Berger Paints Nigeria Plc

Unaudited Financial Statements

Fourth Quarter ended

31 December, 2021

Contents

Corporate Information

Board of Directors:	Abi Ayida	-	Chairman
	Musa Danjuma	-	Non - Executive Director (Retired wef May 21, 2021)
	Nelson Nweke	-	Independent Non -Executive Director (Retired wef May 21, 2021)
	Patrick Buruche	-	Non - Executive Director (Retired wef December 31, 2020)
	Sanjay Datwani (British)	-	Non - Executive Director (Retired wef May 21, 2021)
	Adekunle Olowokande	-	Non - Executive Director
	Ogechi Iheanacho		Non - Executive Director (Appointed wef Jan 2, 2021)
	Erejuwa Gbadebo		Independent Non - Executive Director (Appointed wef Jan 27, 2021)
	Aisha Umar		Independent Non - Executive Director (Appointed wef Jan 27, 2021)
	Victor Olusegun Adeniji		Independent Non - Executive Director (Appointed wef Feb 16, 2021)
	Raj Mangtani (Indian)	-	Non - Executive Director
	Anjan Sircar (Indian)	-	Managing Director

Company Secretary/Legal Adviser Ayokunle Ayoko

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

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

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

NSE Trading Information

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

Registration Number: RC: 1837

FRC Registration Number: FRC/2012/0000000000295

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

Independent Auditor: KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street,
Victoria Island, Lagos
Tel: +234 1 271 8955 (or 8599)

Bankers:

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

Financial Highlights
In thousands of naira

	Dec 2021	Dec 2020	%
Revenue	4,989,830	3,837,582	30
Gross profit	1,744,610	1,419,078	23
Operating profit	317,546	194,951	63
Profit before minimum tax	290,895	211,850	37
Profit before taxation	290,895	210,903	38
Profit for the period	197,809	146,028	35
Share capital	144,912	144,912	-
Total equity	3,228,852	2,840,364	14
Data per 50k share			
Basic earnings per share (kobo)	68	50	35
Net assets per share (Naira)	11.14	10.86	3
Market price per share as at period end (Naira)	8.55	6.75	27
Market capitalization as at period end	2,477,995	1,956,312	27

Statement of Financial Position

As at 31 December 2021

In thousands of naira

	Notes	31 December 2021	31 December 2020
Assets			
Property, plant and equipment	9(a)	2,618,094	2,757,223
Intangible assets	10	36,152	52,578
Investment property	11	382,234	403,020
Total non-current assets		3,036,480	3,212,821
Inventories	12	1,286,944	702,294
Trade and other receivables	13(a)	304,822	317,381
Deposit for imports	14	2,674	65,836
Prepayments and advances	15	39,255	49,569
Other financial assets	17	281,882	267,372
Cash and cash equivalents	16	252,147	356,599
Total current assets		2,167,724	1,759,051
Total assets		**5,204,204**	**4,971,872**
Equity			
Share capital	18(a)	144,912	144,912
Share premium	18(b)	635,074	635,074
Retained earnings		2,448,866	2,366,986
Total equity		3,228,852	3,146,972
Liabilities			
Loans and borrowings	21	25,673	137,428
Deferred income	20	87,010	68,705
Deferred taxation	7(e)	289,900	289,900
Total non-current liabilities		402,583	496,033
Loans and borrowings	21	126,590	149,223
Current tax liabilities	7(c)	105,672	30,836
Trade and other payables	19	880,038	704,369
Deferred income	20	33,037	6,321
Dividend payable	23	427,432	438,118
Total current liabilities		1,572,769	1,328,867
Total liabilities		1,975,352	1,824,900
Total equity and liabilities		**5,204,204**	**4,971,872**

These financial statements were approved by the Board of Directors on 26 January 2022 and signed on its behalf by:

Olowokande Adekunle (FRC/2019/IODN/00000019259)
Chairman, Finance and General Purpose Committee

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

The accompanying notes on pages 8 to 52 form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the period ended 31 December 2021

In thousands of naira	**Notes**	**3 Mths to 31 Dec 2021**	**3 Mths to 31 Dec 2020**	**12 Mths to 31 Dec 2021**	**12 Mths to 31 Dec 2020**
Revenue	1	1,504,010	1,176,300	4,989,830	3,837,582
Cost of sales	5(a)	(1,023,376)	(760,501)	(3,245,220)	(2,418,504)
Gross profit		**480,634**	**415,799**	**1,744,610**	**1,419,078**
Other income	2	37,891	14,039	85,884	47,093
Selling and distribution expenses	5(a)	(104,494)	(75,251)	(266,430)	(251,302)
Administrative expenses	5(a)	(275,967)	(234,951)	(1,238,373)	(1,013,724)
Operating profit before impairment charges		**138,064**	**119,636**	**325,691**	**201,146**
Impairment loss on trade receivables	8	(8,145)	(6,194)	(8,145)	(6,194)
Operating profit		**129,919**	**113,442**	**317,546**	**194,951**
Finance income	3	5,319	66,826	15,867	78,848
Finance costs	3	(8,192)	(2,639)	(42,518)	(61,949)
Net finance income		**(2,873)**	**64,187**	**(26,651)**	**16,899**
Profit before minimum tax		**127,046**	**177,629**	**290,895**	**211,850**
Minimum tax expense	12	-	-	-	(947)
Profit before income tax	4	**127,046**	**177,629**	**290,895**	**210,903**
Income tax expense	7(a)	(40,655)	(58,823)	(93,086)	(64,875)
Profit for the period		**86,391**	**118,805**	**197,809**	**146,028**
Other comprehensive income					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		**86,391**	**118,805**	**197,809**	**146,028**
Earnings per share:					
Basic and diluted earnings per share (kobo)	8	30	41	68	50

The accompanying notes on pages 8 to 52 form an integral part of these financial statements.

