CAP plc

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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Corporate Information

BOARD OF DIRECTORS:	Mrs. Awuneba Ajumogobia	Chairperson (Independent Non-Executive Director)	
	Mrs Bolarin Okunowo	Managing Director	Appointed with effect from December 1, 2021.
	Amb. Kayode Garrick	Independent Non-Executive Director	Retiring at the AGM of June 16, 2022.
	Mrs. Muhibat Abbas	Non-Executive Director	
	Mrs. Udo Okonjo	Independent Non-Executive Director	
	Dr Vitus Ezinwa	Non-Executive Director	Appointed with effect from June 17, 2021
	Mr Folasope Aiyesimoju	Non-Executive Director	Appointed with effect from October 5, 2021
	Mr. David Wright	Managing Director	Retired with effect from November 30, 2021
COMPANY SECRETARY:	Ayomipo Wey		
REGISTERED OFFICE:	2, Adeniyi Jones Avenue P.M.B. 21072, Ikeja – Lagos Tel: 08159493070 E-mail: careline@capplc.com		
REGISTRATION NUMBER:	RC 4551		
WEBSITE:	www.capplc.com		
AUDITOR:	KPMG Professional Services KPMG Tower, Bishop Aboyade Cole Street Victoria Island Lagos		
REGISTRAR:	Africa Prudential Plc 220B, Ikorodu Road Palmgrove Lagos.		
TIN:	01331249-0001		

Financial highlights

	2021 N'000	2020 N'000	% change
Revenue	14,207,818	8,876,191	60
Operating profit	1,554,632	1,557,260	0
Finance income	180,480	249,785	(28)
Profit before taxation	1,727,498	1,805,738	(4)
Taxation	(604,915)	(582,614)	(4)
Profit for the year	1,122,583	1,223,124	(8)
Total equity and liabilities	12,115,919	8,526,076	42
Additions to property, plant & equipment (PPE)	614,717	114,276	438
Depreciation on PPE	225,100	145,589	(55)
Cash and cash equivalents	2,571,991	5,748,369	(55)
Earnings per share (kobo) - Basic and diluted	151	175	(14)
Net asset per share (kobo) - Basic	559	535	4

Report of the Directors

The Directors have the pleasure in presenting their annual report to Members on the affairs of Chemical and Allied Products Plc ('the Company' or 'CAP Plc' or 'CAP'), together with the Audited Financial Statements and independent Auditor's Report for the year ended 31 December 2021.

1 LEGAL FORM AND PRINCIPAL ACTIVITIES

Chemical and Allied Products Plc is a technological licensee of AkzoNobel Coatings International B.V. ("AkzoNobel"). CAP Plc evolved from the world-renowned British multinational, Imperial Chemical Industries PLC (ICI), which formalized its Nigerian operations in 1957 under ICI Exports Limited. In 1965, ICI Exports Limited changed its name to ICI Nigeria Limited and in 1968, it was subsumed by ICI Paints Limited. ICI changed its name to Chemical and Allied Products Limited (CAPL) in the spirit of indigenization and in 1991, CAP became a public Company. In 1992, ICI Nigeria Limited disposed-off its 40% shareholding in CAP when it sold 35.7% of its equity to UAC of Nigeria PLC ("UAC") and the rest to the Nigerian public. Currently, UAC holds 56.54% of CAP's shares.

CAP operates within the premium and standard segments of the Paints and Coatings market with flagship brands such as Dulux positioned in the premium segment, and Caplux and Sandtex in the standard segment. CAP also operates in the marine and protective coatings segment through distribution of the Hempel brand. The Company has the ISO 9001:2015 Quality Management System certification and the ISO 14001:2015 Environmental Management system certification. CAP is a signatory to the UN Global Compact (UNGC) initiative, raising the bar in human rights, labour standards, environment, and anti-corruption.

The Company pioneered the colour centre concept in Nigeria in 2005, which began a revolution in the Nigerian paint industry. Currently, the Company has One hundred and One (101) outlets across major cities in the country following the strategic merger with Portland Paints and Products Nigeria Plc ("Portland Paints") which became effective on July 1, 2021.

2 OPERATING RESULTS

The following is the summary of the performance of the Company for the year under review as compared with the previous year:

	2021 N'000	2020 N'000
Turnover	14,207,818	8,876,191
Operating Expenses	(3,378,962)	(2,273,913)
Profit before taxation	1,727,498	1,805,738
Taxation	(604,915)	(582,614)
Profit after taxation	1,122,583	1,223,124
Retained earnings	3,028,137	3,375,554

3 DIVIDEND

The Directors are pleased to recommend to shareholders, a full year ordinary dividend of ₦1.25k per 50k share, representing a ₦985 million cash and/or shares distribution.

The dividend will be paid to shareholders whose names appear in the Company's Register of Members as at the close of business on June 1, 2022. The total dividend will be net of withholding tax.

The Directors are also recommending to shareholders for their approval at the forthcoming Annual General Meeting, a right of election for qualifying shareholders to receive new ordinary shares in the Company instead of final dividend in cash. The election is required to be made on or before June 7, 2022. The reference share price for the purpose of determining the number of shares due to qualifying shareholders who elect for the share option will be a ten-day trading average of the Company's share price on the floor of the Nigeran Exchange, starting June 2, 2022.

Shareholders who do not send in an election for new shares will receive cash.

4 RECORD OF DIRECTORS' ATTENDANCE AT MEETINGS

Pursuant to Section 284 (2) of the Companies and Allied Matters Act, 2020, the records of Director's attendance at Board meetings during the year under review will be available for inspection at the Annual General Meeting.

5 BOARD CHANGES

RETIREMENT

Mr. David Wright retired from the Board of the Company as Managing Director on November 30, 2021. The Board was deeply appreciative of Mr. Wright for his hard work and valuable contributions to the growth of the Company. The NGX Regulation Limited, the Securities and Exchange Commission and the Corporate Affairs Commission were duly notified of the retirement.

BOARD APPOINTMENT

During the period under review, the following appointments were made to the Board of the Company:

- Dr. Vitus Ezinwa as non-executive director with effect from June 17, 2021
- Mr. Folasope Aiyesimoju as non-executive director with effect from October 5, 2021, and
- Mrs. Bolarin Okunowo as Managing Director of the Company effective December 1, 2021 following the retirement of Mr. David Wright on November 30, 2021.

Report of the Directors - Continued

All the above appointments will be presented at this Meeting for the approval of the Shareholders. The NGX Regulation Limited, Securities and Exchange Commission and the Corporate Affairs were notified of these appointments.

Please see below, the respective profiles of the directors whose appointments would be presented for approval at this meeting:

Dr. Vitus Ezinwa

Dr. Ezinwa is a seasoned business manager and human resource professional with experience in leading multinational corporations.
Dr. Ezinwa is currently the Chief Operating Officer (COO) of UAC of Nigeria Plc ("UACN") and previously, the Group Director of HR at UACN. He is also a non-executive director of Grand Cereals Limited.
Prior to Joining UACN, he worked as Group Human Resources Director for Promasidor Africa; Human Resources Director, Coca-Cola Nigeria & Equatorial Africa with responsibility for 10 countries and Human Resources Director for British American Tobacco, West & Central Africa covering Ghana, Benin, Niger & Togo. Dr. Ezinwa was, until recently, the Group Human Resource Director for Tropical General Investments (TGI) Group.
He is a member of the Advisory Board of Afterschool Graduate Development Centre, member of the Institute of Directors and a Fellow of the Chartered Institute of Personnel and Development (CIPD) UK.
He is a co-founder and Director of HR Network Africa and was until 2014, a member of the Lagos Business School's Advisory Board. He holds a Bachelor's degree in Sociology/Anthropology from the University of Nigeria, Nsukka, MBA in Management from Lagos Business School, a Master's in applied business research and a Doctorate in Business Administration, both from Swiss Business School, Zurich, Switzerland. He was appointed to the Board of Chemical and Allied Products Plc on June 17, 2021.

Mr. Folasope Aiyesimoju

Mr. Aiyesimoju is a finance professional with experience spanning corporate finance, principal investing and private equity. Over the course of his career, he has lived and worked in Sub-Saharan Africa's most important economies gaining experience of the operating landscape in the region.
Mr. Aiyesimoju is currently the Group Managing Director of UAC of Nigeria Plc ("UACN"), with responsibility for shaping overall strategy and driving long-term value creation. He is also the founder of Themis Capital Management, an investment firm focused on concentrating capital and talent on high-potential opportunities in Sub-Saharan Africa.
Prior to founding Themis, he worked with Kohlberg Kravis Roberts, a leading global investment firm. His experience also includes working with the Standard Bank Group, where he led mergers and acquisitions in Nigeria. He spent the early part of his career with Ocean and Oil Holdings Limited, a principal investment firm in Nigeria and ARM Investment Managers, one of Nigeria's leading investment advisory and wealth management firms.
He also sits on the Boards of MDS Logistics Limited, Grand Cereals Limited, UAC Foods Limited and UPDC Plc.
Mr. Aiyesimoju holds a B.Sc. (Hons) degree in Estate Management from the University of Lagos, where he was awarded a Certificate of Excellence in Real Estate Development and Finance, and earned the right to use the CFA designation in 2006. He was appointed to the Board of Chemical and Allied Products Plc on October 5, 2021.

Mrs. Bolarin Okunowo

Bolarin is a seasoned business leader and finance specialist with over 17+ years' experience in a range of roles spanning investment banking and financial services, manufacturing, oil and gas, real estate and hospitality. She is the Managing Director/Chief Executive Officer of Chemical and Allied Products Plc ("CAP Plc"), a subsidiary of UAC of Nigeria Plc ("UACN"), and the manufacturers of leading paint brands - Dulux, Sandtex and Caplux in Nigeria.
Prior to her executive appointment at CAP Plc, Bolarin served as the immediate past Managing Director/CEO of Portland Paints and Products Nigeria Plc ("Portland Paints"), a subsidiary of UACN. At Portland Paints she led a turnaround of the business and the implementation of the successful merger with CAP Plc in July 2021.
Prior to joining the UACN Group, she was the Head, Energy & Infrastructure Finance at Stanbic IBTC Capital ("Stanbic") with responsibility for the oil and gas, power and infrastructure debt finance portfolio. Prior to Stanbic, Bolarin worked with ARM Investments Managers and PricewaterhouseCoopers. Bolarin is a qualified Chartered Accountant; she holds a Bachelor's degree in Commerce from the University of Birmingham UK and a Master's degree in Information Systems from the prestigious London School of Economics.
Bolarin has served in various capacities on the boards of various publicly listed companies. She is currently an Independent Non-Executive Director of Wema Bank Plc.

6 DIRECTORS RETIRING BY ROTATION

In accordance with the Articles of Association of the Company and Section 285 of CAMA, Mrs. Muhibat Abbas and Amb. Kayode Garrick are the directors retiring by rotation.
Mrs. Muhibat Abbas, being eligible offers herself for re-election.
Amb. Garrick, having spent 9 years on the Board since his first election, is not offering himself for re-election.

Mrs. Muhibat Abbas
Mrs. Muhibat Abbas was appointed to the Board of Chemical and Allied Products Plc. on May 31, 2019.
Mrs. Muhibat Abbas graduated from the University of Lagos with a B.Sc. (Hons) degree in Business Administration. She is a Fellow of the Institute of Chartered Accountants of Nigeria, with over thirty years' experience in Internal Audit, Financial Accounting, Management Accounting, Treasury Management and Pension Fund Administration. She worked variously as Group Treasurer of UAC Nigeria Plc., Finance Director/Company Secretary of CAP Plc., Divisional Commercial Director of Bordpak Premier Packaging and Managing Director of UNICO CPFA Ltd. She was the Acting Chief Financial Officer of UAC Nigeria Plc and was a Non-Executive Director of FSDH Merchant Bank Limited from 2011 till July 2019. She is also a Non-Executive Director of Leonine Investment Services Limited.

Report of the Directors - Continued

7 DIRECTORS' TRAINING AND INDUCTION

During the year, the Directors attended relevant trainings to deepen corporate governance practice through multi-sectoral and multi-generational collaborations and enhance strategic leadership skills.

Every newly appointed Director receives a comprehensive letter of appointment detailing the terms of reference and composition of the Board and Board committee, schedule of Board meetings, their entitlements and demand on their time as a result of the appointment. The letter of appointment is accompanied with the Memorandum and Articles of Association of the Company, the previous year's Annual Report and Financial Statements, the Code of Corporate Governance for Public Companies in Nigeria, UACN Code of Business Conduct, and other documents, policies, processes and procedures of the Company that help the director gain understanding of the Company, its history, culture, values, business principles, people, projects, processes and plan.

A new Director undergoes an induction for him/her to get acquainted with the business operations, issues and brands of the Company. As part of the induction process, he/she is introduced to the Directors, members of the Leadership Team, Company's operations and trade partners including Dulux partners and Sandtex franchisees.

8 DIRECTORS INTERESTS IN CONTRACTS

None of the Directors has notified the Company for the purpose of Section 303 (1) of CAMA of any declarable interest in contracts in which CAP Plc is involved.

9 DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY.

Directors' interests in the issued share capital of the Company as recorded in the Register of Members and/or as notified by the Directors in compliance with CAMA and the Listing Requirements of the NGX Regulation Limited were as follows:

		31-Dec-21	31-Dec-21	31-Dec-20	31-Dec-20
S/N	NAME/POSITION OF DIRECTORS	DIRECT	INDIRECT	DIRECT	INDIRECT
1	Mrs. Awuneba Ajumogobia (Chairperson)	Nil	Nil	Nil	Nil
2	Mr. David Wright Managing Director (Retired w.e.f November 30, 2021)	Nil	Nil	Nil	Nil
3	Mrs. Bolarin Okunowo Managing Director (Appointed December 1, 2021)	Nil	Nil	Nil	Nil
4	Mrs. Udo Okonjo Independent Non-Executive Director	Nil	Nil	Nil	Nil
5	Ambassador Kayode Garrick Independent Non-Executive Director (Retiring by rotation at the Annual General Meeting of June 16, 2022).	1,215	36,555	1,215	Nil
6	Mrs. Muhibat Abbas Non-Executive Director	Nil	Nil	Nil	Nil
7	Dr. Vitus Ezinwa Non-Executive Director	Nil	Nil	Nil	Nil
8	Mr. Folasope Aiyesimoju** Non-Executive Director	Nil	445,696,097	Nil	Nil

** Mr. Folasope Aiyesimoju is the Group Managing Director of UACN and he indirectly controls the shares of the Company in CAP Plc.

10 ALTERNATE DIRECTORSHIP

There was no alternate directorship during the year under review.

11 SHAREHOLDING AND SUBSTANTIAL SHAREHOLDERS

The issued and fully paid-up share capital of the Company is N394,129,760 (Three Hundred and Ninety-Four Million, One Hundred and Twenty-Nine thousand, Seven Hundred and Sixty Naira) divided into 788,259,520 (Seven Hundred and Eighty-Eight Million Two Hundred and Fifty-Nine Thousand, Five Hundred and Twenty) Ordinary shares of N0.50k each.

In terms of significant shareholding (5% and above), the table below is instructive:

S/N	PARTICULARS OF SHAREHOLDING	NUMBER OF SHARES	PERCENTAGE % OF SHAREHOLDING
1	UAC of Nigeria Plc	445,696,097	56.54
2	Stanbic IBTC Nominees Nigeria Limited	45,516,590	5.77

Other than the above, no other shareholder holds 5% and above of the Company's issued shares as of 31 December 2021.

