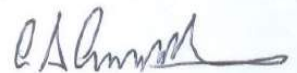


# CHELLARAMS PLC – RC 639

## QUARTERLY FINANCIAL STATEMENTS

### FOR THE PERIOD

### ENDING 31 MARCH, 2021



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## Fourth Quarter Reports and Consolidated and Separate Financial Statements

31 MARCH, 2021

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# Chellarams Plc

Serving Nigeria Since 1923

RC 639

110/114 Oshodi-Apapa Expressway,  
Isolo, Lagos, Nigeria.  
Phone: + 234 1 280 5470-4  
+ 234 805 509 9000  
Fax: + 234 1 279 3727  
Email: lagos@chellaramsplc.com  
www.chellaramsplc.com

## CERTIFICATION

### PURSUANT TO SECTION 60(2) OF INVESTMENT AND SECURITIES ACT NO.: 29 OF 2007

We the undersigned hereby certify the following with regards to our Quarterly Financial Statements for the Quarterly Report for the Period, 31<sup>st</sup> March, 2021.

- (a) We have reviewed the Report;
- (b) To the best of our knowledge, the Report does not contain:
  - (i) Any untrue statement of material fact, or
  - (ii) Omit to state a material fact, which would make the statements misleading in the light of circumstances under which such statement were made;
- (c) To the best of our knowledge, the Financial Statement and other Financial included in the Report fairly presents in all material respect the Financial condition and results of operation of the Company, as of, and for the period presented in the Report;

We:

- (i) are responsible for establishing and maintaining Internal Controls;
- (ii) have designed such Internal controls to ensure that material information relating to the Company and Subsidiaries are made know to such Officers by others within those entities particularly during the period in which the periodic reports are being prepared;
- (iii) have evaluated the effectiveness of the Company's Internal Controls as of date within 90 days period to the Report;
- (iv) have presented in the report our conclusions about the effectiveness of our Internal Controls based on our evaluation as of that date;
- (d) We have disclosed to the Auditors of the Company and to the Audit Committee:
  - (i) All significant deficiency in the design or operation of Internal Controls which would adversely affect the Company's ability to record, process, summarize and report Financial data and have identifies for the Company's Auditors any materials weakness in Internal Control; and
  - (ii) Any fraud, whether or not material, that involves Management or other employees who have significant role in the Company's Internal Controls;
  - (e) We have identified in the Report whether or not there were significant changes in Internal Controls or other factors that could significantly affect Internal Controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weakness.

  
CHIEF S. M. CHELLARAM  
MANAGING DIRECTOR  
FRC/2013/IODN/00000005336

  
MR. AKEEM B. KOLADE  
General Manager (Finance)  
FRC/2013/ICAN/00000001467

**BOARD OF DIRECTORS:** Asiwaju S. K. Onafowokan, OON (Chairman); Chief S. M. Chellaram (Managing) British; Alhaji A. A. Abdulkadir; Otunba R. A. Adebayo CON; A. S. Chellaram (British);

CHIEF S. M. CHELLARAM  
MANAGING DIRECTOR  
FRC/2013/IODN/00000005336



ADITYA S. CHELLARAM  
CHIEF EXECUTIVE OFFICER  
FRC/2013/IODN/00000005335



## Fourth Quarter Reports and Consolidated and Separate Financial Statements

31 MARCH, 2021

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www.chellaramsplc.com

The Financial Statements, Quarterly Report for the period ended 31<sup>st</sup> March 2021; comprising statement of financial position, statement of comprehensive income, statement of cash flow and statement of changes in equity have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB.

The basis of computations, assumptions and significant accounting policies used in the audited financial statement have not materially changed from the ones adopted in the last full year financial statement ending 31<sup>st</sup> March 2020. Hence, accounting policies on revenue recognition, inventories valuation, property, plant and equipment measurement, trade and other receivables, cash and cash equivalent, retirement benefit plan and foreign transactions etc have not changed.