Statement of Changes in Equity
For the period ended 31 December 2021
In thousands of naira

	Note	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 January 2020		**144,912**	**635,074**	**2,377,672**	**3,157,657**
Comprehensive income for the period					
Profit for the period		-	-	197,809	197,809
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	197,809	197,809
Transactions with owners, recorded directly in equity					
Dividend	23	-	-	(126,615)	(126,615)
Total transactions with owners		-	-	(126,615)	(126,615)
Balance at 31 December 2020		**144,912**	**635,074**	**2,448,866**	**3,228,851**
Balance at 1 January 2019		**144,912**	**635,074**	**2,033,066**	**2,813,052**
IFRS transition adjustment (net of tax)				-	-
Adjusted balance at 1 January, 2019		**144,912**	**635,074**	**2,033,066**	**2,813,052**
Comprehensive income for the period					
Profit for the period		-	-	215,697	215,697
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	215,697	215,697
Transactions with owners, recorded directly in equity					
Dividend	23	-	-	(188,385)	(188,385)
Total transactions with owners		-	-	(188,385)	(188,385)
Balance at 31 December 2019		**144,912**	**635,074**	**2,060,378**	**2,840,364**

The accompanying notes on pages 8 to 52 form an integral part of these financial statements.

Statement of Cash Flows

For the period ended 31 December 2021

In thousands of naira

	Note	12 Mths to 31 Dec 2021	12 Mths to 31 Dec 2020
Cash flows from operating activities			
Profit for the period		197,809	146,028
Adjustments for:			
- Depreciation	5(b)	254,804	243,372
- Amortisation	10	16,426	7,708
- Finance income	3	(15,867)	61,949
- Finance cost	3	42,518	(5,085)
- Gain on sale of property, plant and equipment	4	(21,235)	947
- Taxation	7(a)	93,086	440,946
		567,541	881,892
Changes in:			
- Inventories		(584,650)	13,160
- Trade and other receivables	13(c)	12,559	77,699
- Deposit for imports		63,162	(5,287)
- Prepayments and advances	15(a)	(17,736)	(100,220)
- Trade and other payables	19(c)	175,669	(6,869)
- Deferred income		45,021	529,183
Cash generated from operating activities		261,566	1,389,558
WHT credit notes utilised	7(c)	(9,908)	(16,186)
Tax paid	7(c)	(6,856)	(42,812)
Net cash generated from operating activities		244,802	1,375,929
Cash flows from investing activities			
Purchase of property plant and equipment	9(g)	(94,895)	(111,611)
Proceeds from sale of property, plant and equipment		21,235	5,085
Interest income on bank deposits	3	15,867	1,074
Additions to investment in financial assets	22	(14,511)	(42,840)
Net cash used in investing activities		(72,304)	(163,667)
Cash flows from financing activities			
Additions to loans and borrowings	21(b)	0	0
Repayment of borrowings	26(b)	(179,160)	(109,445)
Interest accrued		28,825	(42,812)
Dividend paid	23	(126,615)	(41,589)
Net cash used in financing activities		(276,950)	(193,846)
Net decrease in cash and cash equivalents		(104,452)	139,910
Cash and cash equivalents at 1 January		356,599	216,689
Cash and cash equivalents at 31 December	21	252,147	356,599

The accompanying notes on pages 8 to 52 form an integral part of these financial statements.

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

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

1 Reporting Entity

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

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

2 Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011. The 2020 financial statements were authorised for issue by the Board of Directors on 26 March, 2021.

(b) Basis of measurement

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

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

- Inventories: Lower of cost and net realisable value.

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgment

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

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

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

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

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

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

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

(e) Measurement of fair values

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

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

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

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

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

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

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

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

(f) Change in accounting estimate

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

3 Significant Accounting Policies

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

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

A. Foreign currency transactions

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

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

B. Financial instruments

i. Recognition and initial measurement

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

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

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

ii. Classification and subsequent measurement

Financial assets

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

Business model assessment:

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

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

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

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

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

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

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

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

Financial assets- Subsequent measurement and gains and losses

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

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

Financial liabilities- Classification, subsequent measurement and gains and losses

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

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

(iv) Derecognition and offsetting

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

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

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

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

C. Capital and other reserves

i. Share capital

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

ii. Share premium

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

iii. Retained earnings

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

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

D. Property, plant and equipment

i. Recognition and measurement

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

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

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

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

ii. Subsequent cost

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

iii. Derecognition

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

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

iv. Depreciation

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

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

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

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

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

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

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

E. Intangible assets

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

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

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

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

Internally generated intangible assets

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

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

F. Investment property

i. **Recognition and measurement**

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

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

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

ii. **Subsequent expenditure**

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

iii. **Depreciation**

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

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

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

• Buildings	−	20 years
• Leasehold land	−	Unlimited

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

iv. **Transfers**

Transfers to, or from, investment property are made when there is a change in use, evidenced by:

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

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

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

G. Impairment
Non-derivative financial assets

i. Financial instrument

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 60 days past due.

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

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

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

ii Measurement of ECLs

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

ECLs are discounted at the effective interest rate of the financial asset.

iii Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

v Write off

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

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

H. Contingent liabilities and contingent assets

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

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

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

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

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

I. Provisions

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

J. Employee benefits

i. Defined contribution plan

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

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

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

ii. Short-term employee benefits

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

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

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

iii. Termination benefits

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

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

K. Inventories

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

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

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

L. Revenue by nature

(i) Revenue from contract with customers

a Sale of paints and allied products

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

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

b Contract services - supply and apply services contract

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

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

Revenue is recognized overtime on basis of the Company’s cost incurred relative to the total expected cost for the satisfaction of the performance obligation. The related cost are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities and presented as part of trade and other payables. Unbilled receivables for services rendered are included as contract assets and presented as part of trade and other receivables.

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

(ii) Investment property rental income

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

M. Finance income and finance costs

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

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

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

N. Government grant

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

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

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

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

O. Taxation

Income tax

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

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

(a) Current tax

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

(b) Deferred tax

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

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if the Company:

(a) has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

• the same taxable entity; or

• different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

Notes to the Financial Statements

For the year ended 31 December 2021

(c) Minimum tax expense

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

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

P. Earnings per share

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

Q. Leases

i. As a lessee

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asses or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use is subsequent depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use assets will be depreciated over the useful life of the underlying assets, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted or certain re-measurements of the lease liability.

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

Lease payments included in the measurement of the lease liability comprise the following:

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

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

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

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

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

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

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

ii. As a lessor

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

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

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

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

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

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

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

R. Statement of cashflows

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

S. Operating Segment

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

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

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

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

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

T. Dividends

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

U. Prepayments and advances

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

V. Deposit for imports

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

W. Investment in subsidiary

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

X. Related parties

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

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

Y. New standards and interpretations not yet adopted

Standards issued but not yet effective

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2020 and have not been addopted in preparing these financial statements. Those Standards, Amendments to Standards, and Interpretations which may be relevant to the Company are set out below. Earlier adoption is permitted; however, the Company has not early adopted the new or amended standard in preparing the financial statement.