Report of the Directors - Continued

12 RANGE ANALYSIS OF SHAREHOLDING

As at the end of 2021, CAP Plc's shares were held by 16,547 shareholders as analyzed below:

Range	No. of Holders	Holders %	Holders Cum.	Units	Units %	Units Cum.
1 - 999	4,936	29.83	4,936	1,627,886	0.21	1,627,886
1000 - 9999	8,940	54.03	13,876	29,178,945	3.7	30,806,831
10,000 - 99,999	2,278	13.76	16,154	61,994,652	7.87	92,801,483
100,000 - 999,999	352	2.13	16,506	92,164,708	11.69	184,966,191
1,000,000 - 9,999,999	37	0.22	16,543	81,905,093	10.39	266,871,284
10,000,000 - 99,999,999	3	0.02	16,546	75,692,139	9.6	342,563,423
100,000,000 - 999,999,999	1	0.01	16,547	445,696,097	56.54	788,259,520
Grand Total	16,547	100.00		788,259,520	100	

13 DIRECTORS' REMUNERATION

CAP Plc ensures that remuneration paid to its Directors complies with the provisions of the Code of Corporate Governance issued by its regulators and other relevant laws. In compliance with Section 34 (5) (f) of the SEC Code of Corporate Governance for Public Companies, the Company makes disclosures of the remuneration paid to its Directors.

Package	Type	Description	Period
Basic Salary	Fixed	This is part of the gross salary package for the Managing Director only	Paid monthly during the financial year
Directors' fee	Fixed	This is paid annually to Non-Executive Directors only	Paid in the last quarter of the year.
Sitting Allowance	Fixed	This is paid to Non-Executive Directors only	Paid after attendance at each meeting
Travel Allowances	Fixed	This is paid to Non-Executive Directors only	Paid in the first month of the year

14 CORPORATE GOVERNANCE EVALUATION

In line with the provisions of the Nigerian Code of Corporate Governance 2018, an evaluation was carried out to assess the level of the Company's compliance with corporate governance requirements. The exercise was carried out internally by the Company Secretary. The level of compliance was adjudged to be satisfactory. Our corporate governance strategy is aspirational, ensuring on-going compliance improvements with relevant codes of corporate governance as well as the post listing requirements of the NGX Regulation Limited.

15 BOARD EVALUATION

To assess the effectiveness of the Board, the Board Committees and of the individual Directors, a Board evaluation was undertaken covering the period of the financial year under review. This was carried out internally by the Company Secretary. The performance of the Board, Board Committees and individual directors were adjudged to be satisfactory and necessary feedback was communicated to individual directors arising from the exercise.

16 COMPLAINT MANAGEMENT FRAMEWORK

The Company has a Complaint Management Policy and Framework in place in accordance with the directive of the Securities and Exchange Commission on resolution of complaints. This policy has also been uploaded on the Company's website for public access.

17 INSIDER TRADING AND PRICE SENSITIVE INFORMATION

The Company has a Securities Trading Policy which prohibits the directors and employees from trading in the Company's shares during periods they are in possession of price sensitive information. The Company was in compliance with the Securities Trading Policy during the year under review.

18 WHISTLE BLOWING PROCEDURE

The Company has a Whistle Blowing Procedure which ensures that reports are anonymously received, discretely investigated and a report sent to the Audit Committee.

19 ACQUISITION OF OWN SHARES

The Company did not purchase any of its own shares during the year.

20 THE NIGERIAN CODE OF CORPORATE GOVERNANCE 2018 AND THE SEC CORPORATE GOVERNANCE GUIDELINES

The Company has substantially complied with the Securities and Exchange Commission's Corporate Governance Guidelines for Public Companies in Nigeria and the provisions of Nigerian Code of Corporate Governance 2018. The Company has adopted an aspirational approach, where identified gaps continue to be closed to ensure full compliance.

Report of the Directors - Continued

21 HUMAN RESOURCES REPORT

CAP Plc makes it a paramount objective to hire individuals based on standards of merit and competence. Also, the Company upholds a sound culture of providing continuous development and training for its staff to address knowledge gaps and provide new skill sets along the Company's lines of responsibilities. Annually, trainings are identified for staff and followed through in accordance with an approved training plan meant to ensure that this objective is achieved. The Company encourages easy interaction between Management and other staff of the Company so as to foster an atmosphere of warmth at work and also to kindle the necessary synergy required for the Company's success.

22 EMPLOYMENT OF DISABLED PERSONS

The Company adhered to its age-long policy of non-discrimination against disabled persons in 2021. The Company had one disabled person on its payroll as at 31 December, 2021. All employees are treated equally and are given equal opportunities to develop their careers; Disability is not a barrier to promotion or career development in the Company.

23 HEALTH, SAFETY AND WELFARE OF EMPLOYEES

The Company approaches Health, Safety and Welfare issues affecting staff with every sense of seriousness and therefore maintains an insurance health care scheme with Health Maintenance Organizations (HMOs), licensed by the National Health Insurance Scheme (NHIS) to provide health insurance to employees in the private sector. Through this arrangement, each employee, their respective spouses, and dependents below the age of eighteen (18) years are entitled to medical treatments in well-equipped, qualitative network of hospitals under the scheme.

There is also an on-site clinic in the Company's premises where first aid treatment can be administered to ailing staff. Safety regulations are in place within the Company's premises and employees are regularly informed of the regulations.

There are contributory retirement benefit schemes for both management and employees of the Company in conformity with the Pensions Reform Act 2014.

The Company is committed to providing a safe working environment for employees, contractors, customers and members of the public.

HIV/AIDS

The Company works to ensure a safe healthy working environment by providing basic HIV/AIDS training to inform, educate and train all employees about HIV/AIDS prevention, care and control. The Company does not discriminate against or dismiss any employee on the basis of his or her HIV status. The HIV status and medical records of any individual will be considered and kept as strictly confidential. As much as possible care will be taken to support such individuals by providing counselling and medical support services.

Employee Involvement

CAP Plc continues to pursue the "Great place to work" global initiative which is aimed at creating a better society of happier employees. To achieve this, an engaged work culture is being entrenched Company-wide. A number of communication initiatives were undertaken to determine the engagement level of employees and to ascertain areas of concerns of employees with a view to closing them. We conducted an employee engagement survey in 2019 and have continued to focus on implementing the feedbacks from the survey results.

Training and Staff Development

The Company recognizes training of its human resources as an investment which adds value to the business. We are therefore committed to the continuous development of our workforce through courses and seminars organized internally and externally including overseas courses. Individual needs of each employee are considered in organizing training courses. Members of staff are also encouraged and assisted financially to embark on self-development schemes to improve themselves both academically and professionally.

Anti-corruption and Business integrity

CAP Plc does not give or receive whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee shall offer, give or receive any gift or payment which is or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management. No employee will be criticized for any loss of business resulting from adherence to these principles. The Company's accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

A whistle blowing policy has also been put in place to encourage employees at all levels to alert and inform management of any negative development that might impinge on the value, performance and/or image of the Company before any harm is done. A KPMG ethics line is also available to employees to report any violation that could impair the image of the Company.

Similarly, a corporate fraud policy has been established to facilitate the development of controls which will aid in the detection and prevention of fraud against the Company. It is our intention to promote consistent organizational behaviour by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

Report of the Directors - Continued

24 DONATIONS

The following were given by way of gifts and donations during the year

	2021 DONATIONS	
S/N	**DESCRIPTION**	**AMOUNT**
1	Wimbiz Big Sister Program (Cash donation)	500,000
2	Wemabod Estate (Paint donation)	29,193
3	Renovation and Repainting St. Agnes School Maryland Phase 1 (Paint Donation, Volunteers etc.)	3,892,231
4	Painting of National Union of Chemical Footwear Rubber Leather and Non-Metallic Products (NUCFRLANMPE) Secretariat (Paint donation)	209,735
	Total	**4,631,159**

25 EVENTS AFTER REPORTING PERIOD

At the board meeting of 21st March 2022, Mrs Ifeoma Chuks-Adizue (Chief Commercial Officer) and Mr Yomi Adenson (Chief Financial Officer) were both appointed as Executive Directors of the company effective 1st April 2022. The appointment is subject to approval by the shareholders at the next AGM.

Apart from the above, there are no significant events, which could have had a material effect on the state of affairs of the Company as at December 31, 2021, that have not been adequately provided for or disclosed in these financial statements.

26 PROPERTY, PLANT AND EQUIPMENT

Information relating to property, plant and equipment is given in Note 14 to the financial statements. In the opinion of the Directors, the market value of the Company's property plant and equipment is not less than the carrying value shown in the financial statements.

27 AUDITOR

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

Dated this 21st day of March, 2022

BY ORDER OF THE BOARD

AYOMIPO WEY
Company Secretary
FRC/2013/NBA/00000003124

Corporate Governance Report

Introduction

The Board of Chemical and Allied Products Plc ("CAP Plc" or the "Company") is pleased to present the Corporate Governance Report for the 2021 Financial Year. The report provides insight into the operations of our governance framework and Board's key activities during the year. The Board recognizes that effective governance is a key imperative for strong corporate performance and sustainable success of the Company. It operates on the understanding that sound governance practices are fundamental to earning the trust of stakeholders, which is critical to sustainable growth. The Company's corporate governance framework is designed to align Management's and Board's actions with the interests of shareholders whilst ensuring appropriate balance with the interests of other stakeholders.

Our corporate governance compliance strategy is aspirational. It ensures on-going compliance with relevant codes of corporate governance as well as the post listing requirements of the Nigerian Exchange and the NGX Regulation Limited. Our governance model is founded on key pillars of accountability, responsibility, transparency, independence, fairness and discipline. CAP Plc is governed under a framework that enables the Board discharge its oversight functions, provide strategic direction to the Company, take decisions and ensure regulatory compliance.

1 THE BOARD

1.1 General

The Board is responsible for developing the Company's strategy and ensuring that its available assets are utilized towards the attainment of its set strategy and plans. The Board performs supervisory oversight over management activities ensuring that the affairs of the Company are conducted in a manner that increases the value of shareholders' investments and is also beneficial to all other stakeholders of the Company.

In accordance with best practices, the Board comprises of seven (7) Directors made of up six (6) non-executive directors (three of whom are independent) and the Managing Director. The Board members are professionals and business persons with vast experience and credible track record.

1.2 Appointment Process

The Board appointment process is guided by transparent and high ethical standards. In other words, the process of appointment to the Board of CAP Plc is transparent and in accordance with relevant regulatory laws and guidelines. In compliance with the SEC Corporate Governance Guidelines, the Nigerian Code of Corporate Governance and the Board's policy on process for appointment of directors, the Directors are selected based on their skills, competence, experience and diversity. Upon approval by the Board, the NGX Regulation Limited and the Corporate Affairs Commission are notified of the appointments of the candidates.

1.3 General Board Philosophy

The Board provides overall guidance and policy direction to Management and acts on behalf of Shareholders in the overall interest of stakeholders and is accountable to the shareholders. It prides itself in people with a blend of experience and knowledge cutting across various lines of the Company.

1.4 Chairman and CEO Positions

In accordance with good corporate governance practices, the positions of the Managing Director and that of the Chairperson of the Board are occupied by different persons and while the Managing Director is responsible for implementation of the Company's business strategy and the day-to-day management of the business, the Chairperson is not involved in the day-to-day operations of the Company and is not a member of any committee of the Board.

1.5 Non-Executive Directors

The Non-Executive Board members possess strong knowledge of the Company's business and usually contribute actively at Board meetings.

Corporate Governance Report - Continued

1.6 Independent Non-Executive Directors

The Board consists of three (3) Independent Non-Executive Directors who bring objectivity and independent judgment to board deliberations. In accordance with the Nigerian Code of Corporate Governance, the continued independence of the Independent Non-Executive Directors is annually ascertained against set criteria.

1.7 Board Changes

The following changes occurred during the year under review:

a. Mr. David Wright retired from the Board of CAP Plc as Managing Director effective November 30, 2021.
b. Mrs. Bolarin Okunowo was appointed as the Managing Director effective December 1, 2021.
c. Dr. Vitus Ezinwa and Mr. Folasope Aiyesimoju were each appointed as Non-Executive Director effective June 17, 2021 and October 5, 2021 respectively.

The NGX Regulation Limited, the Securities and Exchange Commission and the Corporate Affairs Commission were notified of the changes.

1.8 Attendance at Board Meetings

The Board meets at least once in every quarter or as frequently as the Board's attention may be required on any situation which may arise. Sufficient notices with clear agenda and reports are usually given prior to convening such meetings.

A total of 100% attendance was recorded at Board meetings in 2021. This displays the Board's strong commitment and unwavering dedication to the Company's affairs whilst ensuring that the Company's best interest is protected.

1.9 Board Meeting Attendance

KEY:
P = Present
LTB = Left the Board
AWA = Absent with Apology
NYAM = Not Yet a Member

A total of six (6) Board Meetings were held in the 2021 Financial Year. The table below shows Directors' attendance at the meetings.

S/N	Members	22/03/2021	19/04/2021	17/06/2021	29/07/2021	08/11/2021	11/11/2021	Total number of Meetings	Percentage of Attendance
1	Mrs. Awuneba Ajumogobia	P	P	P	P	P	P	6	100%
2	Mr. David Wright	P	P	P	P	P	P	6	100%
3	Ambassador Kayode Garrick	P	P	P	P	P	P	6	100%
4	Mrs. Udo Okonjo	P	P	P	P	P	P	6	100%
5	Mrs. Muhibat Abbas	P	P	P	P	P	P	6	100%
6	Dr. Vitus Ezinwa	NYAM	NYAM	P	P	P	P	4	100%
7	Mr. Folasope Aiyesimoju	NYAM	NYAM	NYAM	NYAM	P	P	2	100%

Corporate Governance Report - Continued

1.10 Board Committees

The Board exercises oversight responsibility through its standing committees, each of which has its own Terms of Reference that clearly defines its purpose, composition, structure, frequency of meetings, duties, tenure and reporting lines to the Board. In line with best practice, the Chairman of the Board is not a member of any committee and the Chairmen of the Committees are appointed by the Board. The Board has three (3) standing committees, namely: the Risk Management Committee, the Remuneration and Governance Committee and the Board Audit Committee. While the various Board committees have the authority to examine issues within their remit and report their decisions and/or recommendations to the Board, the ultimate responsibility for all matters lies with the Board.