FOR: CHELLARAMS PLC

  
DIRECTOR

  
GM FINANCE



CHIEF S. M. CHELLARAM  
MANAGING DIRECTOR  
FRC/2013/IODN/00000005336



MR. AKEM B. KOLADE  
General Manager (Finance)  
FRC/2013/ICAN/00000001467

BOARD OF DIRECTORS: Asiwaju S. K. Onafowokan, OON (Chairman); Chief S. M. Chellaram (Managing) British;  
Alhaji A. A. Abdulkadir; Otunba R. A. Adebayo CON; A. S. Chellaram (British);

CHIEF S. M. CHELLARAM  
MANAGING DIRECTOR  
FRC/2013/IODN/00000005336



ADITYA S. CHELLARAM  
CHIEF EXECUTIVE OFFICER  
FRC/2013/IODN/00000005335



## Fourth Quarter Reports and Consolidated and Separate Financial Statements

31 MARCH, 2021

PAGE 5

**SECURITIES TRADING POLICY**

The Company has securities trading policy applicable and circulated to directors, insiders, external advisers and all employees that may at any time possess any inside or material information about our company.

The Company has adopted a code of conduct regarding securities transaction by the directors on terms no less exacting than the required standard set out in the Listing Rules of the Nigerian Stock Exchange.

The Company made specific enquiry of all directors whether they have complied with the required standard set out in the listing rules and the Company's code of conduct regarding securities transactions by directors and the company is unaware of any non-compliance.

**DIRECTORS' SHAREHOLDING**

Directors' interest in the issued share capital of the Company as recorded in the Register of Members for the purposes of Section 275 and 276 of the Companies and Allied Matters Act CAP C20, LFN 2004 and the listing requirements of the Nigerian Stock Exchange for the period under review are as follows The:

Names of Directors	Direct Holding as at March 31, 2020	Indirect Holding as at March 31, 2020	% Holding as at March 31, 2020 (Direct)	% Holding as at March 31, 2020 (Indirect)
Chief S. M. Chellaram	-	289,170,000	-	40%
Mr. A. S. Chellaram	-	118,571,292	-	16.40%
Asiwaju S. K. Onafowokan	2,762,012	17,121,688	0.38%	2.37%

-Asiwaju S. K. Onafowokan represents the interest of Eskay Investment Limited

-Chief S. M. Chellaram represents the interest of Chellsons (Bermuda) Limited

-Mr. A. S. Chellaram represents the interest of Westfield Consultants Limited

The Company declares that aside from the listed person(s) in the above schedule, no other person(s) has 5% or more of the issued and fully paid share capital of the company.




## Fourth Quarter Reports and Consolidated and Separate Financial Statements

31 MARCH, 2021

## ANALYSIS OF SHAREHOLDING

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The following is the analysis of shareholdings in the Register of Members as at 31 March, 2020:

Share Range	No of Shareholders	% of Shareholders	No of Holding	% Shareholding
1-1,000	307	9.72	156,397	0.02
1,001-5,000	1,143	36.18	4,124,106	0.57
5,001-10,000	769	24.34	6,100,951	0.84
10,001-50,000	713	22.57	15,907,704	2.2
50,001-100,000	110	3.48	7,706,455	1.07
100,001-500,000	95	3.01	17,299,633	2.39
500,001-1,000,000	8	0.25	5,952,764	0.82
1,000,001- AND	14	0.44	665,676,990	92.08
	3,159	100	722,925,000	100

## PARTICLARS OF SHAREHOLDERS HOLDING MORE THAN 5% OF THE ISSUED SHARE CAPITAL OF THE COMPANY

S/N	Shareholder's Name	Holding	% Holding
1	Chellsons (Bermuda) Limited	289,170,000	40
2	Introtex Corporation	137,700,000	19.05
3	Westfield Consultants Limited	118,571,292	16.4
4	Murli T. Chellaram Foundation	49,101,720	6.79




## Fourth Quarter Reports and Consolidated and Separate Financial Statements

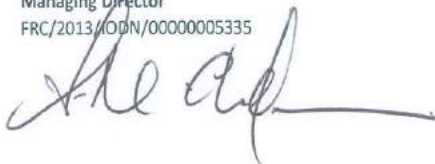
31 MARCH, 2021

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CHELLARAMS PLC  
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 For the period ended 31st March 2021

