N	**Name**	**19-Mar-21**	**26-Jul-21**	**26-Oct-21**	**7-Dec-21**	**No. (4)**
1	Mr. Chibuzor Eke (Chairman)	P	P	P	P	4
2	Mrs. Mary Shofolahan	P	P	P	P	4
3	Mr. Taiwo Afinju	P	P	P	P	4
4	Chief Musa Danjuma	P	R	R	R	1
5	Chief Nelson Nweke	P	R	R	R	1
6	Mr. Victor Olusegun Adeniji	NYA	P	P	P	3
7	Mrs. Ogechi Iheanacho	NYA	P	P	P	3

P - Present; R - Retired; NYA - Not Yet Appointed; NMM - No More Member; A - Apology

9. **Donations and gifts**

In compliance with Section 43 (2) of the Companies & Allied Matters Act (CAMA), 2020, the Company did not make any donations to any political party, political association or for any political purpose during the year under review. Donations made during the year amounted to N1.34 million (2020: N2.77 million) as shown below:

Beneficiary	**Purpose**	**2021**
In thousands of naira		
Heart of Gold Children Hospice (Surulere)	Donation of Food Items	500,000
Nigerian Red Cross Society Health Care Centre (Makoko,Yaba)	Donation of Paints & Application	842,490
Total		**1,342,490**

10. **Quality policy and innovation**

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

11. **Risk Management Policy**

There is an effective internal audit function, in addition to which the risk management control and compliance system operates

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

12. **Safety and Environmental Policy**

Health & Safety

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

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

- Ensuring that plant equipment are adequately maintained to prevent accidents.

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

Sustainability

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

- The use of modern technology and expertise to reduce environmental pollution
- Conservation of resources in a cost effective manner
- The proper disposal or recycle of waste; and
- The assessment of the adverse impact of our raw materials or new products on both humans and the environment.

Wellbeing, diversity and other human resource policies

The Company's policy on managing diversity recognizes that there are differences among employees and that harnessing these differences create a productive environment in which everyone feels valued, their talents utilized and organizational goals met. We have also created an enabling environment where patterns of thinking are nurtured as a way of developing our employees as agents of change. Berger Paints Nigeria Plc. is committed to providing employment for people with physical challenges who are able to work. As at the end of the year, there was no physically challenged person in the employment of Berger Paints Nigeria Plc (2020: Nil)

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

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

13. **Berger Business Partners**

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

Suppliers

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

1 Lewis Berger Intl. Supplies Ltd (United Kingdom)
2 Suojanya Color PVT Ltd

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

1	Amoke Oluwo & Sons	23	Nycil Ltd.
2	Avery Nigeria Limited	24	Onokeno Business Venture
3	Avon Crowncaps & Containers Nig. Plc	25	Orkila Chemicals Limited
4	Carose Nigeria Limited	26	Phobica Chemicals Ltd.
5	Chizzy Nig Ltd.	27	Regatta Industries Ltd.
6	Cormat Nig Ltd.	28	Remfemlaby Nig Enterprises
7	Dafe Industries Ltd.	29	Robinson Ventures Ltd.
8	Didoboss International Company	30	Samking Chemical Ltd.
9	Emychem Nigeria Limited	31	Shokay Resource Ventures
10	Eurobridge Ind. Ltd.	32	Somaluck Chemical & Products Venture
11	Falcon Chemicals Ltd.	33	Sowis Energy Limited
12	Festo-Chem Ventures	34	Sudunni Nig Ltd.

13 Glister Success Ltd.
14 Jo-Noble Chem. Ltd.
15 Lexcel Products & Packaging Ltd.
16 Logata Point Services Limited
17 Mathsix Mega Investment Ltd.
18 Melvyn Nickson Nigeria Limited
19 Metoxide (Nigeria) Ltd.
20 Nagode Industries Ltd.
21 Nampak Nig. Plc
35 The Freedom Group Ltd.
36 Trisa Nig. Ltd.
37 Wahum Pkg Ltd.
38 Whitex Industries (Nigeria) Limited
39 Yadebell Global Ventures
40 Zadema Ventures

14. **Independent auditor**

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

15. **Compliance with regulatory requirements & company policies**

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

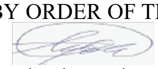
16. **Responsibility for Accuracy of Information**

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

17 **Subsequent Events**

Other than as disclosed in Note 34, there were no other significant events that could have had a material effect on the financial statements as at 31 December 2021.

BY ORDER OF THE BOARD



Ayokunle Ayoko
Company Secretary/Legal Adviser
March 25 2022
FRC/2015/NBA/00000013900

Statement of Directors' Responsibilities

For the year ended 31 December 2021

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

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Abi Ayida (FRC/2019/IODN/00000019260)	Adekunle Olowokande (FRC/2019/IODN/00000019259)
Chairman	Director
March 25 2022	March 25 2022

Statement of Corporate Responsibility

For the year ended 31 December 2021

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director and Chief financial Officer, hereby certify the financial statements of the Berger Paints Nigeria Plc for the year ended 31 December 2021 as follows:

(a) That we have reviewed the audited Company's financial statements of the Company for the year ended 31 December 2021.

(b) That the audited Company's financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.

(c) That the audited Company's financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the year ended 31 December 2021.

(d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company is made known to the officer by other officers of the companies, during the period end 31 December 2021.

(e) That we have disclosed the following information to the Company's Auditors and Audit Committee:

(i) there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors any material weaknesses in internal controls, and

(ii) there is no fraud that involves management or other employees who have a significant role in the Company's internal control.

SIGNED ON BEHALF OF THE COMPANY BY:

Adekunle Olowokande (FRC/2019/IODN/00000019259)	Pheobe Obi (FRC/2020/003/00000022016)
Director	*Chief Finance Officer*
March 25 2022	March 25 2022

Report of the Audit Committee

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

1. The scope and planning of both the external and internal audit programs for the year ended 31st December, 2021 were adequate in our opinion.
2. The accounting and reporting policies of the Company conformed to statutory requirements and agreed ethical practices.
3. The systems of internal control were constantly and effectively monitored.
4. Having reviewed the External Auditors' findings and recommendations on Management matters, we are satisfied with Managements' response thereon.

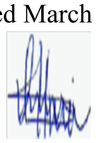
Finally, we acknowledge the cooperation of Management in the conduct of these duties.

The members of the Audit Committee for the 2021 financial year were:

	Members of the Committee	
1	Mr Chibuzor Eke	Shareholder Representative/Chairman
2	Mrs Mary Joke Shofolahan	Shareholder Representative/Member
3	Mr Taiwo Afinju	Shareholder Representative/Member
4	Mr. Victor Olusegun Adeniji	Independent Non-Executive Director/Member
5	Mrs Ogechi Iheanacho	Non-Executive Director/Member

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

Dated March 23 2022



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

KPMG

KPMG Professional Services
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Berger Paints Nigeria Plc

Report on the Audit of the Financial Statements

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

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

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

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

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

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

- evaluated the design, implementation and operating effectiveness of key controls established within the revenue process;
- selected a sample of revenue transactions using statistical sampling methods and agreed to invoices and waybills.
- assessed the accuracy of a sample of sales returns and rebates by checking them to supporting documentation such as approved credit notes to customers;
- challenged the Company's basis for recognition and measurement of revenue from contract services rendered to customers by recalculating the proportion of cost incurred relative to the total expected cost and;
- checked that for a sample of revenue transactions using statistical sampling methods occurring prior to, and immediately after the year end date, revenue was recognised in the appropriate period;

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Signed

A. A. Oyelami

Adegoke .A. Oyelami FCA
FRC/2012/ICAN/00000000444
For: KPMG Professional
Services
Chartered Accountants 31
March 2022
Lagos, Nigeria