1.10.1 Risk Management Committee

The Risk Management Committee is responsible for overseeing the efficacy of risk management and the strength and appropriateness of control processes across the Company.
The Committee is constituted as follows:

1	Mrs. Muhibat Abbas	Chairperson/Non-Executive Director
2	Mr. David Wright (Member until his resignation with effect from November 30, 2021)	Member/ Managing Director
3	Mrs. Bolarin Okunowo (Member with effect from December 1, 2021)	Member/ Managing Director
4	Ambassador Kayode Garrick	Member/Independent Non-Executive Director
5	Dr. Vitus Ezinwa	Member/Non-Executive Director
6	Mr. Folasope Aiyesimoju	Member/Non-Executive Director

The following are the Committee's terms of reference:

- Oversee the establishment of a management framework that defines the Company's risk policy, risk appetite and risk limit and recommend for approval of the Board as well as assist the Board in its oversight of risk management strategy;
- Ensure that the risk management framework is integrated into the day-to-day operations of the business and provides guidelines and standards for administering the acceptance and on-going management of the Company's key risks;
- To review the Company's risk management policies, systems and procedures developed by management and to confirm their consistency with the Company's strategy and business plans;
- To review and assess steps taken by management to manage and mitigate identifiable risks, and review the status of the Company's key risks at every meeting;
- To review the adequacy and effectiveness of the Company's risk management and internal control systems on a regular basis;
- To ensure that the Company undertakes at least once annually a thorough risk assessment covering all aspects of the Company's business and the results of the risk assessment are used to update the Company's risk management framework;
- Review the level of the Company's compliance with applicable laws and regulatory requirements which may impact the Company's risk profile;
- Periodically review changes in economic and business environment which may threaten the Company's business model, key strategies, future performance, solvency and liquidity and make recommendations to the Board as appropriate;
- Review and recommend for approval of the Board, at least annually, the Company's I.T. data governance framework;

Corporate Governance Report - Continued

- Consider and recommend significant I.T. investments and expenditure for the Company;
- Make recommendations to the Board on capital expenditure, specific projects and their financing, within the overall approved plan;
- Make recommendations on management of Company's cash and debt exposure/borrowings;
- Understand the principal risks to achieving the Company's strategy;
- Ensure that business profile and plans are consistent with the Company's risk appetite;
- Assist the Board in overseeing risk management and monitoring the Company's performance with regards to risk management;
- Review the process for identifying and analyzing business level risk;
- Agree and implement risk measurement and reporting standards as well as methodologies;
- Periodically review the key controls, processes and practice, including limit structure;
- Review and challenge all aspects of the Company's risk profile; key risk management practice;
- Periodically evaluate the Company's risk profile, action plans to manage high risks and progress on the implementation of these plans;
- Monitor risk management policies to ensure they are integrated into the Company's culture;
- Review quarterly risk management reports and make recommendation to the Board on appropriate actions;
- Ensure the Company's risk exposures are within approved risk control limits;
- Assess new risk-return opportunities;
- Review the structure for, and implementation of, risk measurement and reporting standards, as well as, methodologies;
- Ensure disclosure of the Company's risk management policies and practices in the annual report;
- Recommend to the Board for approval the authority limits for all Executives (including the Managing Director).

The Committee met four (4) times in 2021 in line with its Terms of Reference. The table below shows Directors' attendance at the meetings.

S/N	Members	3/16/2021	4/13/2021	7/27/2021	10/20/2021	Total number of meetings attended	Percentage of Attendance
1	Mrs. Muhibat Abbas	P	P	P	P	4	100%
2	Mr. David Wright	P	P	P	P	4	100%
3	Mrs. Bolarin Okunowo	NYAM	NYAM	NYAM	NYAM	NYAM	NYAM
4	Ambassador Kayode Garrick	P	P	P	P	4	100%
5	Dr. Vitus Ezinwa	NYAM	NYAM	P	P	2	100%
6	Mr. Folasope Aiyesimoju	NYAM	NYAM	NYAM	NYAM	NYAM	NYAM

Corporate Governance Report - Continued

1.10.2 Remuneration and Governance Committee

The Remuneration and Governance Committee is responsible for overseeing the Company's compliance with corporate governance best practices; developing a process and policy for the appointment of directors; recommending the remuneration of directors and senior management to the Board, examining the Company's human resources policy and practices and making recommendations to the Board on ways of complying with international best practices.

The Committee is constituted as follows:

1	Mrs. Udo Okonjo	Chairperson/Independent Non-Executive Director
2	Mrs. Muhibat Abbas	Member/ Non-Executive Director
3	Ambassador Kayode Garrick	Member/Independent Non-Executive Director
4	Dr. Vitus Ezinwa	Member/Non-Executive Director

The following are the Committee's terms of reference:

- Review the structure, size, composition and commitment of the Board at least annually and make recommendations on any proposed changes to the Board;
- Establish a formal and transparent process for Board appointments, including establishing the criteria for appointment to the Board and Board committees, reviewing prospective candidates' qualifications and any potential conflict of interest; assessing the contribution of current Directors against their re-nomination suitability, and making appropriate recommendations to the Board;
- Identify individuals suitably qualified to become Board members and make recommendations to the Board for nomination and appointment as Directors;
- Periodically determine the skills, knowledge and experience required on the Board and its committees;
- Ensure that the Company has a formal program for the induction and training of Directors;
- Undertake the annual assessment of the independent status of each INED;
- Ensure that the Company has a succession policy and plan in place for the Chairman of the Board, the MD/CEO and all other Executive Directors, Non-Executive Directors and senior management positions to ensure leadership continuity. Succession planning should be reviewed periodically, with provision made for succession in emergency situations as well as long-term vacancies;
- Deal with all matters pertaining to executive management selection and performance, including set the performance targets/criteria and evaluate the performance of the Managing Director/CEO and make recommendations to the Board on her performance;
- Develop a process for, and ensure that the Board undertakes, an annual performance evaluation of itself, its committees, the Chairman and individual Directors, as well as the Company's corporate governance practices.
- Ensure the development and periodic review of Board charters, Board committee charters and other governance policies, such as the code of ethics, conflict of interest and whistleblowing policies among others;
- Make input into the annual report of the Company in respect of Directors' compensation;
- Review and make recommendations to the Board for approval on the Company's organizational structure and propose amendments;
- Review and make recommendations to the Board on group-wide staff appraisal, salary and compensation;
- Development of a formal, clear and transparent framework for the Company's remuneration policies and procedures;

Corporate Governance Report - Continued

- Recommendation to the Board on the Company's remuneration policy and structure for all Directors and senior management employees;
- Reviewing the Company's Human Resources Policy for compliance with international best practises and thereafter recommend same to the Board for approval;
- Advising the Board on all Human Resources related issues which may from time to time be referred to it by the Board;
- To consider such staff matters as may from time to time be referred to it by the Board and Management of the Company.

The Committee met four (4) times in 2021 in line with its Terms of Reference and recorded 100% attendance by all its members. The table below shows Directors' attendance at the meetings.

S/N	Members	3/16/2021	6/15/2021	10/4/2021	10/20/2021	Total number of meetings attended	Percentage of Attendance
1	Mrs Udo Okonjo	P	P	P	P	4	100%
2	Ambassador Kayode Garrick	P	P	P	P	4	100%
3	Mrs Muhibat Abbas	P	P	P	P	4	100%
4	Dr Vitus Ezinwa	NYAM	NYAM	P	P	2	100%

1.10.3 Board Audit Committee

The Board Audit Committee is tasked with providing assurance to the Board as to the veracity of the financial statements and the strength and appropriateness of control processes across the Company.

The Committee is constituted as follows:

1	Mrs. Muhibat Abbas	Chairperson/Non-Executive Director
2	Mrs. Udo Okonjo	Member/Independent Non-Executive Director
3	Ambassador Kayode Garrick	Member/Independent Non-Executive Director

The following are the Committee's terms of reference:

- To monitor the integrity of the financial statements of the Company and ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practice;
- To review the scope and planning of the Company's audit requirements with the external auditor;
- To review the findings in management letters in conjunction with the external auditor and departmental responses thereon;
- To continuously review the effectiveness of the Company's system of accounting and internal control;
- To make recommendations to the Board with regards to the appointment, removal and remuneration of the external auditors of the Company;
- To authorize the internal auditor to carry out investigations into any activities of the Company which may be of interest or concern to the Committee;
- Exercise oversight over management's processes to ascertain the integrity of the Company's financial statements, compliance with all applicable legal and other regulatory requirements; and assess the qualifications and independence of the external auditors, and the performance of the Company's internal audit function as well as that of the external auditors;

Corporate Governance Report - Continued

- Ensure the establishment of, and exercise of oversight on the internal audit function which provides assurance on the effectiveness of the internal controls. On a quarterly basis, obtain and review a report by the internal auditor describing the strength and quality of internal controls including identification of any issues or recommendations for improvement raised by the most recent internal audit review of the Company;
- Ensure the development of a comprehensive internal audit framework for the Company, obtain appropriate (internal and or external) assurance and report annually in the Company's audited financial report, on the design and operating effectiveness of the Company's internal controls over the financial reporting systems;
- Oversee the process for the identification of fraud risks across the Company and ensure that adequate prevention, detection and reporting mechanisms are in place;
- Discuss the interim or annual audited financial statements as well as significant financial reporting findings and recommendations with management and external auditors prior to recommending same to the Board for their consideration and appropriate action;
- Maintain oversight of financial and non-financial reporting;
- Review and ensure adequate whistle-blowing policies and procedures are in place and that the issues reported through the whistle-blowing mechanism are summarized and presented to the Board;
- Develop a policy on the nature, extent and terms under which the external auditors may perform non-audit services;
- Preserve auditor independence by setting clear hiring polices for former employees of external auditors;
- Review the independence of the external auditors in line with the policy referred to above prior to their appointment to perform non-audit services to ensure that where approved non-audit services are provided by the external auditors, there is no real or perceived conflict of interest or other legal or ethical impediment.
- Ensure the development of related party transaction policy and monitor its implementation by management. The Committee should consider any related-party transaction that may arise within the Company.
- At least once every year, the Committee should hold a discussion with the head of internal audit function and the external auditors without the presence of management to facilitate an exchange of views and concerns that may not be appropriate for open discussion.

The Committee met four (4) times in 2021 in line with its Terms of Reference. The table below shows Directors' attendance at the meetings.

S/N	Members	3/18/2021	4/15/2021	7/28/2021	10/19/2021	Total number of meetings attended	Percentage of Attendance
1	Mrs. Muhibat Abbas	P	P	P	P	4	100%
2	Ambassador Kayode Garrick	P	P	P	P	4	100%
4	Mrs. Udo Okonjo	P	P	P	P	4	100%

2 THE STATUTORY AUDIT COMMITTEE

By virtue of section 404 (2) of the Companies and Allied Matters Act No 3 of 2020, every public Company is required to establish a Statutory Audit Committee ("SAC").

In the period under review, the Committee had 5 (five)Members as follows:

1	Prince Bassey Manfred	Chairperson/Shareholder
2	Mrs. Abigail Olufolake Olaaje	Member/Shareholder
3	Mrs. Samiat Adebanke Odunuga	Member/Shareholder
4	Mrs. Muhibat Abbas	Member/Non-Executive Director
5	Mrs. Udo Okonjo	Member/Independent Non-Executive Director

Corporate Governance Report - Continued

The profiles of the Shareholder representatives in the SAC are:

1 **Prince Bassey Manfred- Chairman**

Prince Bassey Manfred is a graduate of Law, Economics and Management Policy Strategy and Evaluation from the University of Calabar and holds a Masters Degree in Economics from University of Calabar and another Masters Degree in Management from the University of Ado-Ekiti. He was the pioneer Assistant General Secretary of the Independent Shareholders Association of Nigeria. He is an active investor in the Nigerian Capital Market with holdings in quoted and unquoted companies. He sits on the board of a number of private companies and is an audit committee member for several public companies in Nigeria.

2 **Mrs. Abigail Olufolake Olaaje- Member**

Mrs. Olaaje had her Secretarial training in the Lagos State Government Remedial School, Marywood Grammar School Centre, Ebute Metta and also Federal Training Centre, Lagos. She worked as a Typist, Stenographer and Secretary in the following Organizations between 1967 and 2002 - Ministry of Defence, Abeokuta, Nigerian Army Apapa, Lagos, Armed Forces Medical Services, Lagos, Western Naval Command 4, Apapa Lagos, Ministry of Communications, Tafawa Balewa Square Lagos, P & T Department, Lagos and Court of Appeal, Lagos. She retired as Chief Confidential Secretary. She is an avid investor in the stock market. She is also a member of the Audit Committee of LASACO Assurance Plc.

3 **Mrs. Samiat Adebanke Odunuga- Member**

Mrs. Odunuga holds a first degree in Business Administration from Lagos State University, Ojo Lagos State (2008). She had worked as a Teacher at Tees Private School from 1998 to 2002 and later worked with Independent National Electoral Commission, Simpson Street, Lagos in 2012. She is currently working at Livingstone Store. She had obtained training certificates in the following fields – career development and Workplace effectiveness from Skillsedge Consulting Limited, Egbeda Lagos (October 2009). She participated in the workshop on recharge cards printing (December 2009). She also participated in an audit committee training organized by KPMG in 2019.

2.2 Terms of Reference of the Statutory Audit Committee

- ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- review the scope and planning of external audit;
- review the findings as reported through the management controls report and management responses thereon;
- keep under review the effectiveness of the Company's system of accounting and internal control;
- make recommendation to the Board with regards to the appointment, removal and remuneration of the external auditors of the Company;
- authorize the internal auditor to carry out investigations into any activities of the Company, which may be of interest or concern to the Committee.

In addition, the 2011 Securities and Exchange Commission (SEC) Code of Corporate Governance also assigns the following responsibilities to the Statutory Audit Committee:

- To oversee internal audit and internal controls; and to document and review the roles, responsibilities, authority and scope of operations of the internal audit function; approve the annual internal audit plan.

- Assist in the oversight of the integrity of the Company's financial statements, compliance with legal and other regulatory requirements, assessment of qualifications and independence of external auditor and performance of the Company's internal audit function as well as that of external auditors;

- Establish an internal audit function and ensure there are other means of obtaining sufficient assurance of regular review or appraisal of the system of internal controls of the Company;

- Ensure the development of a comprehensive internal control framework for the Company; obtain assurance and report annually in the financial report, on the operating effectiveness of the Company's internal control framework.

Corporate Governance Report - Continued

- Oversee management's process for the identification of significant fraud risks across the Company and ensure that adequate prevention, detection and reporting mechanisms are in place;
- At least on an annual basis, obtain and review a report by the internal auditor describing the strength and quality of internal controls including any issues or recommendations for improvement, raised by the most recent control review of the Company
- Discuss the annual audited financial statements and half yearly unaudited statements with management and external auditors;
- Discuss policies and strategies with respect to risk assessment and management;
- Meet separately and periodically with management, internal auditors and external auditors;
- Review and ensure that adequate whistle-blowing procedures are in place. A summary of issues reported are highlighted to the chairman;
- Review, with the external auditor, any audit scope limitations or problems encountered and management's responses to same;
- Review the independence of the external auditors and ensure that where non-audit services are provided by the external auditors, there is no conflict of interest;
- Preserve auditor independence, by setting clear hiring policies for employees or former employees of independent auditors;
- Consider any related party transactions that may arise within the Company;
- Invoke its authority to investigate any matter within its terms of reference and the Company must make available resources, including internal audit and access to external advice where necessary, to carry out this function; and report to the members of the Company at annual general meeting and to the Board of Directors, when necessary.

2.3 Attendance at SAC Meetings

In the course of the financial year 2021, the SAC met four (4) times as outlined in the schedule below:

S/N	Members	3/18/2021	4/15/2021	7/28/2021	10/19/2021	Total number of meetings attended	Percentage of Attendance
1	Prince Bassey Manfred	P	P	P	P	4	100%
2	Mrs. Abigail Olufolake Olaaje	P	P	P	P	4	100%
3	Mrs. Samiat Adebanke Odunuga	P	P	P	P	4	100%
4	Mrs. Muhibat Abbas	P	P	P	P	4	100%
5	Mrs. Udo Okonjo	P	P	P	P	4	100%

3 ACCOUNTABILITY, AUDIT AND CONTROL

3.1 Financial Reporting

The Directors make themselves accountable to shareholders through regular publication of the Company's financial performance and annual reports.

The Board is mindful of its responsibilities and is satisfied that in the preparation of its financial report, it has presented a balanced assessment of the Company's position and prospects in accordance with its obligation under the Code of Corporate Governance.

KPMG Professional Services acted as external auditors to the Company during the 2021 financial year.