Particulars	Company		Group	
	April'20 to Mar'21	April'20 to Mar'21	April'19 to Mar'20	April'19 to Mar'20
REVENUE	1,387,382	4,814,395	1,973,991	6,815,709
COST OF SALES	1,314,106	4,051,742	1,980,307	6,173,846
GROSS PROFIT	73,276	762,653	(6,316)	641,863
DISTRIBUTION EXPENSES	10,480	68,037	1,265	79,577
ADMINISTRATIVE EXPENSES	353,812	725,336	3,685,155	3,679,325
OTHER INCOME	(287,128)	(292,990)	(299,727)	(309,270)
FINANCE COST	1,459,073	1,659,328	550,764	787,478
FAIR VALUE GAINS ON INVESTMENT PROPERTIES	-	-	(250,000)	(250,000)
FAIR VALUE LOSS IN INVESTMENT IN ASSOCIATES	-	-	-	-
GAIN ON DISPOSAL OF INVESTMENT EQUITY	-	-	-	-
SHARE OF LOSS FROM ASSOCIATES	-	-	-	-
PROFIT BEFORE TAXATION	(1,462,961)	(1,397,059)	(4,193,773)	(3,845,247)
INCOME TAX EXPENSES	-	27,209	11,356	84,808
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS	(1,462,961)	(1,424,268)	(4,205,129)	(3,930,055)
ATTRIBUTABLE TO :				
OWNERS OF THE PARENT COMPANY	(1,462,961)	(1,418,330)	(4,205,129)	(3,753,188)
NON CONTROLLING INTEREST	-	(5,938)	-	(176,867)
	(1,462,961)	(1,424,268)	(4,205,129)	(3,930,055)
OTHER COMPREHENSIVE INCOME				
REVALUATION SURPLUS	-	-	-	-
ACTUARIAL GAIN / (LOSS)	-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME	(1,462,961)	(1,424,268)	(4,205,129)	(3,930,055)
ATTRIBUTABLE TO :				
OWNERS OF THE PARENT COMPANY	(1,462,961)	(1,418,330)	(4,205,129)	(3,753,188)
NON CONTROLLING INTEREST	-	(5,938)	-	(176,867)
	(1,462,961)	(1,424,268)	(4,205,129)	(3,930,055)

Chief S.M.Chellaram  
 Managing Director  
 FRC/2013/IODN/00000005335



Aditya Chellaram  
 Chief Executive Officer  
 FRC/2013/IODN/00000005336



A.B. Kolade  
 General Manager(Finance)  
 FRC/2013/ICAN/00000001467



CHIEF S. M. CHELLARAM  
 MANAGING DIRECTOR  
 FRC/2013/IODN/00000005336



ADITYA S. CHELLARAM  
 CHIEF EXECUTIVE OFFICER  
 FRC/2013/IODN/00000005335



## Fourth Quarter Reports and Consolidated and Separate Financial Statements

31 MARCH, 2021

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CHELLARAMS PLC  
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 As at 31st March 2021