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

Z. Standards, Interpretations effective from 1 January 2020

There are new issued accounting standards, amendment to standards and interpretations that are effective first beginning 1 January 2020. The Directors have considered the following amended standards and interpretations and that they are not expected to have a significant impact on the Company's financial statements:

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

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

1 Revenue

(a) Revenue stream for the period comprises:

In thousands of naira	**Recognition policy**	**12 Mths to 31 Dec 2021**	**12 Mths to 31 Dec 2020**
(i) Revenue from contract with customers			
- Sale of paints and allied products*	At a point in time	4,853,324	3,630,790
- Contract services	Over time	136,506	203,673
(ii) Revenue from leases of investment property		-	3,119
		4,989,830	**3,837,582**

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

In thousands of naira	**12 Mths to 31 Dec 2021**	**12 Mths to 31 Dec 2020**
Revenue (net of value added tax)	5,876,169	4,331,194
Discounts and rebates	(1,022,847)	(700,404)
	4,853,323	**3,630,790**

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

(b) Contract balances

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

In thousands of naira	**31 December 2021**	**31 December 2020**
Billed receivables in respect of sales of paints and allied products	222,459	273,463
Unbilled receivables in respect of contract services	83,688	5,733
Trade receivables (Note 18(a))	306,147	273,463

2 Other income

Other income comprises:

In thousands of naira	**12 Mths to 31 Dec 2021**	**12 Mths to 31 Dec 2020**
Sale of Scrap	15,779	6,821
Income on property leases*	31,691	30,875
Profit from disposal of property, plant and equipment	21,235	5,085
Exchange gain	7,961	-
Insurance claims received	226	-
Income from enrolment of new distributors	8,992	4,312
	85,884	**47,093**

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

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

3 Finance income and finance cost
Recognised in profit or loss:

In thousands of naira	12 Mths to 31 Dec 2021	12 Mths to 31 Dec 2020
Interest income on bank deposits	285	1,074
Interest income on other financial assets	15,582	15,324
Net gain on financial liabilities measured at amortised costs	-	62,450
Total finance income	**15,867**	**78,848**
Interest expense on borrowings	(15,187)	-
Interest expense on lease liabilities	(27,331)	(23,464)
Interest expense on financial liabilities measured at amortised costs.	0	(38,485)
Total finance cost	**(42,518)**	**(61,949)**
Net finance income recognised in profit or loss	**(26,651)**	**16,899**

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

In thousands of naira	Note	12 Mths to 31 Dec 2021	12 Mths to 31 Dec 2020
Directors' emoluments	5(a)	87,394	56,941
Depreciation	9(b)	117,457	243,374
Amortisation	10	16,426	7,708
Personnel expenses	6(a)	694,639	718,128
Auditors' remuneration	5(a)	26,075	18,000
Impairment loss on trade receivables	18(b)	8,145	6,194
Minimum tax	12	-	-
Profit on disposal of property, plant and equipment	2	(21,235)	5,085

5 (a) Expenses
(i) Analysis of expenses by nature

In thousands of naira	Note	12 Mths to 31 Dec 2021	12 Mths to 31 Dec 2020
Directors emoluments	6(d)	87,394	56,941
Personnel expenses	6(a)	694,639	718,128
Training expenses		869	6,634
Repairs and maintenance		84,379	95,099
Office and corporate expenses		184,724	37,641
License and permits		24,290	21,597
Utilities		74,151	49,810
Insurance		15,422	10,622
Travel, transport and accommodation		87,594	103,793
Rent, rate and levies		10,539	14,021
Subscriptions and donations		7,481	3,859
Depreciation	5(b)	117,457	243,374
Amortisation	10	16,426	7,708
Printing and stationery		16,366	7,503
Legal and professional services fees		59,574	92,756
Auditors' remuneration		26,075	18,000
Bank charges		6,439	6,535
Advertisement and publicity expenses		65,270	93,031
Distribution expenses		201,160	158,271
Raw materials and consumables		2,933,242	1,842,973
Contract services expenses		36,532	95,234
		4,750,024	**3,683,530**

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

	In thousands of naira	Note	**12 Mths to 31 Dec 2021**	**12 Mths to 31 Dec 2020**
	Summarised as follows:			
(ii)	Cost of sales		3,245,220	2,418,504
	Selling and distribution expenses		266,430	251,302
	Administrative expenses		1,238,374	1,013,724
	Total cost		**4,750,024**	**3,683,530**

(b) Depreciation

In thousands of naira	Note	**12 Mths to 31 Dec 2021**	**12 Mths to 31 Dec 2020**
Depreciation charged for the perod comprises:			
Depreciation of property, plant and equipment	9	234,018	222,273
Depreciation of investment property	11	20,786	21,099
Total depreciation		**254,804**	**243,372**

6 Personnel expenses

(a) Personnel expenses, excluding remuneration of the executive directors during the perod comprises:

In thousands of naira	**12 Mths to 31 Dec 2021**	**12 Mths to 31 Dec 2020**
Salaries, wages and allowances	656,142	671,933
Employer contribution to compulsory pension fund scheme	38,497	46,195
	694,639	718,128

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

			12 Mths to 31 Dec 2021	**12 Mths to 31 Dec 2020**
₦		₦	Number	Number
500,001	-	1,000,000	3	7
1,000,001	-	1,500,001	15	21
1,500,001	-	2,000,001	47	56
2,000,001	-	3,000,001	35	32
3,000,001	and	above	33	37
			133	153

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

	12 Mths to 31 Dec 2021	**12 Mths to 31 Dec 2020**
	Number	Number
Production	23	23
Sales and marketing	48	53
Finance & HR	10	8
Admin/Control	12	14
Maintenance	6	8
Corporate	5	6
Logistic & Supply chain	13	19
Information Technology (IT)/CSR	2	7
Technical & Compliance	9	9
Safety & Security	5	6
	133	153

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

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

In thousands of naira	**12 Mths to 31 Dec 2021**	**12 Mths to 31 Dec 2020**
Fees paid to non-executive directors	39,135	56,941
Salaries	48,259	38,848
	87,394	95,789