Corporate Governance Report - Continued

3.2 Control Environment

The Company has consistently improved its internal control system to ensure the effective management of risks. The Directors review the effectiveness of the system of internal control through regular reports and reviews at Board and Risk Management Committee Meetings.

The Board has continued to place emphasis on risk management as an essential tool for achieving the Company's objectives. Towards this end, it has ensured that the Company has in place robust risk management policies and mechanisms to ensure the identification of risks and effective controls.

The Board approves the annual budget for the Company and ensures that a robust budgetary process is operated with adequate authorization levels put in place to regulate capital expenditure.

4 Company SECRETARY

The Company Secretary plays a pivotal role in supporting the effectiveness of the Board by assisting the Board and Management to develop good corporate governance practices and culture within the Company. The Company Secretary ensures adequate dissemination of information among Board members and between the Board and the Management of the Company. In furtherance of Board and Committee meetings, the Company Secretary undertakes the preparation of the necessary papers and other documents requisite for successful deliberations. The Company Secretary is responsible for providing the Board and Directors individually, with detailed guidance as to how their responsibilities should be properly discharged in the best interest of the Company.

The office of the Company Secretary ensures that the Company complies with the relevant regulatory laws including but not limited to the Investment and Securities Act, the Securities and Exchange Commission (SEC) Rules and Regulations, the Securities and Exchange Commission (SEC) SEC Corporate Governance Guidelines, the Nigerian Code of Corporate Governance, the Factories Act, the Companies and Allied Matters Act, the NGX Regulation Limited Rules and Regulations, amongst others.

The procedure for the appointment and removal of the Company Secretary is a matter for the Board.

5 SHAREHOLDERS

The Company ensures the existence of adequate interaction among the Shareholders, the Management and the Board of the Company. The Company's General Meetings provide Shareholders the platform to contribute to the administration of the Company. Annual General Meetings (AGMs) are held in accessible locations and are open to Shareholders or their proxies. The AGMs are conducted in a manner that facilitates Shareholders' participation in accordance with relevant regulatory and statutory requirements.

The Company encourages Shareholders to attend these meetings by ensuring that notices of meetings and other information required by Shareholders to make informed decisions are dispatched in a timely manner. The office of the Company Secretary additionally affords Shareholders channels of communication to the Board and the Management of the Company.

It is the responsibility of the Shareholders to approve the appointment of Directors and to grant other approvals that are required by law or the Articles of Association of the Company.
The Shareholders through its representatives on the Statutory Audit Committee in line with section 404 of the CAMA and the SEC Code of Corporate Governance also assume responsibility for the integrity of the Company's audited accounts.

6 TRADING IN SECURITIES POLICY

In compliance with the Rules of the Nigerian Exchange, the Company has in place a Securities Trading Policy to guide the Board, Employees, External Advisers and Related Parties on trading in the securities of the Company within the closed period. Under the policy, the closed period is when no Director, employee, external adviser and related party with inside information can trade in the Company's securities. The closed period commences from the end of the financial period in review or 15 days prior to the date of any meeting of the Board of Directors proposed to be held to consider any price sensitive matter or the date of circulation of agenda papers pertaining to a board meeting on any of the said matters, whichever is earlier, up to 24 hours after the price sensitive information is submitted to the exchange. The trading window shall thereafter be opened.

We hereby confirm that no Director and key management personnel traded in the securities of the Company within the closed period.

Corporate Governance Report - Continued

7 COMPLAINT MANAGEMENT POLICY

CAP Plc has in place a Complaints Management Policy to handle and resolve complaints from our shareholders and investors. The policy was defined and endorsed by the Company's senior management that is also responsible for its implementation and for monitoring compliance. The policy is on the Company's website at www.capplc.com.

8 CODE OF BUSINESS CONDUCT

As a member of the UAC of Nigeria Plc Group, the employees of the Company subscribe to UACN Code of Business Conduct. The Code forms the basis of the conduct expected of every employee of the Company and reflects our core values and principles. The Board of Directors is responsible for ensuring that the Code is communicated to, understood and observed by all employees.

Report of the Statutory Audit Committee

To Members of Chemical and Allied Products Plc,

In compliance with section 404 (4) & (7) of the Companies and Allied Matters Act, Cap C 20 , Laws of the Federation of Nigeria, 2020, the Audit Committee received the Audited Financial Statements for the year ended 31 December 2021 together with the Management letter from the External Auditors and management response thereto at the duly convened meeting of the Committee.

We reviewed the scope and planning of the audit requirements and found them adequate.

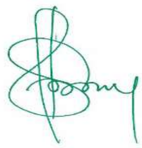
After due consideration the Committee accepted the Report of the External Auditors that the financial statements give a true and fair view of the state of the Company's financial affairs as at 31 December 2021 having been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Company and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011. The Committee reviewed Management's response to the External Auditors findings in the Management letter and we are satisfied with the responses.

The Committee considered and approved the provision made in the Financial Statements for the remuneration of the External Auditors.

We confirm that the internal control system was constantly and effectively monitored through the Company's effective internal audit function.

The External Auditors confirmed that they received full cooperation from Management in the course of their statutory audit.

The Committee therefore recommends that the Audited Financial Statements for the year ended 31 December 2021 and the External Auditors' Report thereon be presented for adoption at this Annual General Meeting.



Prince Bassey Manfred
Chairman, Statutory Audit Committee
FRC/2021/004/00000022400
Dated 18 March 2022

Members of the Statutory Audit Committee:

Prince Bassey Manfred	Chairman
Mrs. Abigail O. Olaaje	Member
Mrs. Samiat Odunuga	Member
Mrs. Muhibat Abbas	Member
Mrs. Udo Okonjo	Member

Statement of Directors' Responsibilities in relation to the Financial Statements

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 and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and 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 the Company will not remain a going concern in the year ahead.

Mrs. Awuneba Ajumogobia
Chairperson
FRC/2020/003/00000020872
March 21, 2022

Mrs. Bolarin Okunowo
Managing Director
FRC/2020/003/00000020616
March 21, 2022

Statement of Corporate responsibility for the Financial Statements

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 Chemical and Allied Products Plc for the year ended 31 December 2021 as follows:

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

b. That the audited 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 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 us by other officers of the companies, during the period end 31 December 2021.

e. That we have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of audited financial statements, and certify that the Company's internal controls are effective as of that date.

f. That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.

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

Mrs. Bolarin Okunowo
Managing Director
FRC/2020/003/00000020616
March 21, 2022

Mr Yomi Adenson
Chief Financial Officer
FRC/2021/001/00000023429
March 21, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Chemical and Allied Products Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Chemical and Allied Products 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.

1. Accounting treatment for merger transaction	
Refer to significant accounting policies (Note 2.23) and related disclosure (Note 28) of the financial statements.	
Key Audit Matter	**How the matter was addressed in our audit**
During the year, following a Scheme of Merger between Chemical and Allied Products Plc ("CAP" or "the Company") and Portland Paints & Products Nigeria Plc ("Portland Paints"), the assets, liabilities and business undertakings of Portland Paints were acquired by the Company, with Portland Paints being dissolved without being wound up. The merger is a business combination involving entities under common control as both companies are ultimately controlled by the same parent, hence this transaction falls outside the scope of IFRS 3 'Business combinations'. In line with the Company's accounting policies, the assets and liabilities acquired were combined with those of the Company at their carrying values. The significant accounting and regulatory considerations of the above transaction make this a matter of significance in our audit.	The following audit procedures were performed among others: • We obtained the Scheme of Merger document and agreed the consideration stated therein to the minutes of meetings of the Board of Directors and other legal documents. • We obtained the listing of the assets and liabilities acquired and checked the completeness and accuracy of the balances to Portland Paints pre-merger financial information. • We evaluated the accounting policy on common control transactions as adopted by the Company by checking its consistency with relevant accounting standards. • We checked the appropriateness of the accounting for the merger and that the disclosures in the financial statements are in line with applicable standards.

Other Matter

The financial statements of Chemical and Allied Products Plc (the "Company") for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2021.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate Information, Financial Highlights, Directors' Report, Corporate Governance Report, Report of the Statutory Audit Committee, Statement of Directors Responsibilities in Relation to the Financial Statements, Statement of Corporate Responsibility for the Financial Statements and Other National Disclosures which we obtained prior to the date of this report but does not include the financial statements and our auditor's report thereon. Other information also includes the Chairman's statement, shareholders' information 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.

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

Responsibilities of the Directors for the Financial Statements
The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (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 the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 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

Mohammed Adama, FCA
FRC/2012/ICAN/00000000443
For: KPMG Professional Services
Chartered Accountants

30 March 2022
Lagos, Nigeria

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December

	Notes	2021 N'000	2020 N'000
Revenue	5	14,207,818	8,876,191
Cost of sales	7(i)	(9,649,521)	(5,133,999)
Gross profit		**4,558,297**	**3,742,192**
Write-back/(impairment loss) on trade and other receivables	18	(36,535)	(28,453)
Selling and Marketing expenses	7(iii)	(987,821)	(564,942)
Administrative expenses	7(ii)	(2,354,606)	(1,680,518)
Other income	6	375,297	88,981
Operating profit		**1,554,632**	**1,557,260**
Finance income	9	180,480	249,785
Finance cost	10	(7,614)	(1,307)
Profit before taxation		1,727,498	1,805,738
Income tax expense	11	(604,915)	(582,614)
Profit for the year		**1,122,583**	**1,223,124**
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		**1,122,583**	**1,223,124**
Earnings per share for profit attributable to the equity holders of the Company:			
Basic and diluted EPS (kobo)	13	151	175

The financial statements have been approved and authorised for issue by the Board of Directors on 21 March 2022.

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

Due to the merger with Portland Paints during the year (See Note 28), 2021 balances are those of the merged entity while 2020 are those of the Company before the merger.

Statement of Financial Position
As at 31 December

	Notes	2021 N'000	2020 N'000
Assets			
Non-current assets			
Property, plant and equipment	14	1,374,421	827,768
Right of use asset	16	17,384	23,562
Intangible assets	15	196,926	4,210
Finance lease receivable	18(b)	10,372	8,766
		1,599,103	864,306
Current assets			
Inventories	17	5,484,222	967,065
Trade and other receivables	18(a)	551,593	461,491
Finance lease receivable	18(b)	3,300	1,606
Prepayments	19	1,663,427	473,179
Cash and cash equivalents	20	2,571,991	5,748,369
		10,274,533	7,651,710
Assets held for sale	14.3	242,283	10,060
Total current assets		**10,516,816**	**7,661,770**
Total assets		**12,115,919**	**8,526,076**
Liabilities			
Non-current liabilities			
Lease Liability	24	7,874	7,876
Deferred tax liabilities	23	165,809	157,662
		173,683	165,538
Current liabilities			
Trade and other payables	21	5,664,919	2,200,976
Lease liability	24	1,417	1,307
Current income tax liabilities	11	536,128	589,835
Import finance facility	26	6,170	75,103
Dividend payable	12	1,323,814	1,748,509
		7,532,448	4,615,730
Total liabilities		**7,706,131**	**4,781,268**
Ordinary share capital	22	394,130	350,000
Share premium	22	19,254	19,254
Reserves		968,267	-
Retained Earnings		3,028,137	3,375,554
Equity attributable to equity holders of the Company		4,409,788	3,744,808
Total equity		**4,409,788**	**3,744,808**
Total equity and liabilities		**12,115,919**	**8,526,076**

Mrs. Awuneba Ajumogobia	**Mrs Bolarin Okunowo**	**Mr. Yomi Adenson**
Chairman	Managing Director	Chief Financial Officer
FRC/2020/003/00000020872	FRC/2020/003/00000020616	FRC/2021/001/00000023429

The financial statements have been approved and authorised for issue by the board of Directors on 21 March, 2022.

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

Due to the merger with Portland Paints during the year (See Note 28), 2021 balances are those of the merged entity while 2020 are those of the Company before the merger.

Statement of Changes in Equity
For the year ended 31 December

	Notes	Share Capital N'000	Share Premium N'000	*Reserves N'000	Retained Earnings N'000	Total Equity N'000
At 1 January 2020		**350,000**	**19,254**	**-**	**2,152,430**	**2,521,684**
Profit for the year		-	-	-	1,223,124	1,223,124
Other comprehensive income		-	-	-	-	-
Total comprehensive income:		-	-	-	3,375,554	3,744,808
Transaction with owners:						
Dividend declared	12	-	-	-	-	-
****Balance at 31 December 2020**		**350,000**	**19,254**	**-**	**3,375,554**	**3,744,808**
Balance at 1 January 2021		350,000	19,254	-	3,375,554	3,744,808
Acquired through merger	28	44,130	-	968,267	-	1,012,397
Profit for the year		-	-	-	1,122,583	1,122,583
Other comprehensive income		-	-	-	-	-
Total comprehensive income:		-	-	-	4,498,137	5,879,788
Transactions with owners:						
Dividend declared and paid	12	-	-	-	(1,470,000)	(1,470,000)
Balance at 31 December 2021		**394,130**	**19,254**	**968,267**	**3,028,137**	**4,409,788**

The accompanying notes and significant accounting policies form an integral part of these financial statements.
*Reserves relates to the net assets of Portland Paints acquired through merger.
Due to the merger with Portland Paints during the year (See Note 28), 2021 balances are those of the merged entity while 2020 are those of the Company before the merger.

Statement of Cash Flows
For the year ended 31 December

	Notes	2021 N'000	2020 N'000
Profit after taxation		1,122,583	1,223,124
Adjustments for:			
Depreciation of property plant and equipment	14	225,100	145,589
Depreciation of Right of Use assets	16	6,178	178
Amortisation	15	8,052	3,332
Profit on sale of PPE	6	(164,268)	(1,183)
Finance costs	10	7,614	1,307
Finance income	9	(180,480)	(249,785)
Impairment of trade and other receivables		42,270	28,453
Write back of impairment on financial assets.		(60,829)	
Impairment and write off on inventory		100,935	-
Impairment of withholding tax asset	11	36,453	25,698
Finance lease income		-	2
Income Tax expense	11	536,128	582,614
Deferred tax expense		46,800	-
Cash from operations before working capital changes		**1,726,536**	**1,759,329**
Decrease/(Increase) in inventory	17	(4,129,914)	83,038
Decrease/(Increase) in trade and other receivables	18(a)	188,224	(126,156)
Increase in trade payables	21	2,676,271	399,313
(Increase) in prepayment	19	(1,165,376)	(366,684)
(Increase)/Decrease in return asset		-	(38)
(Increase) in refund liability		-	8
Cash generated (used for)/from operations		**(704,259)**	**1,748,810**
Income taxes paid	11	(574,435)	(757,848)
Net cash generated (used for)/from operating activities		**(1,278,694)**	**990,962**
Cash flows from investing activities			
Purchase of property plant and equipment	14	(614,717)	(114,276)
Proceeds from disposal of PPE		184,221	1,717
Purchase of Intangible Assets		(142,059)	-
Interest received	9	177,180	249,785
Net cash flow from investing activities		**(395,375)**	**137,226**
Cash flows from financing activities			
Dividends paid	12	(1,470,000)	-
Dividend refunded	12	-	247,789
Interest paid		(6,199)	-
Repayment of lease liabilities		(1,307)	-
Proceeds from issue of share capital		44,130	-
Inflow of import finance facility	26	1,693,957	379,525
Repayment on import finance facility	26	(1,762,890)	(304,422)
Net cash flow used in financing activities		**(1,502,309)**	**322,892**
Net (decrease)/ increase in cash and cash equivalents		**(3,176,378)**	**1,451,080**
Net foreign exchange (gain)/loss		-	-
Cash and cash equivalents at beginning of period	**20**	5,748,369	**4,322,987**
Impact of ECL on cash & cash equivalent		-	**(25,698)**
Cash and cash equivalents at end of period	**20**	**2,571,991**	**5,748,369**

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

Due to the merger with Portland Paints during the year (See Note 28), 2021 balances are those of the merged entity while 2020 are those of the Company before the merger.