Particulars	N'000		N'000	
	Company As at 31st March'21	Group As at 31st March'21	Company As at 31st March'20	Group As at 31st March'20
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
PROPERTY PLANT EQUIPMENT	4,189,978	4,562,169	4,235,939	4,675,102
INVESTMENT PROPERTY	-	-	900,000	900,000
HELD TO MATURITY ASSETS	148,019	-	148,019	-
INVESTMENT IN ASSOCIATED UNDERTAKINGS	-	-	-	-
DEPOSIT FOR SHARES	-	-	-	-
INVESTMENT IN SUBSIDIARIES	86,795	(1)	80,277	-
DEFERRED TAX ASSETS	-	33,871	-	-
OTHER ASSETS	-	-	-	-
	4,424,792	4,596,039	5,364,235	5,575,102
<b>CURRENT ASSETS</b>				
INVENTORIES	70,059	819,268	45,351	499,769
PREPAYMENTS	54,344	70,513	-	-
TRADE AND OTHER RECEIVABLES	1,208,773	1,713,853	2,641,428	3,186,688
DUE FROM SUBSIDIARIES	683,947	898	-	-
CASH AND CASH EQUIVALENT	70,158	185,813	228,009	290,576
	2,087,281	2,790,346	2,914,788	3,977,033
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
TRADE AND OTHER PAYABLES	1,318,391	2,080,041	2,001,186	3,103,667
OVERDRAFT	6,497,388	6,794,859	5,603,547	5,871,361
BANK IMPORT FINANCE	949,002	1,514,774	1,242,625	1,864,185
COMMERCIAL PAPER	-	-	-	-
CURRENT PORTION OF TERM LOAN	67,824	191,703	292,000	385,751
CURRENT PORTION OF BONDS	-	-	-	-
FINANCE LEASE	-	-	-	-
CURRENT TAX PAYABLE	1,640	28,849	12,996	71,609
DUE TO RELATED PARTIES	37,305	37,315	-	-
EMPLOYEE BENEFITS	3,408	3,867	-	-
	8,874,958	10,651,409	9,152,354	11,296,573
	(6,787,677)	(7,861,063)	(6,237,566)	(7,319,540)
<b>NET CURRENT ASSETS</b>				
<b>NON CURRENT LIABILITIES</b>				
LONG TERM LOANS	-	29,318	-	61,679
LONG TERM BONDS	-	-	-	-
FINANCE LEASE	366	366	-	-
EMPLOYEE BENEFITS	-	6,885	26,960	34,815
SUBORDINATED DEBT	1,310,791	1,310,791	1,310,791	1,310,791
DEFERRED TAX LIABILITY	90,221	95,231	90,221	131,622
	1,401,378	1,442,590	1,427,972	1,538,907
<b>NET ASSETS</b>	<b>(3,764,263)</b>	<b>(4,707,614)</b>	<b>(2,301,303)</b>	<b>(3,283,345)</b>
<b>EQUITY TO EQUITY HOLDERS OF PARENT</b>				
SHARE CAPITAL	361,463	361,463	361,463	361,463
PREFERENCE SHARE CAPITAL	-	0	-	-
REVALUATION RESERVE	4,082,971	4,082,971	4,082,970	4,082,970
GENERAL RESERVE	(8,208,697)	(8,579,859)	(6,745,736)	(7,161,531)
<b>Sub Total</b>	<b>(3,764,263)</b>	<b>(4,135,425)</b>	<b>(2,301,303)</b>	<b>(2,717,098)</b>
NON CONTROLLING INTEREST	-	(572,189)	-	(566,249)
<b>TOTAL EQUITY</b>	<b>(3,764,263)</b>	<b>(4,707,614)</b>	<b>(2,301,303)</b>	<b>(3,283,347)</b>