The directors' remuneration shown above includes:

In thousands of naira	**12 Mths to 31 Dec 2021**	**12 Mths to 31 Dec 2020**
Chairman	6,000	6,716
Highest paid director	48,259	38,848

Other directors received emoluments in the following ranges:

			12 Mths to 31 Dec 2021	**12 Mths to 31 Dec 2020**
₦		₦	Number	Number
250,001	-	1,000,000	-	-
1,000,001	-	3,000,000	-	-
3,000,001	-	5,000,000	6	-
5,000,001	-	8,000,000	1	7
			7	7

7 Taxation

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

In thousands of naira	**12 Mths to 31 Dec 2021**	**12 Mths to 31 Dec 2020**
Current tax expense:		
Company income tax	87,269	0
Capital gains tax	-	10
Nigeria Police Trust Fund Levy (NPTF)	-	6,910
Tertiary education tax	5,818	0
	93,086	6,920
Back duty assessment for 2015 YOA	-	0
WHT credit impairment	-	0
WHT credit recovered	0	0
(Credit)/charge for the year	93,086	6,920
Deferred tax expense/(credit):		
Origination and reversal of temporary differences (Note 11(e))	-	57,955
Income tax expense	**93,086**	**64,875**

(b) Reconciliation of effective tax rate:

In thousands of naira	%	**12 Mths to 31 Dec 2021**	%	**12 Mths to 31 Dec 2020**
Profit for the period		197,809		146,028
Taxation		93,086		64,875
Profit before taxation		290,895		210,903
Income tax using the Company's domestic rate of 30%	30	87,269	30	63,271
Tertiary education tax @ 2%	2	5,818	2	4,218
Tax expense	17	93,087	32	67,489

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

i. **Current tax liabilities**

In thousands of naira	**31 December 2021**	**31 December 2020**
Balance as at 1 January	31,955	72,034
Current period charge	90,481	6,920
Minimum tax charge	-	947
Cash payments	(6,856)	(16,186)
WHT credit notes utilised	(9,908)	(15,573)
Balance as at period end (A)	105,672	31,955

ii. **WHT credit notes**

Balance as at 1 January	17,306	0
Net WHT credit recovered	-	0
Additions	37,958	32,879
Transfer from prepayment and advances (Note 20)	-	0
WHT credit notes impaired	-	0
WHT credit notes utilised	(9,908)	(15,573)
Balance as at period end (B)	45,356	17,306
Total current tax liabilities as at period end (A+B)	60,316	30,836

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

(e) Movement in deferred taxation
In thousands of naira

	Balance at 1 January	Tax Impact of IFRS 9 transition Adjustment	Recognised in profit or loss	Net	Deferred tax assets	Deferred tax liabilities
31 December 2021						
Property, plant and equipment	363,651	-	-	363,651	-	363,651
Allowance on trade receivable	(52,096)	-	-	(52,096)	(52,096)	-
Right of use assets	4,667	-	-	4,667	-	4,666
Provision for gratuity discontinued	(713)	-	-	(713)	(713)	-
Provision for slow moving inventories	(25,608)	-	-	(25,608)	(25,608)	-
Unrealised exchange losses/(gain)	-	-	-	-	-	-
Net tax (assets)/ liabilities	289,900	-	-	289,900	(78,418)	368,318
31 December 2020						
Property, plant and equipment	307,524	-	56,127	363,651	-	363,651
Allowance on trade receivable	(50,597)	-	(1,499)	(52,096)	(52,096)	-
Right of use assets	483	-	4,184	4,667	-	483
Provision for gratuity discontinued	(713)	-	-	(713)	(713)	-
Provision for slow moving inventories	(24,756)	-	(852)	(25,608)	(25,608)	-
Unrealised exchange losses/(gain)	4	-	(5)		-	4
Net tax (assets)/ liabilities	231,945	-	57,955	289,900	(78,418)	364,138

8 Basic and diluted earnings per share

Basic earnings per share of 68 kobo (31 December 2020: 35 kobo) is based on the profit for the period of ₦197.81 million (31 December 2020: ₦102.34million) and on 289,823,447 (2020: 289,823,447) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the period.
Basic earnings per share is the same as diluted earnings per share.

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

9 Property Plant and equipment

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

	Note	Leasehold Land N'000	Buildings N'000	Plants and Machinery N'000	Furniture and fittings N'000	Motor Vehicles N'000	Computer Equipment N'000	Motor Vehicles under Lease N'000	Capital work-in progress N'000	TOTAL N'000
Cost										
Balance at 1 January 2020		390,000.00	1,291,534	1,429,116	58,865	240,461	125,517	138,275	-	3,673,768
Additions		-	12,353	73,073	5,687	13,117	7,381	44,075	-	155,686
Transfer		-	-	-	-	-	-	-	-	-
Disposals/write-off		-	-	-	-	(19,925)	-	-	-	(19,925)
Balance at 31 December 2020		390,000	1,303,887	1,502,189	64,552	233,653	132,898	182,350	-	3,809,529
Balance at 1 January 2021		390,000	1,303,887	1,502,189	64,552	233,653	132,898	182,350	-	3,809,529
Additions		-	6,313	49,168	1,195	2,325	35,894	-	-	94,895
Disposals		-	-	(6,783)	-	(87,183)	(1,952)	-	-	(95,918)
Balance at 31 December 2021		390,000	1,310,200	1,544,574	65,747	148,795	166,785	182,405	-	3,808,506
Accumulated depreciation										
Balance at 1 January 2020		78,081	236,526	209,520	34,168	209,768	70,079	11,816	-	849,958
Charge for the year	*9(b)*	0	64,885	79,066	8,209	13,904	18,174	38,035	-	222,273
Disposals		0	0	0	0	(19,925)	0	-	-	(19,925)
Balance at 31 December 2020		78,081	301,411	288,586	42,377	203,747	88,253	49,851.00	-	1,052,306
Balance at 1 January 2021		78,081	301,411	288,586	42,377	203,747	88,253	49,851	-	1,052,306
Charge for the period	*9(b)*	-	69,243	77,413	6,730	17,166	22,377	41,089	-	234,018
Disposals		-	-	(6,783)	-	(87,183)	(1,952)		-	(95,918)
Balance at 31 December 2021		78,081	370,654	359,216	49,107	133,730	108,678	90,940	-	1,190,406
Carrying amounts										
At 31 December 2020		311,919	1,002,476	1,213,603	22,175	29,906	44,645	132,499.00	-	2,757,223
At 31 December 2021		311,919	939,546	1,185,358	16,640	15,065	58,107	91,465	-	2,618,100