Statement of Financial Position

As at 31 December 2021
In thousands of naira

	Notes	2021	2020
Assets			
Property, plant and equipment	14(a)	2,625,773	2,757,223
Intangible assets	15	36,152	52,578
Tax assets	11(c)(ii)	20,120	-
Investment property	16	382,234	403,020
Total non-current assets		**3,064,279**	**3,212,821**
Inventories	17	1,166,616	702,294
Trade and other receivables	18(a)	305,517	317,381
Deposit for imports	19	2,674	65,836
Prepayments and advances	20	36,346	49,569
Other financial assets	22	317,608	267,372
Cash and cash equivalents	21	217,629	356,599
Total current assets		**2,046,390**	**1,759,051**
Total assets		**5,110,669**	**4,971,872**
Equity			
Share capital	23(a)	144,912	144,912
Share premium	23(b)	635,074	635,074
Retained earnings		2,450,717	2,366,986
Total equity		**3,230,703**	**3,146,972**
Liabilities			
Loans and borrowings	26	7,875	137,428
Deferred income	25	109,298	68,705
Deferred taxation	11(d)	323,732	289,900
Total non-current liabilities		**440,905**	**496,033**
Loans and borrowings	26	137,498	149,223
Current tax liabilities	11(c)(i)	8,622	30,836
Trade and other payables	24	918,785	704,369
Deferred income	25	10,749	6,321
Dividend payable	28	363,407	438,118
Total current liabilities		**1,439,061**	**1,328,867**
Total liabilities		**1,879,966**	**1,824,900**
Total equity and liabilities		**5,110,669**	**4,971,872**

These financial statements were approved by the Board of Directors on 25 March 2022 and signed on its behalf by:

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

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

Additionally certified by:

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

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

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

In thousands of naira	Notes	2021	2020
Revenue	5	4,964,796	3,837,582
Cost of sales	9(a)	(3,382,076)	(2,418,504)
Gross profit		**1,582,720**	**1,419,078**
Other income	6	77,320	47,093
Selling and distribution expenses	9(a)	(261,765)	(251,302)
Administrative expenses	9(a)	(1,190,586)	(1,013,724)
Operating profit before credit impairment charges		**207,689**	**201,145**
Impairment loss on trade receivables	8	(8,145)	(6,194)
Operating profit		**199,544**	**194,951**
Finance income	7	26,843	78,848
Finance costs	7	(35,626)	(61,949)
Net finance income/cost		**(8,783)**	**16,899**
Profit before minimum tax		**190,761**	**211,850**
Minimum tax expense	12	(12,672)	(947)
Profit before income tax	8	**178,089**	**210,903**
Income tax expense	11(a)	(42,454)	(64,875)
Profit for the year		**135,635**	**146,028**
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**135,635**	**146,028**
Earnings per share:			
Basic and diluted earnings per share (kobo)	13	47	50

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

Statement of Changes in Equity

For the year ended 31 December 2021

In thousands of naira

	Note	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 January 2021		**144,912**	**635,074**	**2,366,986**	**3,146,972**
Comprehensive income for the year					
Profit for the year		-	-	135,635	135,635
Write back of statute barred dividend	28	-	-	64,025	64,025
Total comprehensive income for the year		-	-	199,660	199,660
Transactions with owners, recorded directly in equity					
Dividend	28	-	-	(115,929)	(115,929)
Total transactions with owners		-	-	(115,929)	(115,929)
Balance at 31 December 2021		**144,912**	**635,074**	**2,450,717**	**3,230,703**
Balance at 1 January 2020		**144,912**	**635,074**	**2,293,414**	**3,073,400**
Comprehensive income for the year					
Profit for the year		-	-	146,028	146,028
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	146,028	146,028
Transactions with owners, recorded directly in equity					
Dividend	28	-	-	(72,456)	(72,456)
Total transactions with owners		-	-	(72,456)	(72,456)
Balance at 31 December 2020		**144,912**	**635,074**	**2,366,986**	**3,146,972**

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

Statement of Cash Flows

For the year ended 31 December 2021

In thousands of naira

	Note	2021	2020
Cash flows from operating activities			
Profit for the year		135,635	146,028
Adjustments for:			
- Depreciation	9(b)	243,486	243,372
- Amortisation	15	16,426	7,708
- Finance income	7	(26,843)	(78,848)
- Interest expense on lease liabilities	7	15,187	(23,464)
- Interest expense on financial liabilities measured at amortised cost:	7	20,439	(38,485)
- Gain on sale of property, plant and equipment	8	(21,235)	(5,085)
- Minimum tax expense	12	12,672	947
- Taxation	11(a)	42,454	64,875
		438,221	**440,946**
Changes in:			
- Inventories	17(b)	(464,322)	109,754
- Trade and other receivables	18(c)	19,825	13,160
- Deposit for imports	19(b)	63,162	77,699
- Prepayments and advances	20(a)	(6,897)	(5,287)
- Trade and other payables	24(c)	214,416	(100,220)
- Deferred income		45,022	(6,868)
Cash generated from operating activities		**309,427**	**529,184**
Set-off of current assets	11(c)	(36,652)	(15,573)
Tax paid	11(c)	(6,856)	(16,186)
Interest paid	26(b)	(20,371)	(42,812)
Net cash generated from operating activities		**245,548**	**454,613**
Cash flows from investing activities			
Purchase of property plant and equipment	14(g)	(95,090)	(111,611)
Purchase of intangible assets	15	-	(15,375)
Proceeds from sale of property, plant and equipment		25,075	5,085
Interest income on bank deposits	7	543	1,074
Additions to investment in financial assets	22	(34,685)	(42,840)
Net cash used in investing activities		**(104,157)**	**(163,667)**
Cash flows from financing activities			
Repayment of Principal of Loan and Borrowings	26(b)	(153,746)	(109,445)
Dividend paid	28	(126,615)	(41,589)
Net cash used in financing activities		**(280,361)**	**(151,034)**
Net (Decrease)/Increase in cash and cash equivalents		(138,970)	139,910
Cash and cash equivalents at 1 January		356,599	216,689
Cash and cash equivalents at 31 December	21	**217,629**	**356,599**

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

Notes to the financial statements
For the year ended 31 December 2021

Notes to the Financial Statements
For the year ended 31 December 2021

1 Reporting Entity

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

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

2 Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011. The 2021 financial statements were authorised for issue by the Board of Directors on 25 March, 2022.

(b) Basis of measurement

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

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

- Inventories: Lower of cost and net realisable value.

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgment

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

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

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

Note 3(Q) and 31	leases: whether an arrangement contains a lease
Note 3(D),(F),14 and 16	determination of the useful life of leasehold land
Note 3(L) and 5	revenue recognition and measurement of revenue from rendering of painting services

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

Note 2(e) and 30(a) determination of fair values

Note 3(G) and 30(b) impairment of financial assets: Expected credit loss and forward looking information

(e) Measurement of fair values

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

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

Level 1	- quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as derived from prices).

Notes to the Financial Statements
For the year ended 31 December 2021

Level 3	- inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

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

(f) Change in accounting estimate

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

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

A. Foreign currency transactions

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

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

B. Financial instruments

i. Recognition and initial measurement

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

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

ii. Classification and subsequent measurement

Financial assets

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

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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

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

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

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

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

Business model assessment:

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

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

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

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2021

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

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

Financial assets- Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities- Classification, subsequent measurement and gains and losses

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

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

(iv) Derecognition and offsetting

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

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2021

C. Capital and other reserves

i. Share capital

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

ii. Share premium

When the company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares is transferred to the share premium account. Any transaction costs associated with the share issues are deducted from share premium account, net of any related income tax benefits. The use of the share premium account is governed by S.120 (3) of the Companies and Allied Matters Act 2020.

iii. Retained earnings

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

D. Property, plant and equipment

i. **Recognition and measurement**

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

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

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

ii. **Subsequent cost**

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

iii. **Derecognition**

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

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

iv. **Depreciation**

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

Notes to the Financial Statements
For the year ended 31 December 2021

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

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

	2021	**2020**
• Leasehold land	Unlimited	Unlimited
• Buildings	20 years	20 years
• Plants and machinery		
- Fixed plant	12- 40 years	12- 40 years
- Movable plant	7 years	7 years
- Generators	5 years	5 years
• Motor vehicles		
- Trucks	6 years	6 years
- Cars	4 years	4 years
• Furniture and fittings	5 years	5 years
• Computer equipment	5 years	5 years
• Computer Software	5 years	5 years
• Motor vehicles under lease	lease period	lease period

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

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

E. Intangible assets

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

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

Purchased software are recognised as assets if there is sufficient certainty that future economic benefits associated with the item will flow to the entity. Amortisation is calculated using the straight-line method over the remaining useful life of the Asset.