Chief S.M.Chellaram  
 Managing Director  
 FRC/2013/IODN/00000005335

Aditya Chellaram  
 Chief Executive Officer  
 FRC/2013/IODN/00000005336

A.B. Kolade  
 General Manager(Finance)  
 FRC/2013/ICAN/00000001467

CHIEF S. M. CHELLARAM  
 MANAGING DIRECTOR  
 FRC/2013/IODN/00000005336

ADITYA S. CHELLARAM  
 CHIEF EXECUTIVE OFFICER  
 FRC/2013/IODN/00000005335



## Fourth Quarter Reports and Consolidated and Separate Financial Statements

31 MARCH, 2021

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## CHELLARAMS PLC

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31st March 2021

N'000

Particulars	Company	Group	Company	Group
	April'20 to Mar'21	April'20 to Mar'21	April'19 to Mar'20	April'19 to Mar'20
<b>Cash Flows from Operating activities:</b>				
Cash received from Customers	2,423,218	6,579,321	2,955,603	7,850,698
Cash Payment to Suppliers and Employees	(2,368,266)	(6,096,774)	(2,940,343)	(6,783,955)
Income Tax Paid	(11,356)	(140,231)	0	(27,261)
Dividend from Subsidiaries				
<b>Net Cash from/(used) in Operating activities</b>	<b>43,596</b>	<b>342,317</b>	<b>15,259</b>	<b>1,039,483</b>
<b>Cash Flows from Investing activities:</b>				
Held to Maturity Assets	0	-	0	0
Fair Value through Profit/Loss				
Investment in Associated undertakings				
Investment in Subsidiaries	(6,518)	1	1	1
Purchase/(Sale) of Property, Plant & Equipment	1,137,735	1,114,203	59,298	18,208
Deferred Expenditure				
Dividend from Investments				
Proceeds from disposal of Investment				
Purchase of Property, Plant & Equipment (Inv. Property)				
<b>Net Cash from/(used) in Investing activities</b>	<b>1,131,217</b>	<b>1,114,204</b>	<b>59,299</b>	<b>18,209</b>
<b>Cash Flows from Financing activities:</b>				
Term Loan	(224,176)	(226,409)	(1,890,059)	(1,983,809)
Finance Lease	366	366	2,564	11,750
Bonds	-	-	-	-
Commercial Papers	-	-	-	-
Bank Import Finance	(293,623)	(349,411)	(1,995,103)	(1,820,175)
Preference Share Capital	-	0	-	-
Subordinated Debt	0	0	0	0
Dividend Paid				
Equity -Deposit for Shares				
Finance cost	(1,459,073)	(1,659,328)	(552,334)	(791,792)
<b>Net Cash from/(used) in Financing activities</b>	<b>(1,976,506)</b>	<b>(2,234,782)</b>	<b>(4,434,932)</b>	<b>(4,584,026)</b>
<b>Net Increase/(decrease) in Cash and Cash equivalents</b>	<b>(801,693)</b>	<b>(778,261)</b>	<b>(4,360,374)</b>	<b>(3,526,334)</b>
Opening Cash and Cash equivalents	(5,375,538)	(5,580,785)	(1,257,165)	(2,354,283)
Closing Cash and Cash equivalents	(6,177,231)	(6,359,046)	(5,617,539)	(5,880,617)

Chief S.M.Chellaram  
Managing Director  
FRC/2013/IODN/00000005335

Aditya Chellaram  
Chief Executive Officer  
FRC/2013/IODN/00000005336

A.B. Kolade  
General Manager(Finance)  
FRC/2013/ICAN/0000001467

As Approved by the Board of Directors on the **29 April, 2021**

CHIEF S. M. CHELLARAM  
MANAGING DIRECTOR  
FRC/2013/IODN/00000005336

ADITYA S. CHELLARAM  
CHIEF EXECUTIVE OFFICER  
FRC/2013/IODN/00000005335

## Fourth Quarter Reports and Consolidated and Separate Financial Statements

31 MARCH, 2021

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## CHELLARAMS PLC

## STATEMENT OF CHANGES IN EQUITY

Attributable to Equity holders of the Company

N'000

	Issued	Revaluation	Retained	Total Equity
	Share Capital	Reserves	Earnings	
Balance at 1st April 19	361,463	4,082,970	(2,540,607)	1,903,826
Change in Equity from April'19 to March'20				
Profit for the period			(1,410,515)	(1,410,515)
Other Comprehensive Income for the period				
Total Comprehensive Income for the period			(1,410,515)	(1,410,515)
Transaction with Owners , recorded directly in Equity				
Dividend Paid during the period				
Balance at 31st March 2020	361,463	4,082,970	(3,951,122)	493,311

## CHELLARAMS PLC

## STATEMENT OF CHANGES IN EQUITY

Attributable to Equity holders of the Company

N'000

	Issued	Revaluation	Retained	Total Equity
	Share Capital	Reserves	Earnings	
Balance at 1st April 20	361,463	4,082,970	(6,745,736)	(2,301,303)
Change in Equity from April'20 to March'21				
Profit for the period			(1,462,961)	(1,462,961)
Other Comprehensive Income for the period				
Total Comprehensive Income for the period			(1,462,961)	(1,462,961)
Transaction with Owners , recorded directly in Equity				
Dividend Paid during the period				
Balance at 31st March 2021	361,463	4,082,970	(8,208,697)	(3,764,264)



Chief S.M.Chellaram  
Managing Director  
FRC/2013/IODN/00000005335



Aditya Chellaram  
Chief Executive Officer  
FRC/2013/IODN/00000005335



A.B. Kolade  
General Manager(Finance)  
FRC/2013/ICAN/00000001467

CHIEF S. M. CHELLARAM  
MANAGING DIRECTOR  
FRC/2013/IODN/00000005336



ADITYA S. CHELLARAM  
CHIEF EXECUTIVE OFFICER  
FRC/2013/IODN/00000005335



## Fourth Quarter Reports and Consolidated and Separate Financial Statements

31 MARCH, 2021

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## CHELLARAMS PLC

## STATEMENT OF CHANGES IN EQUITY

Attributable to Equity holders of the Company

N'000

	Issued Share Capital	Revaluation Reserves	Retained Earnings	Total Equity
Balance at 1st April 19	361,463	4,082,970	(2,540,607)	1,903,826
Change in Equity from April'19 to March'20				
Profit for the period			(1,410,515)	(1,410,515)
Other Comprehensive Income for the period				
Total Comprehensive Income for the period	-	-	(1,410,515)	(1,410,515)
Transaction with Owners , recorded directly in Equity				
Dividend Paid during the period				
Balance at 31st March 2020	361,463	4,082,970	(3,951,122)	493,311