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

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

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

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

In thousands of naira	**12 Mths to 31 Dec 2021**	**12 Mths to 31 Dec 2020**
Approved and contracted	94,895	155,686
Approved but not contracted	127,912	387,897
	222,807	543,583

(e) **Property, plant and equipment under construction**
Expenditure on capital work in progress as at 31 December 2021 is analysed as follows:

In thousands of naira	**31 December 2021**	**December 2020**
Plant and machinery	-	-
	-	-

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

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

The Company entered into a lease arrangement for the procurement of eighteen (18) motor vehicles for a lease term of 3 years. The lease liability has been disclosed in Note 26(a).
Depreciation expense in respect of right of use assets amounts to ₦41.09million (31 December 2020: ₦38.03million).

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

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

In thousands of naira	**Dec 2021**	**31 Dec 2020**
Additions (Note 13(a))	94,895	155,686
Additions to Right of Use assets (Motor vehicles under lease)	-	(44,075)
Accrued additions to PPE (Note 24(c))	-	-
Borrowing cost capitalised	-	-
	94,895	111,611

10 **Intangible assets**

In thousands of naira	***Note***	**Computer Software**	**Intangible assets under development**	**Total**
Cost				
Balance at 1 January 2020		93,573	0	93,573
Additions		15,375	0	15,375
Reclassification from property, plant & equipment		0	0	0
Balance at 31 December 2020		108,948	0	108,948
Balance at 1 January 2021		108,948	0	108,948
Additions		0	-	0
Reclassification from property, plant & equipment	*14(a)*	-	-	-
Balance at 31 December 2021		108,948	0	108,948
Accumulated amortisation				
Balance at 1 January 2020		48,662	-	48,662
Charge for the year	*9(a)*	7,708	-	7,708
Balance at 31 December 2020		56,370	-	56,370
Balance at 1 January 2021		56,370	-	56,370
Charge for the period	*9(a)*	16,426	-	16,426
Balance at 31 December 2021		72,796	-	72,796
Carrying amounts				
At 31 December 2021		36,152	-	36,152
At 31 December 2020		52,578	-	52,578

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

Intangible assets amortisation charged to profit or loss for the period amounts to ₦16.43million (31 December 2020: ₦7.71million) and is included as part of administrative expenses.

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

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

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

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

Each of the leases contains an initial non-cancellable period of one (1) year. No contingent rents are charged.

Rental income generated from investment property recognised during the period was ₦4.37million (31 December 2020:₦3.12million).

Direct operating expenses (included in repairs and maintenance expenses) arising from investment property that generated rental income during the period was Nil (31 December 2020: Nil)

Depreciation of ₦20.79 million (31 December 2020: ₦21.09 million) charged on investment property for the period was included in admin expenses.

The fair value of the investment property as at 31 December 2021 is ₦2.06 billion (31 December 2020:₦ 2.0(billion). The fair value was determined by an external, independent property valuer (Ubosi Eleh and Co.) with Financial Reporting Council of Nigeria (FRC) No: FRC/2015/NIESV/00000003997. The fair value measurement of investment property has been categorised as a Level 2 fair value based on the input to the valuation techniques used. The direct market comparison and depreciated replacement cost method was used in determining the fair value of the investment property.

12 Inventories
In thousands of naira

	31 December 2021	**31 December 2020**
Raw and packaging materials	986,217	428,242
Finished products	329,733	306,280
Product-in-process	11,427	10,889
Consumable spare parts	39,591	36,907
Goods in transit	0	0
	1,366,968	782,318
Impairment allowance	(80,024)	(80,024)
	1,286,944	702,294

The value of raw and packaging materials, changes in finished products and products in process consumed during the period and recognised in cost of sales amounted to ₦2.98billion (31 December 2020 :₦1.93billion).

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

13 Trade and other receivables comprises:

Trade and other receivables comprises:

(a)

In thousands of naira	31 December 2021	31 December 2020
Trade receivables (Note 5(b))	306,147	273,463
Lease receivable	83,688	83,688
Staff debtors	1,889	152
Deposit with Company registrar	81,036	101,459
Contract assets	4,513	5,733
Other receivables	-	17,192
Total trade and other receivables	477,273	481,687
Impairment allowance	(172,451)	(164,306)
Carrying amount as at period ended	304,822	317,381

The Company's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 29(b).

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

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

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

In thousands of naira

	December 2021	December 2020
Movement in trade and other receivables	12,559	13,160
Exchange gain	-	-
Changes in trade and other receivables per statement of cash flows	12,559	13,160

14 Deposit for imports

The deposit for imports represents amounts deposited with banks to fund letters of credit. These letters of credit are meant to finance the importation of raw materials and items of property, plant and equipment. The total value of deposit for imports as at 31 December 2021 amounted to ₦2.67 million (December 2020: ₦65.40 million).

15 Prepayments and advances

Prepayments and advances comprises:

In thousands of naira	31 December 2021	31 December 2020
Prepaid rent	-	0
Advance payment to suppliers	21,592	22,843
WHT receivables (Note 11(c)ii)	(1,528)	-
Prepaid insurance and others	19,191	26,726
	39,255	49,569

There were no non-current prepayments and advances made at period-end (31 December 2020: Nil).

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

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

In thousands of naira

	31 December 2021	31 December 2020
Movement in prepayment and advances	10,314	12,019
Movement in WHT credit notes	(28,050)	(5,287)
Changes in prepayments and advances per statement of cash flows	(17,736)	(10,574)

16 Cash and cash equivalents

Cash and cash equivalents comprises:

In thousands of naira	31 December 2021	31 December 2020
Cash on hand	317	216
Balance with banks	251,830	356,383
Cash and cash equivalents	**252,147**	**356,599**

The Company's exposure to credit and market risk for financial assets is disclosed in Note 29(b).

17 Other financial assets

This represents unclaimed dividend returned by the Company's registrar and invested in short term money market instrument as at period end:

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

	31 December 2021	31 December 2020
At 1 January	267,371	209,208
Additions	(259)	42,840
Interest income	14,770	15,323
At 31 December 2021	**281,882**	**267,371**

The Company's exposure to credit and market risk for financial assets is disclosed in Note 29(b).