The carrying amount of an intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Internally generated intangible assets

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

Notes to the Financial Statements
For the year ended 31 December 2021

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

F. Investment property

i. **Recognition and measurement**

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

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

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

ii. **Subsequent expenditure**

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

iii. **Depreciation**

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

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

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

- Buildings – 20 years
- Leasehold land – Unlimited

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

iv. **Transfers**

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

G. Impairment

Non-derivative financial assets

i. Financial instrument

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.
The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.
The Company considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 60 days past due.

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date.
For cash and cash equivalent and other financials assets the applies a general approach in calculating the ECLs. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade.

ii Measurement of ECLs

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

iii Credit-impaired financial assets

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

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

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

v Write off

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

Notes to the Financial Statements
For the year ended 31 December 2021

H. Contingent liabilities and contingent assets

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

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

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

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

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

I. Provisions

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

J. Employee benefits

i. Defined contribution plan

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

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

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

ii. Short-term employee benefits

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

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

iii. Termination benefits

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

Notes to the Financial Statements
For the year ended 31 December 2021

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

K. Inventories

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

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

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

L. Revenue by nature

(i) Revenue from contract with customers

a Sale of paints and allied products

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

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

b Contract services - supply and apply services contract

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

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

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

Advances received are included in contract liabilities and presented as part of trade and other payables. Unbilled receivables for services rendered are included as contract assets and presented as part of trade and other receivables.

(ii) Investment property rental income

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

M. Finance income and finance costs

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

Notes to the Financial Statements
For the year ended 31 December 2021

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

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

N. Government grant

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

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

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

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

O. Taxation

Income tax

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

(a) Current tax

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

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

(b) Deferred tax

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

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

Notes to the Financial Statements
For the year ended 31 December 2021

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset if, and only if the Company:
(a) has a legally enforceable right to set off current tax assets against current tax liabilities; and
(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
• the same taxable entity; or

• different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

(c) Minimum tax expense

The Company is subject to the Finance Act 2020 which amended the Company Income Tax Act (CITA). Total amount of tax payable under the Finance Act is determined based on the higher of two components; Company Income Tax (based on taxable income (or loss) for the year); and Minimum tax (determined based on 0.25% of qualifying Company's turnover less franked investment income). Taxes based on taxable profit for the period are treated as income tax in line with IAS 12; whereas Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss. The liability is recognised under current tax liabilities in the statement of financial position.

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

P. Earnings per share

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

Q. Leases

i. As a lessee

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asses or to restore the underlying asset or the site on which it is located, less any lease incentives received.
The right-of-use is subsequent depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use assets will be depreciated over the useful life of the underlying assets, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted or certain re-measurements of the lease liability.

Notes to the Financial Statements
For the year ended 31 December 2021

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

Lease payments included in the measurement of the lease liability comprise the following:
- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commence date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease the Company is reasonably certain not to terminate early.

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

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

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

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

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

ii. As a lessor

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

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

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

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

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

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

The Company recognizes lease payments received under operating leases as income in profit or loss on a straight -line basis over the lease term

R. Statement of cashflows

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

Notes to the Financial Statements
For the year ended 31 December 2021

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.

U. Prepayments and advances

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

V. Deposit for imports

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

W. Investment in subsidiary

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

X. Related parties

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

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

Y. New standards and interpretations not yet adopted

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2021 and early application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

These include the following standards and interpretations that are applicable to the business of the Company but are not expected to have a significant impact on the Company's financial statements.

Notes to the Financial Statements

For the year ended 31 December 2021

Standards and interpretations cont'd

(i) Standards issued but not yet effective.

A. Onerous contracts: Cost of Fulfilling a Contract (Amendments to IAS 37) - Effective 1 January 2022

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that all contracts existing at 31 December 2021 will be completed before the amendments become effective.

B. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

C. Other Standards

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

i. Amendments to IAS 16; Property, Plant and Equipment: Proceeds before intended use.

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before its intended use by management. As such, proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs. Companies will therefore need to distinguish between:

• costs associated with producing and selling items before the item of property, plant and equipment is available for use; and

• costs associated with making the item of property, plant and equipment available for its intended use. Making this allocation of costs may require significant estimation and judgement. The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

ii. Amendments to IAS 1; Classifications of liabilities as current and non- current

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management’s intentions or expectations for settling a liability when determining its classification is unchanged. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option, which could either be recognised as either equity or liability separately from the liability component under IAS 32 Financial Instruments: Presentation The standard is effective for annual periods beginning on or after 1 January 2023.

Notes to the Financial Statements
For the year ended 31 December 2021

iii. Amendments to IAS 1 and IFRS Practice Statement 2- Disclosure Initiative: Accounting Policies

The amendments were issued in February 2021 to assist companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

• requiring companies to disclose their material accounting policies rather than their significant accounting policies;

• clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

• clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;

The amendments are consistent with the refined definition of material: "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements". The amendments are effective from 1 January 2023.

iv. Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting. Under the consolidation standard, the parent recognises the full gain on the loss of control. But under the standard on associates and JVs, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV. In either case, the loss is recognised in full if the underlying assets are impaired. The IASB has decided to defer the effective date for these amendments indefinitely.

v. Amendments to IAS 8

This amendment provides clarifications to companies on how to distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The amendment introduces a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarifies the following:

• an entity develops an accounting estimate to achieve the objective set out by an accounting policy.

• developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique.

• a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

• a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period.

The effect, if any, on future periods is recognised as income or expense in those future periods. The definition of accounting policies remains unchanged. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

vi. Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41- Annual Improvements 2018 - 2020

• IFRS 1 First Time Adoption of International Financial Reporting Standards - The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

• IFRS 9 Financial Instruments - The amendment clarifies that for the purpose of performing the ''10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

• IFRS 16 Leases – The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

• IAS 41 Agriculture - The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Notes to the Financial Statements
For the year ended 31 December 2021

4 Changes in Significant Accounting Policies

The Company has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements. These policies have been consistently applied to all the years presented unless otherwise stated.

5 Revenue

(a) Revenue stream for the period comprises:

In thousands of naira	**Recognition policy**	**2021**	**2020**
(i) Revenue from contract with customers			
- Sale of paints and allied products*	At a point in time	4,852,895	3,630,790
- Contract services	Over time	107,553	203,673
(ii) Revenue from leases of investment property		4,348	3,119
		4,964,796	**3,837,582**

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

In thousands of naira	**2021**	**2020**
Revenue (net of value added tax)	5,880,938	4,331,194
Discounts and rebates	(1,028,043)	(700,404)
	4,852,895	**3,630,790**

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

(b) Contract balances

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

In thousands of naira	**2021**	**2020**
Billed receivables in respect of sales of paints and allied products	302,127	273,463
Unbilled receivables in respect of contract services	2,160	5,733
Trade receivables (Note 18(a))	**304,287**	**279,196**

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

The revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was nil (2020: Nil).