Notes to the Financial Statements

General information

1.1 Reporting entity

Chemical and Allied Products Plc ('the Company' or 'CAP Plc' or 'CAP') is a Company incorporated in Nigeria. The Company is involved in the manufacturing and sale of paint. The address of the registered office is 2 Adeniyi Jones Avenue, Ikeja, Lagos.

The Company is a public limited Company, which is listed on the Nigerian Stock Exchange and domiciled in Nigeria.

The Parent Company is UACN Plc, a Nigerian Company listed on the Nigerian Stock Exchange.

1.2 Basis of accounting

i) Statement of compliance

These financial statements of Chemical and Allied Products Plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011. The financial statements, which were prepared on a going concern basis, were authorized for issue by the Company's board of directors on 21 March 2022. Details of the Company's accounting policies, including changes thereto are included in Note 2.

ii) Basis of measurement

The financial statements have been prepared in accordance with the going concern assumption under the historical cost concept except for the following items, which are measured on an alternative basis on each reporting date:

- Derivative financial instruments - measured at fair value
- Inventory - lower of cost and net realisable value
- Lease liabilities - measured at present value of future lease payments

1.3 Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Naira (N), which is the Company's functional currency. All amounts have been rounded to the nearest thousand unless otherwise indicated.

Notes to the Financial Statements - Continued

2. Significant accounting policies

2.1 Foreign currency translation

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency 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 the 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 are generally recognised in profit or loss and presented within other income or administrative expenses.

2.2 Leases

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

2.2.1 As a lessee

At commencement 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 its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset 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 asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, 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 for certain remeasurements of the lease liability.

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

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

2.2.2 Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Notes to the Financial Statements - Continued

2. Significant accounting policies - Continued

2.2 Property, plant and equipment

Recognition and measurement

The cost of an item of property, plant and equipment is recognised as an asset when:
- 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, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. If significant parts 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.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Building on leasehold land	Shorter of useful life and lease terms (40 to 99 years)
Plant and machinery	3 to 43 years
Furniture and fittings	3 to 6 years
Tinting equipment	4 years
Motor vehicles	4 to 6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Capital Work in Progress is not depreciated.

2.3 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the statement profit or loss in the period in which the expenditure is incurred.

Intangible assets include purchased trade mark and computer software. The useful lives of intangible assets are assessed as either finite or indefinite as follows:

Trademarks	Indefinite
Computer Software	5 years

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

Notes to the Financial Statements - Continued

2. Significant accounting policies - Continued

2.3 Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- the directors intend to complete the software product and use it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

2.4 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements - Continued

2. Significant accounting policies - Continued

2.5 Financial instruments

2.5.1 Financial assets

Non-Derivative financial assets

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 or minus, for an item not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii). Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (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 at fair value through profit or loss (FVTPL):

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

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

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

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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

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

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

Notes to the Financial Statements - Continued

2. Significant accounting policies - Continued

2.5 Financial instruments - continued

2.5.1 Financial assets - continued

Financial assets - Assessment
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable 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 compensation for early termination) is treated as consistent.

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.

Notes to the Financial Statements - Continued

2. Significant accounting policies - Continued

2.5 Financial instruments - continued

2.5.2 Financial liabilities

Non-Derivative financial liabilities:

i). Classification

Financial liabilities are classified as financial liabilities at amortised cost. The Company has no financial liabilities in any other category. Management determines the classification of financial liabilities at initial recognition.

a). Financial liabilities at amortised cost

These includes trade and other payables, loan payables and borrowings. Trade payables are classified as current liabilities due to their short term nature while borrowings are spilt into current and non current liabilities. Borrowings included in non-current liabilities are those with maturities greater than 12 months after the reporting date.

ii). Recognition & measurement

Financial liabilities are recognised initially at fair value, net of any transaction costs. Loan payables and borrowings are recognised on the date when they are originated. All other financial liabilities are initially recognised on the trade date when the entity becomes party to the contractual provisions of the instrument. Subsequently, they are measured at amortised cost using the effective interest method.

2.5.3 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).
Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.5.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Company or Company.

Notes to the Financial Statements - Continued

2. Significant accounting policies - Continued

2.5 Financial instruments - continued

2.5.5 Impairment of financial assets

i). Non-derivative financial

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to the 12 month ECLs.

The ECLs for trade and other receivables are estimated using a provision matrix based on the Company's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both current as well as the forecast direction of conditions at the reporting date.

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 has identified the change in annual gross domestic product (GDP) to be the most relevant factors and accordingly adjusts the historical loss rates if a significant change in GDP is expected within the next 12 months.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 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 90 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.

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.

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 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Notes to the Financial Statements - Continued

2. Significant accounting policies - Continued

2.5 Financial instruments - continued

2.5.5 Impairment of financial assets - continued

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.

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. For customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

2.6 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is calculated based on the actual cost that comprises cost of direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cost is determined as follows:

Raw Materials

Raw materials which include purchase cost and other costs incurred to bring the materials to their location and condition are valued using a weighted average cost basis.

Intermediate

Cost of intermediate includes cost of raw material, labour, production and attributable overheads based on normal operating capacity. Intermediate is valued using a weighted average cost basis.

Finished Goods

Cost is determined using the weighted average method and includes cost of material, labour, production and attributable overheads based on normal operating capacity.

Technical Spares and Consumables Stock

Spare parts which are expected to be fully utilized in production within the next operating cycle and other consumables are valued at weighted average cost after making allowance for obsolete and damaged stocks.

Strategic spare parts with high value and held for commissioning of a new plant or for infrequent maintenance of plants are capitalised to property plant and equipment and depreciated over the shorter of their useful life and the remaining life of the plant from the date such strategic spare parts are capable of being used for their intended use

Containers and Labels

Packaging materials which include purchase cost and other costs incurred to bring the materials to their location and condition are valued using a weighted average cost basis.

Slow moving and obselete inventories

Slow moving and obsolete inventory items are written off to profit or loss.

Notes to the Financial Statements - Continued

2. Significant accounting policies - Continued

2.7 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand plus short-term deposits. Short-term deposits have a maturity of less than three months from the date of acquisition, are readily convertible to cash and are subject to an insignificant risk of change in value.

2.8 Provisions and contingencies

Provisions are recognised when:
the Company has a present obligation as a result of a past event
it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
 - a reliable estimate can be made of 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. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cashflows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities
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.

2.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

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 in the share premium reserve. The use of the share premium account is governed by Companies and Allied Matters Act (CAMA), 2020. 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.

Notes to the Financial Statements - Continued

2. Significant accounting policies - Continued

2.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.10.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because of items of income or expense that are taxable or deductible in future years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period and is assessed as follows;

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the Company during the year).

2.10.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

2.10.3 Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Financial Statements - Continued

2. Significant accounting policies - Continued

2.11 Employee benefits

The Company operates a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(a) Defined contribution schemes

Statutory contributions (Note 8): The Pensions Reform Act of 2014 requires all companies to pay a minimum of 10% of employees monthly emoluments and the employee to pay a minimum of 8% of monthly emoluments to a pension fund on behalf of all full time employees.

The contributions are recognised as employee benefit expenses when they are due. The Company has no further payment obligation once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

(b) Productivity incentive and bonus plans

All full time staff are eligible to participate in the productivity incentive scheme. The Company recognises a liability and an expense for bonuses and productivity incentive, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.12 Revenue From Contracts with Customers (IFRS 15)

a. Sale of Paints

Revenue is recognised when the goods are delivered and have been accepted by customers.
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 from sale of paints is recognized at a point in time when the products are delivered to and accepted by the customers.

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 the 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.

c. Management fee

The Company charges and receives a percentage of its sales to Partners as management fee. Management fees are not part of the Company's principal activities and recognized as other income.

Notes to the Financial Statements - Continued

2. Significant accounting policies - Continued

2.13 Fair value measurement

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

2.13 Fair value measurement - Continued

(a) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

(b) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(c) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable:

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

In some cases, if the inputs used to measure the fair value of an asset or a liability is categorised in different levels of the fair value hierarchy, then the fair value measurement is categorized 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 recognizes 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 basis of determination of fair values are included in Note 45 Financial Instruments - Fair Values and Financial Risk Management

2.14 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Company’s financial statements in the period in which the dividends are approved by the Company’s shareholders.

Dividend not claimed for over a period of 15 months are refunded back to the Company and are treated as a liability in the Company's financial statements.

2.15 Risk management

The board through the Risk and Governance Committee has the responsibility for developing and implementing an enterprise - wide risk management framework for identifying, measuring, monitoring and controlling risks in the Company. The executive management ensures the implementation of controls put in place to mitigate the various identified risks and report updates of status to the Board quarterly.

Notes to the Financial Statements - Continued

2. Significant accounting policies - Continued

2.16 Assets held for sale

The Company classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal Company is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

2.17 Statement of cash flows

The Company applies the indirect method for preparation of the statement of cash flows. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, fair value changes and other non-cash items have been adjusted for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Interest paid is also included in financing activities while finance and dividend income is included in investing activities.

2.18 Segment reporting

Segment information is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions. A segment is a distinguishable component of the Company that is engaged either in providing related products or within a particular service or in providing products or services in an economic (geographical) segment that is subject to risks and returns that are different from those of other segments.

2.19 Prepayment

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

2.20 Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity-accounted investees and income taxes.

Notes to the Financial Statements - Continued

2. Significant accounting policies - Continued

2.21 Finance income and finance costs

The Company's finance income and finance costs include:

- Interest income
- Interest expense

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Company's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2.22 Discontinued operation

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

2.23 Business combination of entities under common control

Business combinations in which all of the entities or businesses are ultimately controlled by the Parent Company (UACN) both before and after the combination and that control is not transitory are recognised as common control transactions. Where the transaction takes the form of a merger in which individual assets are acquired and liabilities assumed rather than the shares in the business being acquired, the acquirer accounts for such assets and liabilities at book value and the difference between the carrying value of the investments and the net assets acquired is recognised in reserves.

The result of the merged companies is included in the financial statements of the surviving entity as if the merger occurred at the beginning of the financial year.

Notes to the Financial Statements - continued

3 Standards and Interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The Company is yet to determine the impact of that these standards and amendments will have on its financial statements.

A Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

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.

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.

Standard/Interpretation		**Date issued by IASB**	**Effective date Period beginning on or after**	**Summary of the requirements and impact assessment**
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvement 2018 - 2020	May 2020	1 January 2022	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 - continued

3 Standards and Interpretations issued but not yet effective

C Other standards - continued

Standard/Interpretation		**Date issued by IASB**	**Effective date Period beginning on or after**	**Summary of the requirements and impact assessment**
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	May 2020	1 January 2022	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 th item of property, plant and equipment is available for use; and • costs associated with making the item of property, plant ar 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.
Amendments to IAS 1	Classification of liabilities as current or non-current	January 2020	1 January 2023	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.

Notes to the Financial Statements - continued

3 Standards and Interpretations issued but not yet effective

C Other standards - continued

Standard/Interpretation		Date issued by IASB	Effective date Period beginning on or after	Summary of the requirements and impact assessment
Amendments to IAS 1	Classification of liabilities as current or non-current	January 2020	1 January 2023	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. Early adoption is permitted.
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure initiative: Accounting Policies	February 2021	1 January 2023	The amendments were issued 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.
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2024	The effective date of this amendment has been deferred indefinitely by the IASB.	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.

Notes to the Financial Statements - continued

3 Standards and Interpretations issued but not yet effective

C Other standards - continued

Standard/Interpretation	Date issued by IASB	Effective date Period beginning on or after	Summary of the requirements and impact assessment
Amendments to IAS 8	February 2021	January 2023	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.

Notes to the Financial Statements - Continued

4. Significant judgements and estimates

4.1 Significant estimates

The preparation of financial statement in conformity with IFRS requires the use of certain critical accounting estimates. In the process of applying the Company's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the financial statements. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas where judgment and estimates are significant to the financial statements are as follows:

ECL Assessment
The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 18a.

Property, plant and Equipment/Intangible assets
Estimates are made in determining the depreciation/amortisation rates and useful lives of these property, plant and equipment. These financial statements have, in the management's opinion been properly prepared within reasonable limits of materiality and within the framework of the summarised significant accounting policies.

The amortisation period/useful lives of intangible assets also require management estimation.

4.2 Significant judgements, assumptions and sources of estimation uncertainty

The preparation of financial statement in conformity with IFRS requires Directors, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Use of Judgement
Information about judgements made in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes;

Note (5) revenue recognition: whether revenue from services is recognised over time or at a point in time

Note (24) lease term; whether the Company is reasonably certain to exercise extension options

Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties as at 31 December 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of costs and liabilities in the next financial year is included in the following notes

Notes to the Financial Statements - Continued

4.2 Significant judgements, assumptions and sources of estimation uncertainty - continued

Note (15) - impairment test of intangible assets and trade; key assumptions underlying recoverable amounts,

Note (18(a)) measurement of ECL allowance for the receivables and contract assets; key assumptions in determining the weighted-average loss rate; and

Other areas of estimating uncertainties are disclosed below:

Allowance for credit losses
The Company periodically assesses its trade and other receivables for probability of credit losses. Management considers several factors including past credit record, current financial position and credibility of customers. Judgment is exercised in determining the allowances made for credit losses.

Impairment allowance are made for receivables that have been outstanding for 365 days, in respect of which there is no firm commitment to pay by the customer.

Furthermore all balances are reviewed for evidence of impairment and provided against once recovery is doubtful. These assessments are subjective and involve a significant element of judgment by management on the ultimate recoverability of amounts receivable.

5. Revenue

Revenue arises from sales of paints and application of paints for various customers. All sales are made in Nigeria.

The Company's revenues are analyzed as follows:

Entity wide information:	**2021**	**2020**
Analysis of revenue:	**N'000**	**N'000**
Sale of paint products *	14,125,006	8,839,029
Revenue from services	82,812	37,163
	14,207,818	8,876,191

* Refer to Note 29 on the reclassification of carriage outward and commission cost from revenue for 2020.

6. Other income

	2021	**2020**
	N'000	**N'000**
Sale of scrap items	25,353	17,946
Profit on sale of PPE	164,268	1,183
Management fees	109,568	67,603
Rental income	-	2,249
Exchange gain/loss	76,108	-
	375,297	88,981

Management fees represent income generated from management services rendered to the Company's key distributors.