18 Capital and reserves

(a) Ordinary shares as at 31 December 2020

In thousands of naira	31 December 2021	31 December 2020
Authorised 800,000,000 ordinary shares of 50k each	400,000	400,000
Issued and fully paid 289,823,447 ordinary shares of 50k each	144,912	144,912

(b) Share premium

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

Notes to the Financial Statements
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19 Trade and other payables

(a) Trade and other payables comprises:

In thousands of naira	**31 December 2021**	**31 December 2020**
Trade payables	463,554	285,998
Customer deposits for paints	75,036	146,251
Other Statutory Payables	119,716	133,946
Related party payables (Note 28 (a))	7,075	10,619
Pension payable (Note (b))	5,216	9,382
Contract liabilities	0	0
Accruals	196,857	106,061
Other payables	12,585	12,112
	880,038	704,369

The Company's exposure to liquidity risks related to trade and other payables is disclosed in Note 29(b).

(b) ***Pension payable***

In thousands of naira	**31 December 2021**	**31 December 2020**
Balance at 1 January	9,382	5,974
Charge for the year	60,487	69,243
Remittances	(64,653)	(65,835)
Balance at 31 December	5,216	9,382

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

In thousands of naira	**31 December 2021**	**31 December 2020**
Movement in trade and other payable	175,669	(100,220)
Impact of accrued additions to PPE (Note 13(g))	-	0
Changes in trade and other payables per statement of cash flows	175,669	(100,220)

20 Deferred income

Deferred income comprises:

In thousands of naira	**31 December 2021**	**31 December 2020**
Government grant (note (a))	68,422	71,158
Lease income received in advance	51,625	3,868
Deferred income	120,047	75,026
Non-current	87,010	68,705
Current	33,037	6,321
	120,047	75,026

(a) Government grant arises as a result of the benefit received from below-market-interest rate government assisted loans, obtained from the Bank of Industry to purchase items of buildings and plant &machinery for the installation of the automated water based paint production factory. The production plant was completed and became available for use on 30 December, 2019. The grant will be amortised on a systematic basis over the average useful life of the components of the items of buildings and plant & machinery.
No unwinding of the government grant has been recognised in profit or loss for the period ended 31 December 2021 (31 December 2020: N2.45million)

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

21 Loans and borrowings
In thousands of naira

31 December 2021	Non-current liabilities	Current liabilities	Total
Bank of Industry loan	25,673	78,912	104,586
Lease liability (Note 13(f))	-	47,678	47,678
	25,673	126,590	152,265

31 December 2020	Non-current liabilities	Current liabilities	Total
Bank of Industry loan	79,984	88,918	168,902
Lease liability (Note 13(f))	57,444	60,305	117,749
	137,428	149,223	286,651

Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 29(b).

(a) **Terms and repayment schedule**

				31 December 2021		**31 December 2020**	
In thousands of naira	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face Value**	**Carrying amount**	**Face Value**	**Carrying amount**
(i) Bank of Industry loan	NGN	10%	2023	108,541	104,586	185,623	168,902
(ii) Development financing arrangement	NGN	18%	2025	-	-	-	-
(iv) Lease liability	NGN	18%	2022	0	47,678	118,210	117,749
Total interest-bearing loans				108,541	152,265	303,833	286,651

i) **Bank of Industry Loan**

The loan is a Central Bank of Nigeria (CBN) intervention fund through Bank of Industry (BOI), which is secured by a "duly executed Negative Pledge" (Bank Guarantee) in favour of Fidelity Bank Plc. The applicable interest rate is 10% per annum. The loan is repayable in seventy monthly instalments (including twelve months moratorium between March 2017 to February 2018) at various dates between March 2018 to December 2022.

For the period ended 31 December 2021, interest expense of ₦29.59 million (31 December 2020: ₦38.40 million) which accrued on the facility, was recognised in the profi or loss.

ii) **Development financing arrangement**

The Company engaged the services of Gauge Construction Servicing Limited (“the Contractor”) for the construction, development and management of the Berger Paints Plaza based on a Memorandum of Understanding dated 20 March 2012. The consideration for the investment property development financing arrangement and the services provided by the Contractor is 50% of the rental collections in respect of the property, after the deduction of expenses incurred in the management of the property, for a period of 12 years from 1 November 2013 to 31 October 2025. The consideration is deemed to be the full and final settlement of all fees and money due to the contractor in respect of the arrangement. The substance of the transaction over the past 7 years of which the MOU agreement has been operational is to settle on a net basis. Consequently,the contractor does not the right to demand payment and the financial liability has been derecognised.

Notes to the Financial Statements
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iii) Lease liability

The lease was provided by Financial Derivatives Company Limited for eighteen (18) motor vehicles, required for replacement of aged sales field force vehicles and part for administrative/operational use. The applicable lease interest rate is 18% per annum, it is repayable in thirty six (36) monthly equal instalments at various dates between September 2019 to August 2022.

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

As at 31 December 2021, interest expense and related charges of ₦15.19 million (31 December 2020: ₦23.46million) was due on the lease facility and recognised in profit or loss. The total cash outflows in respect of principal and interest lease payments was ₦100.44 million (31 December 2020: ₦74.57million) and is included as part of repayment of borrowings in the statement of cashflows.

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

in thousands of naira	**31 December 2021**	**31 December 2020**
Balance, beginning of year	286,651	395,335
Additions	0	44,075
Repayment	(223,934)	(152,258)
Net gain on financial liabilities measured at amortised costs	-	(62,450)
Interest capitalised to property, plant and equipment	-	-
Interest accrued in profit or loss	44,774	61,949
Balance, end of the period	152,265	286,651

22 Dividends

The following dividends were declared and paid by the Company;

	Per share (kobo)	**12 Mths to 31 Dec 2021 N'000**	**Per share (kobo)**	**12 Mths to 31 Dec 2020 N'000**
Declared Dividend	40	115,929	25	72,456

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

23 Dividend payable

The movement in dividend payable is as follows:

In thousands of naira	**31 December 2021**	**31 December 2020**
At 1 January	438,118	407,251
Declared dividend	115,929	72,456
Payments	(126,615)	(41,589)
At 31 December 2020	427,432	438,118