6 Other income

Other income comprises:

In thousands of naira	**2021**	**2020**
Sale of Scrap	11,010	6,821
Income on property leases*	34,119	30,875
Profit from disposal of property, plant and equipment	21,235	5,085
Income from enrolment of new distributors	10,956	4,312
	77,320	**47,093**

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

Notes to the Financial Statements

For the year ended 31 December 2021

7 Finance income and finance cost

Recognised in profit or loss:

In thousands of naira	2021	2020
Interest income on bank deposits	543	1,074
Interest income on other financial assets	15,552	15,324
Foreign currency exchange gain	7,961	-
Net gain on financial liabilities measured at amortised	2,787	62,450
Total finance income	**26,843**	**78,848**
Interest expense on lease liabilities	(15,187)	(23,464)
Interest expense on financial liabilities measured at amortised costs.	(20,439)	(38,485)
Total finance cost	**(35,626)**	**(61,949)**
Net finance income recognised in profit or loss	**(8,783)**	**16,899**

8 Profit before income tax

Profit before tax is stated after charging:

In thousands of naira	Note	2021	2020
Directors' emoluments	9(a)	87,394	56,941
Depreciation	9(b)	243,486	243,374
Amortisation	15	16,426	7,708
Personnel expenses	10(a)	686,092	718,128
Auditors' remuneration	9(a)	23,000	18,000
Impairment loss on trade receivables	18(b)	8,145	6,194
Minimum tax	12	12,672	947
Profit on disposal of property, plant and equipment	6	21,235	5,085

9 (a) Expenses

(i) Analysis of expenses by nature

In thousands of naira	Note	2021	2020
Directors emoluments	10(d)	87,394	56,941
Personnel expenses	10(a)	686,092	718,128
Training expenses		4,174	6,634
Repairs and maintenance		75,970	95,099
Office and corporate expenses		51,092	37,641
License and permits		24,290	21,597
Utilities		74,151	49,810
Insurance		15,422	10,622
Travel, transport and accommodation		87,594	103,793
Rent, rate and levies		10,539	14,021
Subscriptions and donations		7,481	3,859
Depreciation	9(b)	243,486	243,374
Amortisation	15	16,426	7,708
Printing and stationery		16,366	7,503
Legal and professional services fees		65,708	92,756
Auditors' remuneration		23,000	18,000
Bank charges		6,439	6,535
Advertisement and publicity expenses		65,270	93,031
Distribution expenses		196,495	158,271
Raw materials and consumables	9a(iii)	3,056,751	1,842,973
Contract services expenses		20,287	95,234
		4,834,427	**3,683,530**

In thousands of naira	2021	2020
Summarised as follows:		
(ii) Cost of sales	3,382,076	2,418,504
Selling and distribution expenses	261,765	251,302
Administrative expenses	1,190,586	1,013,724
Total cost	**4,834,427**	**3,683,530**

Notes to the Financial Statements
For the year ended 31 December 2021

(iii) Raw materials and consumables mainly relate to other material cost, finished goods, stock adjustment, research and development cost, cost variance and overhead recovery cost.

In thousands of naira	**2021**	**2020**
Summarised as follows:		
Finished Goods	3,336,197	2,239,435
Other material cost	156,222	995
Stock Adjustment	-	9,262
Cost variance	(34,842)	4,006
Overhead Recovery cost	(402,586)	(415,804)
Research & Developmemt cost	1,760	5,079
Total Raw materials and consumables	**3,056,751**	**1,842,973**

(b) Depreciation

In thousands of naira	Note	**2021**	**2020**
Depreciation charged for the year comprises:			
Depreciation of property, plant and equipment	14	222,700	222,273
Depreciation of investment property	16	20,786	21,099
Total depreciation		**243,486**	**243,372**

10 Personnel expenses

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

In thousands of naira	**2021**	**2020**
Salaries, wages and allowances	647,595	671,933
Employer contribution to compulsory pension fund scheme	38,497	46,195
	686,092	**718,128**

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

			2021	**2020**
₦		₦	Number	Number
500,001	-	1,000,000	3	7
1,000,001	-	1,500,001	15	21
1,500,001	-	2,000,001	47	56
2,000,001	-	3,000,001	35	32
3,000,001	and	above	33	37
			133	**153**

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

	2021	**2020**
	Number	Number
Production	23	23
Sales and marketing	48	53
Finance & HR	10	8
Admin/Control	12	14
Maintenance	6	8
Corporate	5	6
Logistic & Supply chain	13	19
Information Technology (IT)/CSR	2	7
Technical & Compliance	9	9
Safety & Security	5	6
	133	**153**

(d) Remuneration paid to non- executive directors of the Company and charged to the profit or loss are as follows:
The fees paid to non executive Directors for the year includes retirement benefits paid to three (3) retired Directors within the year amounted to 2021: ₦20.3million , (2020: Nil) .

In thousands of naira	**2021**	**2020**
Fees paid to non-executive directors	87,394	56,941
	87,394	56,941

Notes to the Financial Statements
For the year ended 31 December 2021

The directors' remuneration shown above includes:

In thousands of naira	2021	2020
Chairman (Highest paid Director)	6,000	6,716

Other directors received emoluments in the following ranges:

₦		₦	2021 Number	2020 Number
250,001	-	1,000,000	-	-
1,000,001	-	3,000,000	-	-
3,000,001	-	5,000,000	6	-
5,000,001	-	8,000,000	1	7
			7	7

11 Taxation

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

In thousands of naira	2021	2020
Current tax expense:		
Nigeria Police Trust Fund Levy (NPTF)	8	10
Tertiary education tax	8,614	6,910
Charge/(credit) for the year	8,622	6,920
Deferred tax expense:		
Origination and reversal of temporary differences (Note 11(d))	33,832	57,955
Income tax expense	**42,454**	**64,875**

(b) Reconciliation of effective tax rate:

In thousands of naira	%	2021	%	2020
Profit for the year		135,635		146,028
Taxation		42,454		64,875
Profit before taxation		178,089		210,903
Income tax using the Company's domestic rate	30	53,427	30	63,271
Tertiary education tax @ 2.5%	2.5	4,452	2	4,218
Effect of NPTF levy	-	8	-	10
- Non-deductible expenses	3	5,072	1	4,729
- Tax exempt income	(1)	(2,412)	(9)	(5,017)
- Tax incentives	(1)	(2,550)	(1)	(2,414)
- Other tax differences	(9)	(15,543)	7	78
Tax expense	**24**	**42,454**	**30**	**64,875**

(c) The movement in the tax payable

Current tax liabilities

	In thousands of naira	2021	2020
i.	Opening tax liability 1 January	30,835	72,034
	Current year charge	8,622	6,920
	Minimum tax charge	12,672	947
	Cash payments	(6,856)	(16,186)
	Set-off of current assets	(36,652)	(32,879)
	Balance as at year end (A)	**8,622**	**30,835**
	Total net current tax assets/liabilities as at 31 December 2021 (A-B)	**11,498**	**(30,835)**
ii.	**WHT credit notes**		
	Additions	56,772	32,879
	Set-off of current assets	(36,652)	(32,879)
	Balance as at year end (B)	**20,120**	-

Notes to the Financial Statements
For the year ended 31 December 2021

(d) Movement in deferred taxation
In thousands of naira

	Balance at 1 January	Recognised in profit or loss	Net	Deferred tax assets	Deferred tax liabilities
31 December 2021					
Property, plant and equipment	363,651	26,448	390,099	-	390,099
Allowance on trade receivable	(52,096)	(2,607)	(54,703)	(54,703)	-
Right of use assets	4,667	9,345	14,012	-	14,011
Provision for gratuity discontinued	(713)	-	(713)	(713)	-
Provision for slow moving inventories	(25,609)	646	(24,963)	(24,963)	-
Net tax (assets)/ liabilities	**289,900**	**33,832**	**323,732**	**(80,379)**	**404,110**
31 December 2020					
Property, plant and equipment	307,524	56,127	363,651	-	363,651
Allowance on trade receivable	(50,597)	(1,499)	(52,096)	(52,096)	-
Right of use assets	483	4,184	4,667	-	4,667
Provision for gratuity discontinued	(713)	-	(713)	(713)	-
Provision for slow moving inventories	(24,752)	(857)	(25,609)	(25,608)	-
Net tax (assets)/ liabilities	**231,945**	**57,955**	**289,900**	**(78,417)**	**368,318**

12 Minimum tax

Minimum tax in current year has been computed based on 0.25% of turnover in line with the Finance Act, 2020 and this amounts to ₦12.7 million (2020: ₦.94million).