Notes to the Financial Statements - Continued

7. Expenses by nature

		2021 N'000	2020 N'000
7(i)	**Cost of sales**		
	Raw materials consumed	8,389,216	4,244,912
	Carriage outward	254,508	141,095
	Staff costs excluding directors' emoluments (Note 8i)	211,311	224,619
	Royalty fees	461,607	324,399
	Hire of equipment	47,898	28,901
	Capdec project cost	71,851	19,752
	Depreciation of property, plant & equipment (Note 14)	104,064	73,618
	General risk insurance premium	27,817	27,621
	Other direct expenses	81,249	49,082
		9,649,521	5,133,999

		2021 N'000	2020 N'000
7(ii)	**Administrative expenses**		
	Staff costs excluding directors' emoluments	1,168,223	797,147
	Directors' emoluments (Note 8iii)	129,306	128,797
	Auditors' fees	22,000	20,981
	Depreciation of property, plant & equipment (Note 14)	121,037	71,970
	Amortisation of intangible assets (Note 15)	8,052	3,332
	Depreciation of ROU (Note 16)	6,178	178
	Insurance	12,734	5,317
	Commercial service fees (Note 27b)	149,584	89,497
	Computer charges	160,000	29,902
	Cleaning and laundry	19,249	17,397
	Security	13,640	8,693
	Fuel and Oil Expenses	83,315	65,746
	Professional/Consultancy Expenses	159,455	82,213
	Postage, Printing and Telecoms	77,636	58,164
	Donations	4,631	16,002
	AGM/Secretariat Expenses	33,965	19,757
	Write back of impairment on financial assets.	(60,829)	25,698
	Vehicle expenses	11,659	33,963
	Impairment of other receivable	5,717	(421)
	Exchange Loss	-	56,641
	Bank Charges Paid	21,948	19,487
	Impairment of inventory	100,935	-
	Legal Expenses	21,910	6,615
	Subscriptions	31,111	11,615
	Other expenses	53,150	111,827
		2,354,606	1,680,518
7(iii)	**Selling and distribution expenses**		
	Marketing, communication & entertainment	435,417	355,038
	Tour and travelling	93,171	45,485
	Redistribution. Incentive	54,812	11,372
	Sales Incentive	346,441	152,150
	Other expenses	57,980	897
		987,821	564,942

Included in other expenses for current year is the cost of repairs and maintenance of sales men vehicles.

Notes to the Financial Statements - Continued

8. Employee benefits

Staff costs include:	**2021 N'000**	**2020 N'000**
Wages and salaries	1,321,064	975,306
Pension costs:		
- Defined contribution plans (Statutory)	58,470	46,460
	1,379,534	1,021,766

Total employee costs recognized in profit or loss:

Costs of sales	211,311	224,619
Administrative expenses	1,168,223	797,147
	1,379,534	1,021,766

Particulars of directors and staff

(i) The aggregate amount stated against each category was incurred as wages and retirement benefits costs during the year.

Costs	**2021 N'000**	**2020 N'000**
Management	1,040,599	769,265
Staff	338,935	252,501
Total	1,379,534	1,021,766

Numbers	**2021 Number**	**2020 Number**
Management	114	91
Staff	139	111
	253	202

(ii) The table below shows the number of employees who earned over =N=300,000 as emoluments in the year and were within the bands stated.

=N=		**2021 Number**	**2020 Number**
700,001	1,000,000	3	19
1,000,001	1,400,000	45	52
1,400,001	1,800,000	63	37
1,800,001	2,200,000	23	10
2,200,001	2,400,000	8	11
2,400,001	3,000,000	9	13
3,000,001	4,000,000	27	13
4,000,001	5,000,000	24	11
5,000,001	6,000,000	12	11
6,000,001	8,000,000	15	12
8,000,001	9,000,000	4	1
9,000,001	10,000,000	2	1
10,000,001	16,000,000	7	3
16,000,001	18,000,000	1	3
18,000,001	25,000,000	4	3
30,000,001	40,000,000	1	2
40,000,000	50,000,000	4	-
50,000,001	and above	1	0
		253	202

Notes to the Financial Statements - Continued

8. Employee benefits (continued)

(iii) Emoluments of directors

	2021 N'000	2020 N'000
Fees	1,175	1,175
Passage allowance	44,603	42,633
Other emoluments	83,528	84,989
	129,306	128,797
(iv) The Chairman's emoluments	13,157	13,215

	2021 N'000	2020 N'000
(v) Emolument of the highest paid director	89,638	84,938

(vi) The table below shows the number of directors of the Company, whose remuneration, excluding pension contributions, fell within the bands shown.

=N=			2021 Number	2020 Number
0	-	14,000,000	6	4
16,000,001	-	90,000,000	1	1
			7	5

Key management compensation

Key management have been defined as the directors and senior managers.

Key management compensation includes:	2021 N'000	2020 N'000
Short-term employee benefits:		
- Wages and salaries	83,528	80,199
- Allowances - Executive Director	6,110	4,739
- Wages and Salaries - Senior Managers	156,762	139,294
	246,400	224,232

9. Finance income

Interest income on short-term bank deposits	177,180	246,488
Interest income on finance lease	3,300	3,297
	180,480	249,785

10. Finance Cost

Lease interest expenses	1,415	1,307
Interest on loan and Overdraft	6,199	-
	7,614	1,307

Notes to the Financial Statements - Continued

11. Taxation

Per profit or loss	2021 N'000	2020 N'000
Income tax charged	456,047	549,683
Tertiary Education tax	49,850	39,928
Police Trust Fund Levy	86	90
Capital Gain Tax	15,679	7
Income tax charge	**521,662**	**589,708**
Withholding tax receivable written off	36,453	-
Current Tax Expense	**558,115**	**589,708**
Origination (reversal) of temporary difference	46,800	(7,094)
Income tax expense	**604,915**	**582,614**

Corporate tax is calculated at 30% (2020: 30%) of the estimated taxable profit for the year while tertiary education tax is calculated at 2% (2020: 2%) of the estimated assessable profit for the year.
The deferred tax charges recognized in the year relates to the origination and reversal of temporary difference.

The tax charge for the year can be reconciled to the profit per the statement of profit or loss as follows:

	2021 N'000	2020 N'000
Accounting Profit before tax	**1,727,498**	**1,805,738**
Tax at the Nigeria corporation tax rate of 30% (2020: 30%)	518,249	541,721
Non-deductible expense	530	868
Impact of Tax exempt income	(9,269)	-
Education tax at 2.5% (2020: 2%) of assessable profit	43,187	39,928
NPF Trust Fund/Capital gains tax	15,765	97
Withholding tax receivable written off	36,453	-
	604,915	**582,614**
Effective tax rate	35%	32%

	2021	2020
Per statement of financial position:		
Balance 1 January	589,835	765,944
Transfer from Portland Paints	9,310	-
Payments:		
Income tax	(534,417)	(705,411)
Education tax	(39,928)	(52,437)
NPF Trust Fund/Capital gains tax	(90)	-
Total cash payment	**(574,435)**	**(757,848)**
WHT Utilized	(10,244)	(7,969)
	(584,679)	**(765,817)**
Excess provision	14,466	127
Charge for the year:		
Income tax	456,047	549,690
Education tax	49,850	39,928
NPF Trust Fund/Capital gains tax	15,765	90
	536,128	589,835
Balance as at 31 December	536,128	589,835

Notes to the Financial Statements - Continued

12. Dividend payable

The movement on dividend payable account during the year was as follows:	2021 N'000	2020 N'000
At 1 January	1,748,509	1,500,720
Approved dividend	1,470,000	-
Dividend refunded	-	247,789
**Transfer from Portland Paints	22,770	-
*Payments during the year	(1,595,784)	-
Reclassification to trade and other payable (Note 21)	(321,681)	-
At 31 December	1,323,814	1,748,509

*Payment during the year includes pay-out of approved dividend and payment for funds previously returned as unclaimed divided.
**The transfer from Portland Paints relates to transfer of unclaimed dividend from Portland Paints following the merger.

The directors recommended the payment of dividend of 2.10 per share during the year. This has been paid out net of 10% WHT (2020: nil).

13. Earnings per Share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Weighted average number of ordinary shares in issue ('000)	788,260	700,000
Profit attributable to ordinary equity shareholders (N'000)	1,122,583	1,223,124
Basic earnings per share (kobo)	151	175
(b) Diluted	151	175

There were no potentially dilutive shares outstanding at 31 December 2021.

Notes to the Financial Statements - Continued

14. Property, plant and equipment

14.1 Reconciliation of carrying amount

	Leasehold Land	Buildings on leasehold land	Tinting equipment	Plant and Machinery	Furniture and fittings	Motor vehicles	WIP	Total
Cost	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
At 1 January 2020	1,412	69,872	223,571	818,056	187,195	335,986	6,714	1,642,806
Additions	-	2,770	23,859	6,027	54,596	27,024	-	114,276
Disposals	-	-	(4,685)	(17,213)	(5,618)	(3,775)	-	(31,291)
At 31 December 2020	1,412	72,642	242,745	806,870	236,173	359,235	6,714	1,725,791
At 1 January 2021	1,412	72,642	242,745	806,870	236,173	359,235	6,714	1,725,791
Additions	-	46,331	122,724	186,271	68,955	190,436	-	614,717
Acquired through merger	40,000	176,130	438,741	67,694	178,765	155,903	-	1,057,233
Disposals	-	-	-	(61,463)	(9,737)	(3,554)	(6,714)	(81,468)
Reclassification to assets held for sale	(40,000)	(148,967)	(47,466)	(2,173)	(3,677)	-	-	(242,283)
At 31 December 2021	1,412	146,136	756,744	997,199	470,479	702,020	-	3,073,990
Accumulated depreciation								
At 1 January 2020		23,317	141,504	337,437	137,803	143,129	-	783,190
Charge for the year	-	2,216	29,864	43,755	22,101	47,653	-	145,589
Disposals	-	-	(4,664)	(17,184)	(5,512)	(3,397)	-	(30,757)
At 31 December 2020	-	25,533	166,704	364,008	154,392	187,385	-	898,022
At 1 January 2021	-	25,533	166,704	364,008	154,392	187,385	-	898,022
Charge for the year	-	3,316	43,510	60,554	33,622	84,098	-	225,100
Acquired through merger		24,266	352,854	15,129	162,415	93,355		648,019
Disposals	-	(3,286)		(55,901)	(9,190)	(3,198)		(71,575)
Reclassification to assets held for sale	-	-	-	-	-	-	-	-
At 31 December 2021	-	49,829	563,068	383,790	341,239	361,640	-	1,699,566
Net book values								
At 31 December 2021	1,412	96,307	193,676	613,409	129,240	340,380	-	1,374,421
At 31 December 2020	1,412	47,109	76,041	442,862	81,781	171,850	6,714	827,769

Notes to the Financial Statements - Continued

14. Property, plant and equipment (Continued)

a) Leasehold properties have an unexpired tenure of 40 years
b) The Company had no capital commitments and no capital work in progress as at 31 December 2021 (2020: N6.7m)
c) No asset of the Company was pledged as security and there are no restrictions to title on any of the Company's assets (2020: Nil).
d) There was no asset written off in the year (2020: Nil)

14.3 Assets held for sale

Included in the assets acquired from the merger with Portland Paints during the year is a disposal group held for sale. These relate to part of the manufacturing factory within the now merged Portland Paints.
The management of CAP Plc are committed to sustain the agreement already reached between a third party and Portland Paints for the sale and expect the sale to be concluded in 2022.
Therefore, these assets have been classified as Assets Held for Sale measured in accordance with the applicable accounting policy and are no longer depreciated. Subsequent to year end, the board has also formally approved management's disposal plan in a meeting held in March 2022.

The disposal group comprise the following assets:	**2021 N'000**	**2020 N'000**
Leasehold Land	40,000	10,060
Buildings on leasehold land	148,967	-
Tinting equipment	47,466	-
Plant and Machinery	2,173	-
Furniture and fittings	3,677	-
	242,283	**10,060**

There are no cummulative income or expenses included in Other Comprehensive Income (OCI).

Notes to the Financial Statements - Continued

15. Intangible assets

	Software	Trademark	WIP	Total
Cost of software:	**N'000**	**N'000**	**N'000**	**N'000**
At 1 January 2020	116,271	-	-	116,271
Additions	-	-	-	-
At 31 December 2020	116,271	-	-	116,271
At 1 January 2021	116,271	-	-	116,271
Additions	-	-	142,059	142,059
Acquired through merger	250,833	49,025	-	299,858
At 31 December 2021	367,104	49,025	142,059	558,188
Amortisation of software:				
At 1 January 2020	108,729	-	-	108,729
Amortisation charge	3,332	-	-	3,332
At 31 December 2020	112,061	-	-	112,061
At 1 January 2021	112,061	-	-	112,061
Amortisation charge	8,052	-	-	8,052
Acquired through merger	241,149	-	-	241,149
At 31 December 2021	361,262	-	-	361,262
Net book value				
At 31 January 2020	7,542	-	-	7,542
At 31 December 2020	4,210	-	-	4,210
At 31 December 2021	5,842	49,025	142,059	196,926

Trademark

The Company's trademark represents the N49 million trade mark purchased from Blue Circle Industries Plc by Portland Paints & Products Plc, and acquired through the merger, which have been adjudged to have an indefinite life. The Trademark is carried at cost to be tested annually for impairment.

The Trademark is used to identify and distinguish (Sandtex brands) which has an indefinite life. The Company intends to continue the production of paints in the Sandtex product categories and evidence supports its ability to do so. An analysis of the Company's forecasted sales provides evidence that Sandtex products will generate net cash inflows for the Company for an indefinite period. Therefore, the Trademark is carried at cost without amortisation, but is tested for impairment annually.

The Trademark as been assessed for impairment as part of the annual mandatory impairment testing in line with the requirements of the International Financial Reporting Standards using the value in use method.

As at 31 December 2021, the carrying value of Trademark was lower than their recoverable amount, As a result, no impairment loss on Trademark has been recognized (31 December 2020; Nil).

The recoverable amount of Trademark was determined based on a value in use calculation which uses cash flow projections based on five (5) year projections of current year free cash flows from operations and a weighted average cost of capital (WACC) of 16% per annum (2020: 16% per annum).

Notes to the Financial Statements - Continued

15. Intangible assets - continued

Key Forecast Assumptions
The key inputs and assumptions used in the value in use calculations are as follows.
- Discount rate (WACC): 16% per annum (2020: 16% per annum)
- Net cash flow: The Net cash flow is based on 5-year forecast using 2021 as the base year.
- Terminal growth rate of 2.70%.
- Inflation rate: Inflation rate is based on forecast consumer price indices during the period for the country. An inflation rate of 15.6% has been applied for the current year (2020: 15.63%). The value assigned to the key assumption is consistent with external sources of information.

The discount rate was based on computed WACC using the Capital Asset Pricing Model (CAPM). The net cash flows were then discounted using this rate to estimate their present values inclusive of a terminal growth value discounted to its present value thereafter. The terminal growth rate was determined based on the average Gross Domestic Product (GDP) growth rate of Nigeria for the past three (3) Decades.

Revenue growth was projected taking into account the average growth levels experienced over the past five (5) years and the estimated sales volume and price growth for the next five years. It was assumed that sales prices would grow at a constant margin above forecast inflation over the next five years.

The estimated recoverable amounts of the Trade exceeded their carrying amount in the period under review (2020; same). Management has identified that a reasonably possible change in one (1) key assumption, the discount rate of 16% utilized in the period under review could cause the carrying amount to exceed the recoverable amount.

Intangible assets amortization charged to income statement amounts to N8.05 million (2020: N3.33 million) and has been included as part of administrative expenses

Capital Work In Progress (WIP)
Capital work in progress (WIP) relates development cost incurred on SAP HANA, the new ERP software under development as at 31 December 2021.