Notes to the Financial Statements

For the year ended 31 December 2021

24 Related Parties

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

A. Transactions with key management personnel

Key management personnel compensation comprised the following:

In thousands of naira	12 Mths to 31 Dec 2021	12 Mths to 31 Dec 2020
Short-term benefits	144,294	151,828
Post employment benefits	2,923	6,617
	147,217	158,445

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

Related party	Nature of transaction	Transaction values		Balance Receivable/(Payable)	
		12 Mths to 31 Dec 2021	12 Mths to 31 Dec 2020	31 December 2021	31 December 2020
		N'000	N'000	N'000	N'000
Emychem Limited	Supply of raw materials	47,991	73,029	(7,075)	(10,619)
Clayton Finance Limited	Supply of raw materials	-	41,207	-	-
		47,991	114,236	(7,075)	(10,619)

Emychem Limited

During the period, the Company bought various raw materials from Emychem Limited and also continued with the development product formulation for the new automated water based paint factory of the Company. The Managing Director of Emychem Limited is Mr. Raj Mangtani and is also a non-executive director on the Board of Directors of Berger Paints Nigeria Plc.

Clayton Finance Limited

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

B. Other related party transactions

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

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

25 Financial instruments – Fair values and financial risk management

(a) Classification of financial instruments and fair values

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

31 December 2021		**Fair value**			
In thousands of naira	**Amortized Cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value					
Other financial assets	281,882	-	281,882		281,882
Trade and other receivables	304,822	-	-	304,822	304,822
Cash and cash equivalents	252,147	-	-	252,147	252,147
	838,851	-	**281,882**	**556,969**	**838,851**
Financial liabilities not measured at fair value					
Loans and borrowings	152,265	-	108,541	-	108,541
Trade and other payables*	755,106	-	-	755,106	755,106
Dividend payable	427,432	-	-	407,251	407,251
	1,334,803	-	**108,541**	**1,162,357**	**1,270,899**

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

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

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

- **Financial instruments in level 1**

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

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

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

- Financial instruments in level 2

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

Specific valuation techniques used to value financial instruments include:

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

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

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

(b) Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

(i) **Risk management framework**

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

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

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by the Internal Audit Function, outsourced to Bamidele Daramola & Co.

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) **Credit risk**

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

Exposure to credit risk

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

In thousands of naira	**31 December 2021**	**31 December 2020**
Trade and other receivables (See (a) below)	304,822	317,381
Cash and cash equivalents (excluding cash at hand) (See (b) below)	251,830	356,383
Other financial assets (See (b) below)	281,882	267,372
	838,534	941,136

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

(a) Trade and other receivables

In thousands of naira	31 December 2021	31 December 2020
Net trade and lease receivables (See a(i) below)	221,897	198,578
Deposit with company registrar (See a(ii) below)	81,036	101,459
Staff debtors (See a(iii) below)	1,889	152
Other receivables (See a(iii) below)	-	17,192
	304,822	**317,381**

(i) Net trade and lease receivables

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

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

Concentration of risk

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

	Carrying amount	
In thousands of naira	31 December 2021	31 December 2020
Wholesale customers	40,155	70,270
Retail customers (Home owners)	12,970	3,511
Others (Corporates)	253,970	205,415
Lease receivable	83,688	83,688
	390,783	**362,884**
Impairment losses on financial assets recognised in profit or loss were as follows:		
- Impairment loss on trade receivable arising from contracts for sale of paints	80,618	80,618
- Impairment loss on investment property lease contracts	91,833	83,688
	172,451	**164,306**
Net trade and lease receivables	**218,331**	**198,578**

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

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

31 December 2021

In thousands of naira	Credit impaired	Weighted average loss	Gross	Impairment	Net
Current (not past due)	No	0%	4,513	-	4,513
Past due 1–30 days	No	0%	146,079	-	146,079
Past due 31–60 days	Yes	10%	87,851	(8,401)	79,450
Over 61 days due	Yes	100%	72,217	(72,217)	-
			310,660	(80,618)	230,042

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

31 December 2020

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

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

31 December 2021

In thousands of naira	Credit impaired	Weighted average loss	Gross	Impairment	Net
Current (not past due)	No	-	-	-	-
Past due 1–30 days	Yes	-	-	-	-
Past due 31–60 days	Yes	-	-	-	-
Over 61 days due	Yes	100%	83,688	(83,688)	-
			83,688	(91,833)	-

31 December 2020

In thousands of naira			Gross	Impairment	Net
Neither past due nor impaired	No	#DIV/0!	-	-	0
Past due 1–90 days	Yes	-	-	-	-
Past due 91–180 days	Yes	-	-	-	-
Over 180 days	Yes	100%	83,688	(83,688)	-
			83,688	(83,688)	0

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

Movement in the allowance for impairment in respect of trade receivable during the period was as follows:

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

(ii) Deposit with Company Registrar

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

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

(iii) Staff debtors and other receivables

This mainly represents lease receivable in respect of rent of an insignificant portion of the Company's building properties to third parties and receivables from employees.

These receivables are payable on demand and its contractual period is less than 12 months. The Company has assessed the counter parties to have sufficient net liquid assets and are considered to be low credit risk, hence, the expected expected credit loss is immaterial.

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

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

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

The Company held cash and cash equivalents of ₦252 million and other financial asset of ₦282 million as at 31 December 2020 (31 December 2020: N357 million and N267 million respectively) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with commercial banks with good external ratings. The Company manages the risk associated with its cash and cash equivalents by selecting banks with strong financial position and history of good performance.

Impairment on cash and cash equivalent has been measured on a 12 month expected credit loss basis and reflects the short maturities of the exposures. The Company considered that its cash and cash equivalent and other financial asset have low credit risk based on the external credit ratings of the counter parties.