Minimum tax Comprises:

In thousands of naira	2021	2020
Minimum tax	**12,672**	**9,909**
Tax Credit	**-**	**(8,962)**
Minimum tax expenses	**12,672**	**947**

13 Basic earnings per share

Basic earnings per share of 47 kobo (31 December 2020: 50 kobo) is based on the profit for the year of ₦136 million (31 December 2020: ₦146 million) and on 289,823,447 (2020: 289,823,447) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the year.

Notes to the Financial Statements
For the year ended 31 December 2021

14 Property Plant and equipment

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

	Note	Leasehold Land N'000	Buildings N'000	Plants and Machinery N'000	Furniture and fittings N'000	Motor Vehicles N'000	Computer Equipment N'000	Motor Vehicles under Lease N'000	TOTAL N'000
Cost									
Balance at 1 January 2020		390,000	1,291,534	1,429,116	58,865	240,461	125,517	182,350	3,717,843
Additions		-	12,353	73,073	5,687	13,117	7,381	-	111,611
Disposals/write-off		-	-	-	-	(19,925)	-	-	(19,925)
Balance at 31 December 2020		**390,000**	**1,303,887**	**1,502,189**	**64,552**	**233,653**	**132,898**	**182,350**	**3,809,529**
Balance at 1 January 2021		390,000	1,303,887	1,502,189	64,552	233,653	132,898	182,350	3,809,529
Additions		-	6,313	49,172	1,195	2,571	35,839	-	95,090
Disposals		-	-	(6,788)	-	(87,429)	(1,952)	-	(96,169)
Balance at 31 December 2021		**390,000**	**1,310,200**	**1,544,573**	**65,747**	**148,795**	**166,785**	**182,350**	**3,808,450**
Accumulated depreciation									
Balance at 1 January 2020		78,081	236,526	209,520	34,168	209,768	70,079	11,816	849,958
Charge for the year	*9(b)*	-	64,885	79,066	8,209	13,904	18,174	38,035	222,273
Disposals		-	-	-	-	(19,925)	-	-	(19,925)
Balance at 31 December 2020		**78,081**	**301,411**	**288,586**	**42,377**	**203,747**	**88,253**	**49,851**	**1,052,306**
Balance at 1 January 2021		78,081	301,411	288,586	42,377	203,747	88,253	49,851	1,052,306
Charge for the year	*9(b)*	-	65,313	75,054	6,615	13,579	21,050	41,089	222,700
Disposals		-	-	(6,788)	-	(83,589)	(1,952)		(92,329)
Balance at 31 December 2021		**78,081**	**366,724**	**356,852**	**48,992**	**133,737**	**107,351**	**90,940**	**1,182,677**
Carrying amounts									
At 31 December 2020		**311,919**	**1,002,476**	**1,213,603**	**22,175**	**29,906**	**44,645**	**132,499**	**2,757,223**
At 31 December 2021		**311,919**	**943,476**	**1,187,721**	**16,755**	**15,058**	**59,434**	**91,410**	**2,625,773**

Notes to the Financial Statements
For the year ended 31 December 2021

(b) **Assets pledged as security**
No asset of the Company was pledged as security for loan as at 31 December, 2021 (December 2020: Nil)

(c) **Impairment of property, plant and equipment**
No impairment loss was recognised for the year (2020: Nil).

(d) **Capital commitments**
Capital expenditure commitments for the year ended 31 December 2021 authorised by the Board of Directors comprise:

In thousands of naira	**2021**	**2020**
Approved but not contracted	127,717	387,897
	127,717	**387,897**

No Capitalised borrowing cost

(e) **Property, plant and equipment under construction**
There are no property, plant and equipment under construction (2020:Nil)

(f) **Right of use assets**
Right of use assets comprises leasehold land and motor vehicles under finance leases.

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

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

In thousands of naira	**2021**	**2020**
Additions (Note 14(a))	95,090	155,686
Additions to Right of Use assets (Motor vehicles under lease)	-	(44,075)
	95,090	111,611

Notes to the Financial Statements
For the year ended 31 December 2021

15 **Intangible assets**

Intangible assets under development

In thousands of naira	*Note*	**Computer Software**	**Intangible assets under development**	**Total**
Cost				
Balance at 1 January 2020		65,435	28,138	93,573
Additions		15,375	-	15,375
Balance at 31 December 2020		**80,810**	**28,138**	**108,948**
Balance at 1 January 2021		80,810	28,138	108,948
Additions		28,138	(28,138)	-
Balance at 31 December 2021		**108,948**	-	**108,948**
Accumulated amortisation				
Balance at 1 January 2020		48,662	-	48,662
Charge for the year	*9(a)*	7,708	-	7,708
Balance at 31 December 2020		**56,370**	-	**56,370**
Balance at 1 January 2021		56,370	-	56,370
Charge for the year	*9(a)*	16,426	-	16,426
Balance at 31 December 2021		**72,796**	-	**72,796**
Carrying amounts				
At 31 December 2020		**24,440**	**28,138**	**52,578**
At 31 December 2021		**36,152**	-	**36,152**

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

Intangible assets amortisation charged to profit or loss for the year amounts to ₦16.43million (2020: ₦7.71million) and is included as part of administrative expenses.

Notes to the Financial Statements
For the year ended 31 December 2021

16 Investment property
The movement on this account was as follows:

In thousands of naira	**2021**	**2020**
Cost		
Balance at 1 January	604,468	604,468
Balance at 31 December	**604,468**	**604,468**
Accumulated depreciation		
Balance at 1 January	201,448	180,349
Charge for the year	20,786	21,099
Balance at 31 December	**222,234**	**201,448**
Carrying amounts at year ended	**382,234**	**403,020**

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

Each of the leases contains an initial non-cancellable period of one (1) year. No contingent rents are charged.
Rental income generated from investment property recognised during the year was ₦4.35 million (2020: ₦3.12million).

Direct operating expenses (included in repairs and maintenance expenses) arising from investment property that generated rental income during the year was Nil (2020: Nil)

Depreciation of ₦20.79 million (31 December 2020: ₦21.10 million) charged on investment property for the year was included in cost of sales

The fair value of the investment property as at year end is ₦2.35 billion (31 December 2020: ₦2.06 billion). The fair value was determined by an external, independent property valuer (Jide Taiwo and Co.) with Financial Reporting Council of Nigeria (FRC) No: FRC/2012/0000000000254. The fair value measurement of investment property has been categorised as a Level 2 fair value based on the input to the valuation techniques used.

17 Inventories
(a) *In thousands of naira*

	2021	**2020**
Raw and packaging materials	919,804	428,242
Finished products	255,108	306,280
Product-in-process	16,647	10,889
Consumable spare parts	53,062	36,907
	1,244,621	782,318
Impairment allowance	(78,005)	(80,024)
	1,166,616	**702,294**

The value of raw and packaging materials, changes in finished products and products in process consumed during the year and recognised in cost of sales amounted to ₦3.05 billion (2020:₦1.82 billion). No reduction in the carrying amount of inventories in the current year (2020: ₦3.2 million) as there is no occassion giving rise to write-down of inventory to net realisable value.