Notes to the Financial Statements - Continued

16. Right of Use assets

	Land N'000	Shop Space N'000	Total N'000
Cost			
At 1 January 2020	7,740	-	7,740
*Reclassification from prepayment	-	30,000	30,000
Additions	-	-	-
At 31 December 2020	7,740	30,000	37,740
At 1 January 2021	7,740	30,000	37,740
Additions	-	-	-
At 31 December 2021	7,740	30,000	37,740
Accumulated Depreciation			
At 1 January 2020 (As previously stated)	-	-	-
Reclassification from prepayment	-	14,000	14,000
Depreciation charge	178	-	178
At 31 December 2020	178	14,000	14,178
At 1 January 2021	178	14,000	14,178
Depreciation charge	178	6,000	6,178
At 31 December 2021	356	20,000	20,356
Carrying amount			
At 31 December 2021	7,384	10,000	17,384
At 31 December 2020	7,562	16,000	23,562

Right of Use Assets arise from the Company's lease arrangement with Wemabod on the piece of land where the office and warehouse is located for a non cancellable period of 100 years. The certificate of occupancy is for a period of 100 years.

The reclassification from prepayments relates to the balance of the joint lease of a retail store/ Dulux Colour Centre with a Trade Partner for a period of five (5) years beginning 1 September 2018.

* Refer to Note 29 on the reclassification of right of use assets and prepayments for 2020.

17. Inventories

	2021 N'000	2020 N'000
Raw materials	1,739,244	445,979
Intermediates	34,526	19,517
Technical stocks and spares	54,843	32,870
Containers and labels	197,175	55,465
Consumable stocks	-	32,763
Finished goods	2,012,100	258,726
Goods in Transit	1,769,811	142,898
Total Gross Inventory	**5,807,699**	**988,218**
Impairment - Inventory	(122,087)	(21,153)
Impairment acquired through merger	(201,390)	-
	5,484,222	**967,065**

Inventory utilized and captured in cost of sales during the year was N8,389 million (2020: 4,244 million).
Inventory writen down during the year was N100.94 million (2020: N21.15). This has been recognized in administrative expenses.

Notes to the Financial Statements - Continued

18(a) Trade and other receivables

Receivables due within one year	2021 N'000	2020 N'000
Trade receivables	721,335	371,049
Less: provision for impairment of trade receivables	(241,748)	(57,241)
Net trade receivable	479,587	313,808
Receivables from related parties (Note 25)	889	94,872
Impairment on receivables from related parties	-	(219)
Withholding tax assets	132,310	56,749
Impairment of Withholding tax assets	(54,761)	(18,308)
Impairment of Withholding tax assets acquired through merger	(62,008)	-
Other receivables	59,513	35,293
Impairment on other receivables	(29,522)	(20,709)
Advances to staff	25,585	5
	551,593	**461,491**

Movements in the provision for impairment of trade receivables are as follows:

	2021 N'000	2020 N'000
At 1 January	57,241	28,788
Additional impairment charge for the year	36,535	28,453
Acquired through merger	147,990	-
At 31 December2021	**241,748**	**57,241**

18(b) Finance lease receivables

The Company has finance lease for a warehouse to a related party, MDS Logistics. The lease is for a total period of 51 years; of this period 40 years remain in the contract. The property reverts to the Company at the end of the lease period.

	2021 N'000	2020 N'000
Gross investment in lease	83,600	91,601
Unearned finance income	(69,928)	(81,229)
Net investment in lease	**13,672**	**10,372**
Gross investment in lease		
Gross finance lease receivable - minimum lease receivable		
- No later than 1 year	2,200	2,484
- 2 to 5 years	8,800	11,000
- More than 5 years	72,600	78,117
	83,600	91,601
Future finance income on lease	(69,928)	(81,229)
Present value of finance lease receivable	**13,672**	**10,372**
The present value is analysed as follows:		
- No later than 1 year	3,300	1,606
- 2 to 5 years	5,910	4,304
- More than 5 years	4,461	4,461
	13,672	10,372
Movement		
As at 1 January	10,372	10,372
Reclassification from interCompany receivable	3,300	-
As at 31 December	13,672	10,372

Notes to the Financial Statements - Continued

19. Prepayments

	2021 N'000	2,020 N'000
Import prepayment	1,369,416	307,863
Other prepayments	206,075	144,085
Prepayment for Packaging Material	87,941	21,231
	1,663,427	**473,179**

Other prepayment mainly relates to advance payments to vendors.
* Refer to Note 29 on the reclassification of right of use assets and prepayments for 2020.

20. Cash and cash equivalents

	2021 N'000	2,020 N'000
Bank balances	175,401	48,972
Short-term deposits	2,396,590	5,725,094
Total	**2,571,991**	**5,774,066**
Impairment on short term deposits	-	(25,698)
Total	**2,571,991**	**5,748,369**

Short-term deposits are made for varying periods of between one day and nine months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

21. Trade and other payables

	2021 N'000	2,020 N'000
Trade payables	3,589,612	533,595
Royalty accrual	461,607	463,977
	4,051,219	**997,572**
Provision for employee leave	-	485
Statutory Payables	212,845	244,042
Advance payments received	12,878	427,681
Payable to related parties	264,903	94,237
Accrued expenses	1,062,972	362,400
Sundry creditors	60,102	74,559
	5,664,919	**2,200,976**
	-	**-**
Average credit period taken for trade purchases (days)	30	30

The Company has financial risk management policies in place to ensure that all payables are paid within a reasonable time of the credit time frame.

Notes to the Financial Statements - Continued

22. Share capital and reserves

	2021		2020	
Authorised:	**Number '000**	**Amount N'000**	**Number '000**	**Amount N'000**
Ordinary shares of 50k each	1,500,000	750,000	1,500,000	750,000
Issued and fully paid:				
Ordinary shares of 50k each	788,260	394,130	700,000	350,000

	2021		2020	
Movements during the year:	**Number of shares '000**	**Ordinary shares N'000**	**Number of shares '000**	**Ordinary shares N'000**
Balance at 1 January 2021	560,000	280,000	560,000	280,000
Bonus issue	140,000	70,000	140,000	70,000
Acquired through merger (Note 28)	88,260	44,130	-	-
At 31 December 2021	788,260	394,130	700,000	350,000

Share premium	**N'000**	**N'000**
	-	-
Balance at 1 January	19,254	19,254
At 31 December 2021	19,254	19,254

Reserves from business combination		
Balance at 1 January	-	-
Acquired through merger (Note 28)	968,267	-
	968,267	-

Nature and purpose of reserves

The share premium reserve is used to recognise the amount above the par value of issued and fully paid ordinary share of the Company.

Additional shares were issued to former Portland Paints shareholders who opted for shares consideration. All share capital, premium and reserves from Portland Paints less expenses towards completion of the merger have been captured as other reserves from business combination.

Reserves relates to the net assets of Portland Paints acquired through merger.

Notes to the Financial Statements - Continued

23. Deferred tax

Deferred tax (assets)/liabilities as at 31 December 2021

	Opening Balance N'000	Acquired through merger N'000	Recognized in profit or N'000	Closing Balance N'000
Property, plant & equipment	191,964	86,141	71,713	349,818
Provisions	(12,313)	(124,793)	(71,115)	(208,221)
Trade and other receivables	(17,172)	-	17,172	-
Inventories	(4,298)	-	4,298	-
Exchange difference	-	-	24,831	24,831
Right of use assets (IFRS 16 Leases)	(519)	-	(100)	(619)
	157,662	(38,652)	46,799	165,809

Deferred tax (assets)/liabilities as at 31 December 2020

	Opening Balance N'000	Recognized in profit or loss N'000	Closing Balance N'000
Property, plant & equipment	188,024	3,940	191,964
Provisions	-	(12,313)	(12,313)
Trade and other receivables	(17,975)	803	(17,172)
Inventories	(5,293)	995	(4,298)
Exchange difference	-	-	-
Right of use assets (IFRS 16 Leases)	-	(519)	(519)
	164,756	(7,094)	157,662

24. Lease Liability

	N'000 2021	N'000 2020
Balance as at 1 January	9,183	6,203
Opening balance adjustment	-	1,673
Lease Interest	1,415	1,307
Lease payment during the year	(1,307)	-
Balance as at 31 December	**9,291**	**9,183**
Splitting into Current and Non-Current		
Current	1,417	1,307
Non-Current	7,874	7,876
	9,291	9,183
Gross lease liability	57,492	57,492
Interest expense not yet due	(48,201)	(48,309)
Net lease liability	**9,291**	**9,183**
Gross lease liability		
Gross lease liability - minimum lease payable		
- No later than 1 year	1,307	1,307
- 2 to 5 years	6,533	6,533
- More than 5 years	49,652	49,652
	57,492	**57,492**
Lease expense for the year:		
Depreciation of write of use asset	6,178	178
Finance cost of leases	1,415	1,307
	7,593	**1,485**

Notes to the Financial Statements - Continued

The total lease payment during the year was N1.30 million (2020: 1.3 million).

25. Related party transactions

The immediate and ultimate parent, as well as controlling party of the Company is UAC of Nigeria Plc incorporated in Nigeria. There are other companies that are related to CAP Plc through common shareholdings and directorship.

The following transactions were carried out with related parties:

(a) Sales of goods and services

	Relationship		Transaction Value N'000 2021	N'000 2020
UAC of Nigeria Plc	Parent	Sales of paint	-	-
UAC Foods Limited	Fellow subsidiary	Sales of paint	889	731
UACN Property Dev. Company Plc	Associate	Sales of paint	-	1,704
UAC Restaurants	Fellow subsidiary	Sales of paint	-	-
Portland Paints & Products Nig. Plc	Fellow subsidiary (till merger in 2021)	Service	-	94,529
			889	**96,964**

(b) Purchases of goods and services

	2021	2020
UAC Foods Limited	98	-
UAC of Nigeria Plc: Commercial service fee (Note 7)	149,584	89,497
	149,682	**89,497**

(c) Key management compensation

Key management have been determined as directors and other senior management that form part of the leadership team. Details of compensation are documented in note 8. There were no other transactions with key management during the year.

(d) Year-end balances arising from sales/purchases of goods/services:

	Relationship		N'000 2021	N'000 2020
Receivable:				
UAC Foods Limited	Fellow subsidiary	Sales of paint	889	-
UACN Property Dev. Company Plc	Associate	Sales of paint	-	-
Portland Paints & Products Nig. PLC	Fellow subsidiary	Sales of paint	-	91,572
MDS Logistics			-	3,300
			889	**94,872**
Payable:				
UAC Foods Limited			98	-
UAC of Nigeria Plc	Parent	Service	264,805	94,237
			264,903	**94,237**

Payable to UAC of Nigeria includes N99m acquired through merger, commercial service fee of N150m and other shared costs of N16m.

26. Loans and borrowing

	2021	2020
Balance at 1 January	75,103	379,525
Payment made during the year	(1,762,890)	
Receipt of import during the year	1,693,957	(304,422)
Balance at 31 December	**6,170**	**75,103**

Loans and borrowings refer to the import finance facility the Company has which provides better access to dollars at CBN retail rates. The amount outstanding of N6m as at 31 December 2021 relates to pending Letter of Credit amounts for import shipments received as at 31 December 2021. The loan has no collateral and interest rate is 13% per annum.

Notes to the Financial Statements - Continued

27 Financial instruments - financial risk management and fair values

The Company has exposure to the following risks from its use of 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. Further quantitative disclosures are included throughout these financial statements.

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 Risks Management Committee of the Board of Directors is responsible for developing and monitoring the Company’s risk management policies.

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.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables and balances held with banks.

Credit risk is monitored and managed in the Company by the Finance Controller. The Company analyses the credit risk for each of her new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, the Company utilises the institutions that have sufficient reputational risk but do not strictly monitor their formal ratings . In addition the Company monitors its exposures with individual institutions and has internal limits to control maximum exposures. Credit terms are set with customers based on past experiences, payment history and reputations of the customers. Sales to retail customers are settled in cash, while only agents and corporate customers are given credits based on limits set by the Board, typically 30 days.

No credit limits were exceeded during the reporting period, and management does not expect material losses from non-performance by these counterparties.

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 as follows:

	2021 N'000	2020 N'000
Trade and other receivables*	535,163	328,397
Lease receivable	13,672	10,372
Cash and cash equivalents (Note 20)	2,571,991	5,748,369
	3,107,154	**6,087,138**

*Non-income tax receivables are not financial instruments and therefore have been excluded from trade and other receivables

Notes to the Financial Statements - Continued

27 Financial instruments - financial risk management and fair values

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. However, management also considers the factors that may influence the credit risk of its debtor base, including the default risk of the industry in which the debtors operate.

The Company has adopted a policy of only dealing with creditworthy counterparties and credit limits are set, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses publicly available financial information and its own trading records to rate its major customers. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The directors consider the amounts due from related parties as recoverable as the Company has not suffered significant impairment losses in the past on related party receivables.

The Company does not consider any credit risk on its interest income receivable as it represents interest accrued to date on its term deposits yet to mature at year end held by financial institutions.

Expected credit loss assessment for Trade Receivables

The Company uses an allowance matrix to measure ECLs of trade receivables from its customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates are based on actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between the economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected life of the receivables.

The ageing of trade receivables at the reporting date including those that were past due but not impaired was as follows:

As at 31 December 2021	**Average loss rate**	**Gross**	**Impairment**	**Net**
		N'000	**N'000**	**N'000**
Current (not due)	6.20%	447,414	27,740	419,674
61-90 Days (past due)	57%	127,880	72,892	54,988
91-120 Days (past due)	77%	21,321	16,417	4,904
121-365 Days (past due)	91%	232	211	21
Over 365 days (past due)	100%	124,488	124,488	-
		721,335	**241,748**	**479,587**

As at 31 December 2020	**Average loss rate**	**Gross**	**Impairment**	**Net**
		N'000	**N'000**	**N'000**
Current (not due)	4.59%	299,015	13,725	285,290
61-90 Days (past due)	33%	34,899	11,464	23,435
91-120 Days (past due)	71%	17,527	12,444	5,083
121-365 Days (past due)	94%	-	-	-
Over 365 days (past due)	100%	19,608	19,608	-
		371,049	**57,241**	**313,808**

Notes to the Financial Statements - Continued

27 Financial instruments - financial risk management and fair values

Cash and cash equivalents

The Company held cash and cash equivalents of N2.57 billion as at 31 December 2021 (2020: N5.74 billion). The Company mitigates its credit risk exposure of its bank balances and derivative financial instrument by selecting and transacting with reputable banks with good credit rating by rating agencies.

(b) 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 have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Liquidity Analysis

The following are the contractual maturities of financial liabilities as at reporting date, including estimated interest payments and excluding the impact of netting agreements.

31 December 2021

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-5years	Over 5years
	N'000	N'000	N'000	N'000	N'000	N'000
Non-derivative financial liabilities						
Trade and other payables *	5,664,919	5,664,919	(5,664,919)		-	-
Lease liability	9,291	56,181	(1,307)	(1,307)	(6,535)	(47,032)
Import finance facility	6,170	6,170				
Dividend payable	1,323,814	1,323,814				

31 December 2020

In thousands of naira	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-5years	Over 5years
	N'000	N'000	N'000	N'000	N'000	N'000
Non-derivative financial liabilities						
Trade and other payables *	2,200,976	2,200,976			-	-
Lease liability	9,182	57,490	(1,307)	(1,307)	(6,535)	(48,341)
Import finance facility	75,103	75,103				
Dividend payable	1,748,509	1,748,509				

*Statutory payables and advance payment from customers are not financial instruments and have therefore been excluded from trade and other payables.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices 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 the return.

Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currency in which sales and purchases are denominated and the respective functional currency of the Company. The functional currency of the Company is primarily the Naira. The currencies in which purchases and other transactions are denominated are United States Dollar (USD), South African Rand (ZAR) and Euro (EUR). The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In respect of monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying foreign currencies at spot rates or entering into forward contracts when necessary to address short term imbalance.