(iii) **Liquidity risk**

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

The Company aims to maintain the level of cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 31 December 2021, the expected cash flows from trade and other receivables maturing within six months were ₦241.04 million (31 December 2020: ₦142.5 million). This excludes potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

Exposure to liquidity risk

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

31 December 2021		**Contractual cash flows**					
In thousands of naira	**Carrying Amount**	**Total**	**6 months or less**	**6-12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Loans and borrowings (excluding lease liability)	104,585	104,585	39,336	39,337	98,344	(72,432)	-
Lease liability	47,678	47,678	23,839	23,839	0	-	
Trade and other payables*	755,106	755,106	755,106	-	-	-	-
Dividend payable	427,432	427,432	427,432	-	-	-	-
	1,334,801	**1,334,801**	**1,245,713**	**63,176**	**98,344**	**(72,432)**	**-**

31 December 2020		**Contractual cash flows**					
In thousands of naira	**Carrying Amount**	**Total**	**6 months or less**	**6-12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Loans and borrowings (excluding lease liability)	168,902	254,355	57,668	39,337	157,350	0	-
Lease liability	117,749	117,749	29,807	29,807	58,136	0	-
Trade and other payables*	561,049	561,049	561,049	0	0	0	-
Dividend payable	438,118	438,118	438,118	0	0	0	-
	1,285,818	**1,371,271**	**1,086,642**	**69,144**	**215,486**	**0**	**-**

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

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

(iv) **Market risk**

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

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

1. ***Currency risk***

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

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

Exposure to currency risk

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

	31 December 2021			31 December 2020		
	US$	€	GBP	US$	€	GBP
Foreign currency included in cash and cash equivalents	99,159	973	356	142,215	973	356

The following significant exchange rates were applied;

	Average rate during the year		Year end spot rate	
Naira	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
US$ 1	402.71	382.05	451.84	400.33
€ 1	467.14	436.24	566.43	491.45
GBP 1	515.47	489.02	569.32	512.42

Sensitivity analysis

A reasonably possible strengthening /(weakening) of the naira against all other currencies at 31 December 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest and inflation rates, remain constant and ignores any impact of forecast purchases.

	Profit or loss	
In thousands of Naira	Strengthening	Weakening
31 December 2021		
US$ (20% movement)	8,961	(8,961)
€ (20% movement)	110	(110)
GBP (20% movement)	41	(41)
31 December 2020		
US$ (20% movement)	22,374	(22,374)
€ (20% movement)	30	(30)
GBP (20% movement)	33	(33)

Notes to the Financial Statements

For the year ended 31 December 2021

2. ***Interest rate risk***

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

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

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

Fixed rate instruments	**Nominal amount**	
In thousands of naira	**31 December 2021**	**31 December 2020**
Financial liabilities:		
Short term borrowings	126,590	149,223
Long term borrowing	25,673	137,428
	152,264	286,651

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(c) **Capital management**

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

The Company's adjusted net debt to equity ratio at 31 December 2021 was as follows.

	31 December 2021	**31 December 2020**
In thousands of naira		
Total liabilities	1,975,352	1,824,900
Less: Cash and Cash equivalents	(252,147)	(356,599)
Adjusted net debt	1,723,205	1,468,301
Total Equity	3,228,852	3,146,972
Net debt to equity ratio	0.53	0.47

26 Leases

A. Leases as Lessee (IFRS 16)

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

As at 31 December 2021, the Company has ongoing lease arrangement for the right to use of motor vehicles, required for the replacement of aged sales field force vehicles and part of administrative/operations use. The lease expires in 2022; however, management has the intention to exercise the purchase option.

Right of use assets related to leased assets are presented as property, plant and equipment (see Note 13(f)). Interest on lease liabilities as well as the repayments of the lease has been included in loans and borrowings (see Note 25(a)).

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

B. Leases as Lessor

The Company leases out its investment property consisting of its owned commercial properties (see Note 15).

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

a. Future minimum lease payments

At 31 December 2021 the future minimum lease payments under non-cancellable leases are receivable as follows:

In thousands of naira	**31 December 2021**	**31 December 2020**
Less than one year	74,713	149,223
Between one and five years	8,975	137,428
	83,688	286,651

b. Amounts recognised in profit or loss

Investment property lease income recognised for the period to 31 December 2021 is N29.69million (31 December 2020: N29.69 million). Depreciation expense on the investment property was included in admin expenses.

27 Provision of Non Audit Services

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

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

28 Contingencies

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

29 Subsequent events

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

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

30 Operating segments

a. Basis of segmentation

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

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

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

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

b. Information about reportable segments

In thousands of naira

	Paints and allied products	Contract revenue	Investment property rental income	Unallocated	Total
31 December 2021					
External revenues	4,853,324	136,506	4,347	-	4,994,177
Finance income	-	-	-	15,867	15,867
Finance costs	-	-	-	(27,331)	(27,331)
Depreciation & amortisation	(246,939)	-	(20,786)	-	(267,725)
Net impairment loss on trade receivables	-	-	(8,145)	-	(8,145)
Reportable segment profit /(loss) before taxation	226,969	99,974	(24,584)	(11,464)	290,895

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

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

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

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

Revenues

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

Profit or loss

In thousands of naira	**12 Mths to 31 Dec 2021**	**12 Mths to 31 Dec 2020**
Total profit or loss for reportable segments	302,359	218,916
Unallocated finance income	15,867	16,398
Unallocated finance costs	(27,331)	(23,464)
Profit before taxation	290,895	211,850

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

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

Other National Disclosures

Securities Trading Policy

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of the Exchange 2015 (Issuers Rule) Berger Paints Plc maintains a Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company's shares.

The Policy undergoes periodic reviews by the Board and is updated accordingly. The Company has made specific inquiries of all its directors and other insiders and is not aware of any infringement of the policy during the period under review.

Other National Disclosures
Value Added Statement

For the period ended 31 December 2021
In thousands of naira

	12 Mths to 31 Dec 2021	%	**12 Mths to 31 Dec 2020**	%
Sales (note 5)	4,989,830		3,837,582	
Finance Income (note 7)	15,867		78,848	
Other income (note 6)	85,884		47,093	
	5,091,581		3,963,523	
Bought in materials and services				
- Imported	(49,289)		(403,458)	
- Local	(3,743,009)		(2,317,058)	
Value added	1,299,282	100	1,243,007	100
Distribution of value added				
To Employees:				
Personnel expenses	694,639	54	718,128	57
To Providers of Finance:				
Interest on loans (note 7)	42,518	3	61,949	6
To Government:				
Taxation (note 11(a))	93,086	7	64,875	5
Minimum tax (note 12)	-	0	18,462	0
Retained in the business as:				
Depreciation (note 9(b))	254,804	20	243,372	19
Amortisation (note 13)	16,426	1	7,708	1
To augment reserve	197,809	15	146,028	12
	1,299,282	100	1,260,522	100

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