(b) Reconciliation of changes in Inventory included in statement of cash flows is as follows:
In thousands of naira

	2021	**2020**
Movement in Inventory	(464,322)	109,754
Changes in trade and other receivables per statement of cash flows	**(464,322)**	**109,754**

Notes to the Financial Statements

For the year ended 31 December 2021

18 Trade and other receivables comprises:

Trade and other receivables comprises:

(a)

In thousands of naira	**2021**	**2020**
Trade receivables (Note 5(b))	302,127	273,463
Lease receivable	83,688	83,688
Staff debtors	1,946	152
Receivable from Company's registrar	81,036	101,459
Contract assets	2,160	5,733
Other receivables	7,011	17,192
	477,968	481,687
Impairment allowance	(172,451)	(164,306)
Carrying amount as at year ended	**305,517**	**317,381**

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

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

In thousands of naira	**2021**	**2020**
Balance at 1 January	164,306	158,112
Net impairment loss recognised	8,145	6,194
Balance at 31 December	**172,451**	**164,306**

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

In thousands of naira

	2021	**2020**
Movement in trade and other receivables	11,864	13,160
Exchange gain	7,961	-
Changes in trade and other receivables per statement of cash flows	**19,825**	**13,160**

19 Deposit for imports

The deposit for imports represents amounts deposited with banks to fund letters of credit. These letters of credit are meant to finance the importation of raw materials.

Deposit for imports comprises:

(a)

In thousands of naira	**2021**	**2020**
Deposit for Imports	2,674	65,836
	2,674	**65,836**

(b) Reconciliation of changes in deposit for imports included in statement of cash flows is as follows:

In thousands of naira

	2021	**2020**
Movement in deposit for imports	63,162	77,699

20 Prepayments and advances

Prepayments and advances comprises:

In thousands of naira	**2021**	**2020**
Advance payment to suppliers	17,079	22,843
Prepaid insurance and others	19,267	26,726
	36,346	**49,569**

There were no non-current prepayments and advances made at year-end (2020:Nil)

Notes to the Financial Statements
For the year ended 31 December 2021

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

	2021	2020
Movement in prepayment and advances	13,223	12,019
Movement in WHT credit notes	(20,120)	(17,306)
Changes in prepayments and advances per statement of cash flows	**(6,897)**	**(5,287)**

21 Cash and cash equivalents
Cash and cash equivalents comprises:

In thousands of naira	2021	2020
Cash on hand	317	216
Balance with banks	217,312	356,383
Cash and cash equivalents	**217,629**	**356,599**

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

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

As at 31 December 2021, the investment is analysed as stated below:

	2021	2020
At 1 January	267,371	209,208
Additions	34,685	42,840
Interest income	15,552	15,323
At 31 December	**317,608**	**267,371**

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

23 Capital and reserves
(a) Ordinary shares as at 31 December

In thousands of naira	2021	2020
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	2021	2020
At 1 January	635,074	635,074
At 31 December	**635,074**	**635,074**

24 Trade and other payables
(a) Trade and other payables comprises:

In thousands of naira	2021	2020
Trade payables	456,682	285,998
Customer deposits for paints	152,340	146,251
Statutory payables	73,404	133,946
Related party payables (Note 29 (a))	7,075	10,619
Pension payable (Note (b))	5,216	9,382
Accruals	192,902	106,061
Other payables	31,166	12,112
	918,785	**704,369**

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

Notes to the Financial Statements
For the year ended 31 December 2021

(b) ***Pension payable***

In thousands of naira	2021	2020
Balance at 1 January	9,382	5,974
Charge for the year	60,488	69,243
Remittances	(64,654)	(65,835)
Balance at 31 December	**5,216**	**9,382**

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

In thousands of naira	2021	2020
Movement in trade and other payable	214,416	(100,220)
Changes in trade and other payables per statement of cash flows	**214,416**	**(100,220)**

25 Deferred income

Deferred income comprises:

In thousands of naira	2021	2020
Government grant (note (a))	68,422	71,158
Lease income received in advance	51,625	3,868
Deferred income	**120,047**	**75,026**
Non-current	109,298	68,705
Current	10,749	6,321
	120,047	**75,026**

(a) Government grant arises as a result of the benefit received from below-market-interest rate government assisted loans, obtained from the Bank of Industry to purchase items of buildings and plant &machinery for the installation of the automated water based paint production factory. The production plant was completed and became available for use on 30 December, 2019. The grant will be amortised on a systematic basis over the average useful life of the components of the items of buildings and plant & machinery.

Unwinding of the government grant has been recognised in profit or loss for the year ended 31 December 2021: N2.74million (2020: N2.45million)

26 Loans and borrowings

In thousands of naira

31 December 2021	Non-current liabilities	Current liabilities	Total
Bank of Industry loan	7,875	89,820	97,695
Lease liability	-	47,678	47,678
	7,875	**137,498**	**145,373**

31 December 2020	Non-current liabilities	Current liabilities	Total
Bank of Industry loan	79,984	88,918	168,902
Lease liability	57,444	60,305	117,749
	137,428	**149,223**	**286,651**

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

(a) **Terms and repayment schedule**

				31 December 2021		**31 December 2020**	
In thousands of naira	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face Value**	**Carrying amount**	**Face Value**	**Carrying amount**
(i) Bank of Industry loan	NGN	10%	2023	105,223	97,695	185,623	168,902

Notes to the Financial Statements
For the year ended 31 December 2021

(ii) Lease liability 1	NGN	18%	2022	15,131	15,131	85,663	85,202
(iii) Lease liability 2	NGN	15%	2022	32,547	32,547	32,547	32,547
Total interest-bearing loans				**152,901**	**145,373**	**271,286**	**254,104**

(i) **Bank of Industry Loan**

The loan is a Central Bank of Nigeria (CBN) intervention fund through Bank of Industry (BOI), which is secured by a "duly executed Negative Pledge" (Bank Guarantee) in favour of Fidelity Bank Plc. The applicable interest rate is 10% per annum. The loan is repayable in seventy monthly instalments (including a twelve months moratorium between March 2017 to February 2018) at various dates between March 2018 to March 2023.

For the year ended 31 December 2021, net interest expense of ₦20.44 million which accrued on the facility, was charged to Profit or loss (2020:₦38.40 million was expensed to Profit or loss).

(ii) **Lease liability**

The lease was provided by Financial Derivatives Company Limited for eighteen (18) motor vehicles, required for replacement of aged sales field force vehicles and part for administrative/operational use. The applicable lease interest rate is 18% per annum, it is repayable in thirty six (36) monthly equal instalments at various dates between September 2019 to August 2022. In 2020, the Company entered into a lease arrangement for the procurement of one (1) motor vehicles for a lease interest rate of 15% per annum, it is repayable in twenty four (24) monthly equal instalments at various dates between May 2020 to May 2022.

As at 31 December 2021, interest expense and related charges of ₦15.19 million (2020 : ₦23.29 million) was due on the lease facility and recognised in profit or loss. The total cash outflows in respect of principal and interest lease payments was ₦70.07million (2020: ₦74.57 million) and is included as part of repayment of borrowings in the statement of cashflows. No addition to lease liability in the current year.

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

in thousands of naira	**2021**	**2020**
Balance, beginning of year	286,651	395,335
Additions	-	44,075
Repayment of principal	(153,746)	(109,445)
Repayment of interest	(20,371)	(42,812)
Net gain on financial liabilities measured at amortised costs	(2,787)	(62,450)
Interest accrued in profit or loss	35,626	61,948
Balance, end of the year	**145,373**	**286,651**

27 Dividends

The following dividends were declared and paid by the Company;

	Per share (kobo)	**2021 N'000**	**Per share (kobo)**	**2020 N'000**
Declared Dividend	40	115,929	25	72,456

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

28 Dividend payable

The movement in dividend payable is as follows:

In thousands of naira	**2021**	**2020**
At 1 January	438,118	407,251
Declared dividend	115,929	72,456
Write back of statute barred dividend	(64,025)	-
Payments	(126,615)	(41,589)
At 31 December 2021	**363,407**	**438,118**

Notes to the Financial Statements
For the year ended 31 December 2021

29 Related Parties

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

A. Transactions with key management personnel

Key management personnel compensation comprised the following:

In thousands of naira	**2021**	**2020**
Short-term benefits	144,294	151,828
Post employment benefits	6,299	6,617
	150,593	**158,445**

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

Related Party	**Nature of transaction**	**Transaction values**		**Balance Payable**	
		2021	**2020**	**2021**	**2020**
		N'000	**N'000**	**N'000**	**N'000**
Emychem Limited	Supply of raw materials	47,991	73,029	(7,075)	(10,619)
Clayton Finance Limited	Supply of raw materials	-	41,207	-	-
		47,991	114,236	(7,075)	(10,619)

Emychem Limited

During the year, the Company bought various raw materials from Emychem Limited. The Managing Director of Emychem Limited is Mr. Raj Mangtani and is also a non-executive director on the Board of Directors of Berger Paints Nigeria Plc.