Notes to the Financial Statements - Continued

27 Financial instruments - financial risk management and fair values

Exposure to currency risk
The summary quantitative data about the Company's exposure to currency risk as reported to the Management of the Company based on its risk management policy was as follows:

	2021				2020		
	GBP	USD	EURO	ZAR	USD	GBP	ZAR
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets							
Cash and cash equivalents	39	409	-	-	518	21	-
Trade and other receivables	-	134	-	-	-	-	-
Financial Liabilities							
Trade and other payables	-	-	(13)	(2,622)	-	-	-
Net exposure	39	543	(13)	(2,622)	518	21	-

	Average rate		Year end spot rate	
	2021	2020	2021	2020
USD	410.08	379.50	435.00	410.00
EURO	464.21	465.87	479.63	466.49
GBP	552.50	518.02	586.08	560.00
ZAR	3.56	3.68	3.69	3.69

Sensitivity analysis
A reasonably possible strengthening of the Naira, against the ZAR, the USD, the GBP and the Euro would have affected the measurement of financial instruments denominated in foreign currency and decreased profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest and inflation rates, remain constant and ignores any impact of forecast sales and purchases.

Effect in thousands	2021 Increase in Profit or (loss) N'000	2020 Increase in Profit or (loss) N'000
USD (At 10% strengthening of the naira)	23,621	51,789
EURO (At 10% strengthening of the naira)	(624)	-
GBP (At 10% strengthening of the naira)	2,286	2,531
ZAR (At 10% strengthening of the naira)	(968)	-

A 10 percent weakening of the Naira against the above currencies at the reporting date would have had the equal but opposite effect to the amounts shown above.

Interest rate risk
The Company adopts a policy of ensuring that 80-90% 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 investing at fixed rates and the interest cashflow risk that results from investments 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 investment profiling and use of heterogeneous investment sources.

Notes to the Financial Statements - Continued

27 Financial instruments - financial risk management and fair values

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

	Nominal amount	
	2021	**2020**
	N'000	**N'000**
Fixed rate instruments		
Financial assets	2,040,814	5,280,567
Variable		
Financial assets	90,000	-

The Company does not account for the short term fixed deposit financial assets at FVTPL, therefore a change in interest rates at the reporting date would not affect profit or loss. The variable financial assets are short term with daily changes to the interest rate and approximates fair value, hence changes in interest rate will not have a significant impact on the profit or loss at the reporting date.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (lease liability and import finance facility) . Total equity is calculated as 'equity' as shown in the statement of financial position.

The Company's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2021	**2020**
	N'000	**N'000**
Total liabilities (import finance facility and lease liability)	15,461	84,286
Less: cash and cash equivalents (Note 20)	(2,571,991)	(5,748,369)
Adjusted net debt	**(2,556,530)**	**(5,664,083)**
Total equity	4,409,788	3,744,808
Net debt to equity ratio	**-57.97%**	**-151.25%**

Notes to the Financial Statements - Continued

27 Financial instruments - financial risk management and fair values

Account classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. There were no transfers between levels during the reporting period.

	2021	Fair value		
	Carrying amount	Level 1	Level 2	Level 3
Financial assets at amortized cost	**N'000**	**N'000**	**N'000**	**N'000**
Trade and other receivables*	535,163	-	-	-
Lease receivable	13,672	-	92,547	-
Cash and cash equivalents (Note 20)	2,571,991	-	-	-
	3,120,826		92,547	

	2021	Fair value		
	Carrying amount	Level 1	Level 2	Level 3
Financial liabilities at amortized cost	**N'000**	**N'000**	**N'000**	**N'000**
Trade and other payables*	5,664,919	-	-	-
Lease liability	9,291	-	-	-
Import finance liability	6,170	-	73,133	-
Dividend payable	1,323,814	-	-	-
Lease liability	**7,004,194**		73,133	

	2020	Fair value		
	Carrying amount	Level 1	Level 2	Level 3
Financial assets at amortized cost	**N'000**	**N'000**	**N'000**	**N'000**
Trade and other receivables*	328,397	-	-	-
Lease receivable	10,372	-	82,143	-
Cash and cash equivalents (Note 20)	5,748,369	-	-	-
	6,087,138		82,143	

	2020	Fair value		
Financial liabilities at amortized cost	Carrying amount	Level 1	Level 2	Level 3
	N'000	**N'000**	**N'000**	**N'000**
Trade and other payables*	2,200,976	-	-	-
Lease liability	9,183	-	84,571	-
Import finance liability	75,103	-	-	-
Dividend payable	1,748,509	-	-	-
Lease liability	**4,033,771**		**84,571**	

*Trade and other payables exclude statutory payables and advance payments while trade and other receivables exclude non-income tax receivables.

Trade and other receivables, cash and cash equivalents, trade and other payables, import finance liability, and dividend payables are short term financial instruments. Accordingly, management believes that their fair values are not expected to be materially different from their carrying values. The Company does not carry any financial assets or financial liabilities at fair values through profit or loss.

The basis for determining fair values is disclosed in Note 3.

Notes to the Financial Statements - Continued

28 Business combination under common control

On 1 July 2021, following a Scheme of Merger between Chemical and Allied Products Plc ("CAP" or "the Company") and Portland Paints & Products Nigeria Plc ("Portland Paints"), the assets, liabilities and business undertakings of Portland Paints were transferred to the Company, with Portland Paints being dissolved without being wound up.

The merger is a business combination under common control as both companies are ultimately controlled by the same parent, hence this transaction falls outside the scope of IFRS 3 'Business combinations'. The predecessor value method of accounting has been adopted in accounting for this merger in the books of the Company. Under the predecessor value method, the book values of the net assets transferred are combined with those of the surviving entity.

In consideration for the transfer, Portland Paints' shareholders were offered two (2) options: (i) a cash consideration of N2.90 for every share held in Portland Paints; or (ii) 1 share in CAP for every 8 shares held in Portland Paints.

A total of 88,259,520 Ordinary shares of 50 kobo each in CAP and N253,285,530.20 in cash were issued as purchase consideration to the shareholders of Portland Paints in exchange for the net assets/(liabilities) and business undertakings of the latter acquired.

The prospective predecessor accounting method has been adopted and as a result, the comparative financial statements have not been restated. InterCompany balances between both parties have been eliminated while the statement of profit or loss includes 6 months of combined transactions.

Details of Portland Paints net assets merged with those of CAP are as follows:

	N'000
Property, plant and equipment	409,214
Intangible assets	58,709
Deferred tax asset	38,652
Inventories	488,176
Trade and other receivables	296,220
Prepayments	24,872
Cash and cash equivalents	425,040
Trade and other payables	(419,534)
Unclaimed Dividend	(22,770)
Contract liabilities	(18,111)
Income tax liabilities	(9,310)
Net identifiable assets acquired	**1,271,158**
Less:	
Purchase consideration (shares)	(44,130)
Purchase consideration (Cash)	(253,285)
Expenses towards issuance of new shares	(5,476)
Reserves arising from merger	**968,267**

29 Reclassification of prior year balances

29.1 Carriage outward and sales commission

During 2021, the Company modified the classification of carriage outward and sales commission to reflect more appropriately the nature of the expense, which is consistent with the accounting policy of the Company. Comparative amounts in the statement of profit or loss were reclassified for consistency. As a result, N254.5 million (2020:N141 million) relating to carriage outward costs.

Statement of profit or loss	**As reported in 2020 financial year**	**Reclassification**	**2020 comparative re-presentation**
	N'000	**N'000**	**N'000**
Revenue	8,735,097	141,095	8,876,192
Cost of sales	(4,992,904)	(141,095)	(5,133,999)
Impact on gross profit		-	
Impact on operating profit		-	

29.2 Right of use asset and prepayment

During 2021, the Company modified the presentation of the joint lease arrangement with a Trade Partner to reflect more appropriately the nature of the transaction as a contract containing a lease in accordance with IFRS 16. Comparative amounts in the statement of financial position were reclassified for consistency. As a result, N10 million (2020:N16 million) relating to the unused balance of the lease payment were reclassified from prepayment to right of use assets.

Statement of financial position	**As reported in 2020 financial year**	**Reclassification**	**2020 comparative re-presentation**
	N'000	**N'000**	**N'000**
Right of use asset at cost	7,877	30,000	37,877
Accumulated depreciation of right of use assets	(316)	(14,000)	(14,316)
Impact on Non-current assets	**7,561**	**16,000**	**23,561**
Prepayments	489,179	(16,000)	473,179
Impact on current assets		**(16,000)**	
Impact on total assets		-	

The above reclassifications are not considered material by the Board of Directors.

30 Contingent liabilities

The Company is involved in litigation suits in the ordinary course of business. In addition, the Company undergoes periodic tax regulatory reviews in the normal course of business. There are no contingent liabilities with respect to litigations and contingencies from the tax regulatory reviews against the Company as at year end (2020: Nil).

31 Non-audit services and fee

There was no non-audit fee earned by KPMG Professional Services during the year (2020: The total amount of non-audit fees paid to KPMG Professional Services is N4.8m. This is in respect of internal audit services rendered in 2020).

32 Events after the reporting period

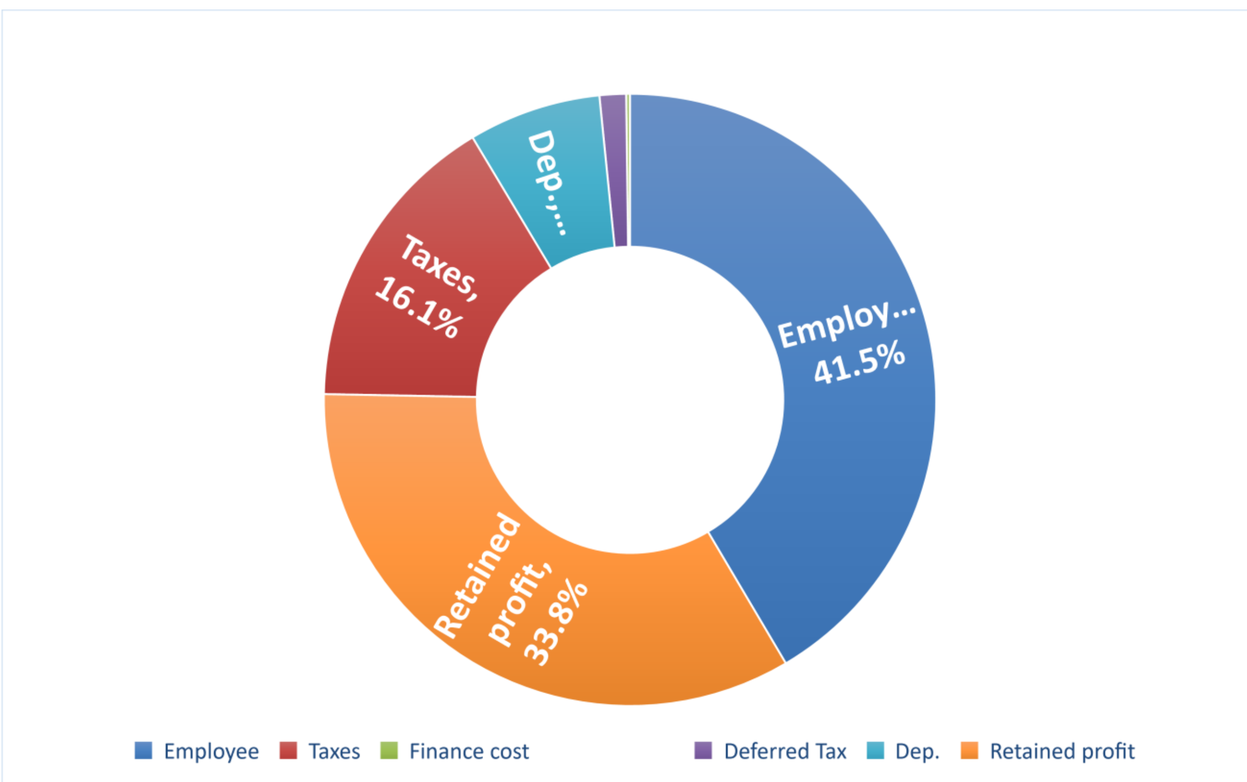
There are no events which could have had a material effect on the financial position of the Company as at 31 December 2021 and its financial performance for the year then ended that have not been adequately provided for or disclosed in these financial statements.

Other National Disclosures

Value Added Statement

	2021 N'000	%	2020 N'000	%
Revenue	14,207,818		8,735,097	
Finance and Other income	555,777		338,766	
Bought in materials and services				
Local	(8,006,450)		(5,055,689)	
Imported	(3,431,336)		(1,041,749)	
Value Added	**3,325,810**	**100**	**2,976,425**	**100**
Applied as follows:				
To pay employees as				
salaries, wages and other benefits	1,379,534	41.5	1,021,766	34.3
To pay government as taxes	536,128	16.1	589,708	19.8
To pay providers of capital	7,614	0.2	1,307	-
Retained for replacement of assets and business growth:				
Deferred taxation	46,799	1.4	(7,094)	-0.2
Depreciation and amortization	233,152	7.0	148,921	5.0
Profit attributable to members	1,122,583	33.8	1,223,124	41.1
	3,325,810	**100.0**	**2,977,732**	**100**

Value added represents the additional wealth which the Company has been able to create by its own and its employees efforts. This statement shows the allocation of that wealth to employees, government, providers of capital and the amount retained for the future creations of more wealth.



Other National Disclosures

Five-Year Financial Summary

	2021 N'000	2020 N'000	2019 N'000	2018 N'000	2017 N'000
Assets Employed					
Property, plant and equipment	1,374,421	827,768	859,617	729,962	691,059
Right of use asset	17,384	23,562	6,067	-	-
Intangible assets	196,926	4,210	7,542	25,814	49,068
Finance lease assets	10,372	8,766	8,768	10,377	10,379
Assets held for sale	242,283	10,060	-	-	-
Net current assets	2,742,085	3,035,980	1,809,780	2,169,839	1,591,763
	4,583,471	3,910,346	2,691,774	2,935,992	2,342,269
Lease liability	(7,874)	(7,876)	(5,334)	-	-
Deferred taxation	(165,809)	(157,662)	(164,756)	(127,053)	(100,049)
	4,409,788	3,744,808	2,521,684	2,808,939	2,242,220
Funds Employed					
Share capital	394,130	350,000	350,000	350,000	350,000
Share premium	19,254	19,254	19,254	19,254	19,254
Reserves	968,267	-	-	-	-
Retained earnings	3,028,137	3,375,554	2,152,430	2,439,685	1,872,966
	4,409,788	3,744,808	2,521,684	2,808,939	2,242,220
	-	-	-	-	-
Revenue	14,207,818	8,876,191	8,410,650	7,670,315	7,113,950
Profit before taxation	1,727,498	1,805,738	2,545,735	2,597,832	2,181,711
Taxation	(604,915)	(582,614)	(803,647)	(568,489)	(682,981)
Profit for the year attributable	1,122,583	1,223,124	1,742,088	2,029,343	1,498,730
Interim dividend	-	-	-	-	
Profit retained	1,122,583	1,223,124	1,742,088	2,029,343	1,498,730
Per 50k share data (kobo)					
Earnings per share- Basic	151	175	249	290	214
Earnings per share- Adjusted	151	175	249	290	214
Dividend per share- Basic	-	-	-	290	205

Notes

Earnings and dividend per share are based on profit after tax and on the number of ordinary shares issued and fully paid at the end of each year.