B. Other related party transactions

The Company incorporated a subsidiary in Ghana, Lewis Berger Ghana Limited, on 23 October 2013. As at 31 December 2021, the subsidiary remained dormant and had not commenced operations. The Company has not prepared consolidated financial statements on the account of materiality.

30 Financial instruments – Fair values and financial risk management

(a) Classification of financial instruments and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. As at 31 December 2021, the Company did not have financial assets and liabilities measured at fair value through other comprehensive income or fair value through profit or loss.

31 December 2021		**Fair value**			
In thousands of naira	**Amortized Cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value					
Other financial assets	317,608	-	317,608	-	317,608
Trade and other receivables	305,517	-	305,517	-	305,517
Cash and cash equivalents	217,629	-	217,629	-	217,629
	840,754	**-**	**840,754**	**-**	**840,754**
Financial liabilities not measured at fair value					
Loans and borrowings	145,373	-	152,901	-	152,901
Trade and other payables*	487,848	-	487,848	-	487,848
Dividend payable	363,407	-	363,407	-	363,407
	996,628	**-**	**1,004,156**	**-**	**1,004,156**

Notes to the Financial Statements
For the year ended 31 December 2021

31 December 2020		**Fair value**			
In thousands of naira	**Amortized Cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value					-
Other financial assets	267,372	-	267,372	-	267,372
Trade and other receivables	317,381	-	317,381	-	317,381
Cash and cash equivalents	356,599	-	356,599	-	356,599
	941,352	**-**	**941,352**	**-**	**941,352**
Financial liabilities not measured at fair value					
Loans and borrowings	286,651	-	303,833	-	303,833
Trade and other payables*	561,049	-	561,049	-	561,049
Dividend payable	438,118	-	438,118	-	438,118
	1,285,818	**-**	**1,303,000**	**-**	**1,303,000**

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

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

- Financial instruments in level 2

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

Specific valuation techniques used to value financial instruments include:

(i) quoted market prices or dealer quotes for similar instruments;

(ii) other techniques, such as discounted cash flow analysis, sales prices of comparable properties in close proximity, are used to determine fair value for the remaining financial instruments.

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

(b) Financial risk management

Overview

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

● Credit risk
● Liquidity risk
● Market risk

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

(i) **Risk management framework**

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

Notes to the Financial Statements

For the year ended 31 December 2021

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	**2021**	**2020**
Trade and other receivables (See (a) below)	305,517	317,381
Cash and cash equivalents (excluding cash at hand) (See (b) below)	217,312	356,383
Other financial assets (See (b) below)	317,608	267,372
	840,437	**941,136**

(a) Trade and other receivables

In thousands of naira	**2021**	**2020**
Net trade and lease receivables (See a(i) below)	215,524	198,578
Deposit with company registrar (See a(ii) below)	81,036	101,459
Staff debtors (See a(iii) below)	1,946	152
Other receivables (See a(iii) below)	7,011	17,192
	305,517	**317,381**

(i) Net trade and lease receivables

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

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

Concentration of risk

At 31 December 2021, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows;

Notes to the Financial Statements
For the year ended 31 December 2021

In thousands of naira	Carrying amount 2021	2020
Wholesale customers	41,392	70,270
Retail customers	12,970	3,511
Others (Corporates)	249,925	205,415
Lease receivable	83,688	83,688
	387,975	**362,884**
Impairment losses on financial assets recognised in profit or loss were as follows:		
- Impairment loss on trade receivable arising from contracts for sale of paints	88,764	80,618
- Impairment loss on investment property lease contracts	83,688	83,688
	172,452	**164,306**
Net trade and lease receivables	**215,523**	**198,578**

The Company uses an allowance matrix to measure the expected credit loss (ECL) from trade receivables from sale of paints and rental of investment property. The exposures are calculated separately for each segment based on their common characteristics. Loss rates are calculated based on actual loss experienced over the past three years. These rates adjusted by a scalar factor to reflect differences in economic conditions during the year over which the historical data has been collected and the Company's view of economic conditions over the expected lives of the receivables. The scalar factor is based on forecasted inflation rates and industry outlook.
At 31 December 2021, the ageing of trade receivables that were impaired was as follows:

31 December 2021

In thousands of naira	Credit impaired	Weighted average loss	Gross	Impairment	Net
Current (not past due)	No	0%	2,160	-	2,160
Past due 1–30 days	Yes	16%	241,458	(38,786)	202,672
Past due 31–60 days	Yes	23%	20,345	(4,687)	15,658
Over 61 days due	Yes	100%	45,291	(45,291)	-
			309,254	**(88,764)**	**220,490**

31 December 2020

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

At 31 December 2021, the ageing of lease receivables that were impaired was as follows:

31 December 2021

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

Notes to the Financial Statements
For the year ended 31 December 2021

31 December 2020

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

The Company does not hold collateral on these balances. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.
Movement in the allowance for impairment in respect of trade receivable during the year was as follows:

In thousands of naira	**2021**	**2020**
Balance as at 1 January	164,306	158,112
Net impairment loss recognised	8,146	6,194
Balance as at 31 December	**172,451**	**164,306**

(ii) Deposit with Company Registrar

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

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

(iii) Staff debtors and other receivables

This mainly represents lease receivable in respect of rent of an insignificant portion of the Company's building propeties to third parties and receivables from employees.
These receivables are payable on demand and its contractual period is less than 12 months. The Company has assessed the counter parties to have sufficient net liquid assets and are considered to be low credit risk, hence, the expected expected credit loss is immaterial.
Consequently, the Company has not incurred impairment loss in respect of staff debtors and other receivables.

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

The Company held cash and cash equivalents of ₦218 million and other financial asset of ₦318 million as at 31 December 2021 (31 December 2020: N357 million and N267 million respectively) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with commercial banks with good external ratings. The Company manages the risk associated with its cash and cash equivalents by selecting banks with strong financial position and history of good performance.
Impairment on cash and cash equivalent has been measured on a 12 month expected credit loss basis and reflects the short maturities of the exposures. The Company considered that its cash and cash equivalent and other financial asset have low credit risk based on the external credit ratings of the counter parties.

(iii) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Company's reputation.

Notes to the Financial Statements
For the year ended 31 December 2021

The Company aims to maintain the level of cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 31 December 2021, the expected cash flows from trade and other receivables maturing within three months were ₦266.3 million (31 December 2020: ₦142.5 million). This excludes potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Exposure to liquidity risk

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

31 December 2021		**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 (excluding lease liability)	97,695	254,355	57,668	39,337	157,350	-	-
Lease liability	47,678	59,613	29,807	29,806		-	
Trade and other payables*	561,049	561,049	561,049	-	-	-	-
Dividend payable	363,407	363,407	363,407	-	-	-	-
	1,069,829	**1,238,424**	**1,011,931**	**69,143**	**157,350**	**-**	**-**

31 December 2020		**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	168,902	254,355	57,668	39,337	157,350	16,032	-
Lease liability	117,749	117,749	29,807	29,807	65,335	-	-
Trade and other payables*	561,049	561,049	561,049	-	-	-	-
Dividend payable	438,118	438,118	438,118	-	-	-	-
	1,285,818	**1,371,271**	**1,086,642**	**69,144**	**222,684**	**16,032**	**-**

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

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

(iv) **Market risk**

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

Notes to the Financial Statements
For the year ended 31 December 2021

1. ***Currency risk***

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

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

Exposure to currency risk

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

	31 December 2021			31 December 2020		
	US$	€	GBP	US$	€	GBP
Foreign currency included in cash and cash equivalents	95,481	1,088	356	142,215	973	356

The following significant exchange rates were applied;

	Average rate during the year		Year end spot rate	
Naira	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
US$ 1	409.49	382.05	424.11	400.33
€ 1	483.73	436.24	480.10	491.45
GBP 1	547.61	489.02	571.40	512.42

Sensitivity analysis

A reasonably possible strengthening /(weakening) of the naira against all other currencies at 31 December 2021 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
31 December 2021		
US$ (20% movement)	8,099	(8,099)
€ (20% movement)	104	(104)
GBP (20% movement)	41	(41)
31 December 2020		
US$ (20% movement)	11,387	(11,387)
€ (20% movement)	96	(96)
GBP (20% movement)	36	(36)

Notes to the Financial Statements

For the year ended 31 December 2021

2. *Interest rate risk*

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

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

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

Fixed rate instruments	**Nominal amount**	
In thousands of naira	**2021**	**2020**
Financial liabilities:		
Short term borrowings	137,498	149,223
Long term borrowing	7,875	137,428
	145,373	**286,651**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The Company does not have any variable rate financial assets and liabilities as at 31 December 2021 (2020: Nil).

(c) **Capital management**

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

The Company's adjusted net debt to equity ratio at 31 December, was as follows:

	2021	**2020**
In thousands of naira		
Total liabilities	1,879,966	1,824,900
Less: Cash and Cash equivalents	(217,629)	(356,599)
Adjusted net debt	**1,662,337**	**1,468,301**
Total Equity	**3,230,703**	**3,146,972**
Net debt to equity ratio	**0.51**	**0.47**

Notes to the Financial Statements
For the year ended 31 December 2021

31 Leases

A. Leases as Lessee (IFRS 16)

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

The Company also entered into lease arrangements for the right to use of motor vehicles. The lease expires in 2022; however, management has the intention to exercise the purchase option.

Right of use assets related to leased assets are presented as property, plant and equipment (see Note 14(f)). Interest on lease liabilities as well as the repayments of the lease has been included in loans and borrowings (see Note 26(a)).

B. Leases as Lessor

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

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

a. Future minimum lease payments

At as 31 December 2021 there are no future minimum lease payments under non calcellable and each of the leases are one year (2020: Nil)

b. Amounts recognised in profit or loss

Investment property lease income recognised for the year is ₦4.28 million (2020: ₦3.12million) and was included in 'Revenue' (see note 5(a)). Depreciation expense on the investment property was included in 'Cost of Sales' (see note 9(b)).

32 Provision of Non Audit Services

The details of non-audit services and the applicable fees paid during the year ended 31 December 2021 were:

	2021	**2020**
	₦' million	**₦' million**
i. Tax services	1.45	1.01
ii Transfer pricing advisory services	0.97	0.84

33 Contingencies

There are no contingent liabilities in respect of litigation and claims for the Company as at 31 December 2021 (2020: Nil).

34 Subsequent events

On 25 March 2022, a dividend of 40 kobo per share was proposed by the directors for approval at the Annual General Meeting. There were no other significant events after the reporting date that could have had a material effect on the financial statements that have not been provided for or disclosed in these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2021

35 Operating segments

a. Basis of segmentation

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

Reportable segments	Operations
Paints and allied products	Manufacturing, distribution and selling of paints and allied products
Contract revenue	Rendering of painting services
Investment property rental	Rentals of trade shops and office spaces

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

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

b. Information about reportable segments

In thousands of naira

	Paints and allied products	Contract revenue	Investment property rental income	Unallocated	Total
31 December 2021					
External revenues	4,852,895	107,553	4,348	-	4,964,796
Finance income	-	-	-	24,056	24,056
Finance costs	-	-	-	(15,187)	(15,187)
Depreciation & amortisation	(238,997)	(214)	(20,786)	-	(259,997)
Net impairment loss on trade receivables	-	-	(8,145)	-	(8,145)
Reportable segment profit /(loss) before taxation	119,209	87,266	(24,583)	8,869	190,761

	Paints and allied products	Contract revenue	Investment property rental income	Unallocated	Total
31 December 2020					
External revenues	3,630,790	203,673	3,119	-	3,837,582
Finance income	-	-	-	16,398	16,398
Finance costs	-	-	-	(23,464)	(23,464)
Depreciation & amortisation	(229,786)	(197)	(21,099)	-	(251,082)
Impairment loss on trade receivables	-	-	(6,194)	-	(6,194)
Reportable segment profit before income taxation	134,651	108,439	(24,174)	(7,066)	211,850

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

Notes to the Financial Statements
For the year ended 31 December 2021

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

Revenues

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

Profit or loss

In thousands of naira	**2021**	**2020**
Total profit or loss for reportable segments	181,892	218,916
Unallocated finance income	24,056	16,398
Unallocated finance costs	(15,187)	(23,464)
Profit before minimum taxation	190,761	211,850

Other material items

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

Major customer

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

Other National Disclosures

Other National Disclosures
Value Added Statement

For the year ended 31 December
In thousands of naira

	2021	%	2020	%
Revenue (Note 5)	4,964,796		3,837,582	
Finance Income (Note 7)	26,843		78,848	
Other income (Note 6)	77,320		47,093	
	5,068,959		3,963,523	
Bought in materials and services				
- Imported	(49,290)		(403,458)	
- Local	(3,847,278)		(2,317,058)	
Value added	**1,172,391**	**100**	**1,243,007**	**100**
Distribution of value added				
To Employees:				
Personnel expenses	686,092	58	718,128	57
To Providers of Finance:				
Interest on loans (Note 7)	35,626	3	61,949	5
To Government:				
Taxation (Note 11(a))	42,454	4	64,875	5
Minimum tax (Note 12)	12,672	1	947	-
Retained in the business as:				
Depreciation (Note 9(b))	243,486	21	243,372	20
Amortisation (note 15)	16,426	1	7,708	1
To augment reserve	135,635	12	146,028	12
	1,172,391	**100**	**1,243,007**	**100**

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

Other National Disclosures
Five Year Financial Summary

In thousands of naira

	2021	2020	2019	2018	2017
Funds employed					
Share capital	144,912	144,912	144,912	144,912	144,912
Share premium	635,074	635,074	635,074	635,074	635,074
Retained earnings	2,450,717	2,366,986	2,293,414	2,033,066	1,861,159
Shareholder's fund	3,230,703	3,146,972	3,073,400	2,813,052	2,641,145
Current liabilities	1,439,061	1,328,867	1,465,725	1,285,038	1,080,532
Non-current liabilities	440,905	496,033	527,324	437,209	589,747
	5,110,669	**4,971,872**	**5,066,449**	**4,535,299**	**4,311,424**
Assets employed					
Non current assets	3,064,279	3,212,821	3,292,840	2,889,175	2,729,446
Current assets	2,046,390	1,759,051	1,773,609	1,646,124	1,581,978
	5,110,669	**4,971,872**	**5,066,449**	**4,535,299**	**4,311,424**

In thousands of naira

	2021	2020	2019	2018	2017
Revenue	4,964,796	3,837,582	3,584,804	3,377,223	3,012,648
Profit before minimum tax	190,761	211,850	551,561	454,328	339,456
Profit before tax	178,089	210,903	533,099	454,328	339,456
Profit for the year	135,635	146,028	448,733	320,509	246,276
Other comprehensive income, net of tax	-	-	-	-	18,974
Declared dividend	115,929	72,456	188,385	144,912	144,912
Per 50k share data:					
Basic and diluted earnings per share (kobo)	47	50	50	111	85
Declared dividend per share (kobo)	40	25	25	50	50
Net assets per share (kobo)	11	11	11	10	9