## CHELLARAMS PLC

## STATEMENT OF CHANGES IN EQUITY

Attributable to Equity holders of the Company

N'000

	Issued Share Capital	Revaluation Reserves	Retained Earnings	Total Equity
Balance at 1st April 20	361,463	4,082,970	(6,745,736)	(2,301,303)
Change in Equity from April'20 to March'21				
Profit for the period			(1,462,961)	(1,462,961)
Other Comprehensive Income for the period				
Total Comprehensive Income for the period	-	-	(1,462,961)	(1,462,961)
Transaction with Owners , recorded directly in Equity				
Dividend Paid during the period				
Balance at 31st March 2021	361,463	4,082,970	(8,208,697)	(3,764,264)



Chief S.M.Chellaram  
Managing Director  
FRC/2013/IODN/00000005335



Aditya Chellaram  
Chief Executive Officer  
FRC/2013/IODN/00000005336



A.B. Kolade  
General Manager(Finance)  
FRC/2013/ICAN/00000001467




## Fourth Quarter Reports and Consolidated and Separate Financial Statements

31 MARCH, 2021

CHELLARAMS PLC AND ITS SUBSIDIARY COMPANIES  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021  
NOTES TO THE FINANCIAL STATEMENTS

PAGE 12

**1 The Company - Corporate information and principal activities**

Chellarams Plc (The Company) was incorporated on 13 August 1947 as a private limited liability Company with the primary aim of doing business of distribution, trading and manufacturing. The entity later became a public limited liability Company and was admitted to the official list of the Nigerian Stock Exchange on 29 November 1974 as a Public Company. The entity comprises three subsidiaries namely: Dynamic Industries Limited, United Technical and Allied Services Limited and Chellarams DMK Limited. United Technical and Allied Services Limited is wholly owned subsidiary while the Company has 77.71% and 74% shareholding in Dynamic Industries Limited and Chellarams DMK Limited respectively. The principal activities of Chellarams Plc are trading and distribution of fast moving consumer goods, ingredients and consumer durables and industrial chemicals.

Its registered office is at Plot 110/114 Oshodi Apapa Expressway, Isolo, Lagos.

**2 Basis of preparation****(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and the requirements of the Companies and Allied Matters Act, CAP C20, LFN, 2004.

The financial statements were authorised for issue by the Board of Directors on 29 April 2021.

**(b) Basis of measurement**

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

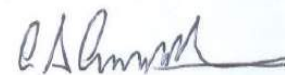
Financial instruments, land and building and investment properties which are measured at fair value.

**(c) Functional and presentation currency**

These financial statements are presented in Naira, which is the holding and subsidiary Companies' functional currency. Amounts are rounded to the nearest thousands, unless otherwise stated.

**(d) Use of estimates and judgement**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.



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## 3) Changes in accounting standards

## (a) New standards, interpretations and amendments effective from 1 April 2019

New Standards impacting the following that has been adopted in the annual financials statements for the year ended 31 March 2020, and which have given rise to changes in the group's accounting policies are:

are the new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018 that had a significant effect on the Company's financial statements:

-IFRS 16 Lease (effective 1 January 2019).

- IFRS 1623 Uncertainty over Income Tax Positions (effective 1 January 2019).

Details of the Impact of these standards are stated below:

## b) Effect of changes in accounting policies

## IFRS 16

The Group adopted IFRS 16 with a transition date of 1 April 2019. The Group has chosen not to restate comparatives on adoption of the standard, and therefore, the revised requirements are not reflected in the prior year financial statements.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities which may have an impact on the financial statements.

As at 1 April 2019, the directors of the Group reviewed and assessed the Group's leases for possible impact of the adoption of IFRS 16 without undue cost of effort in accordance with requirement of IFRS 16. No material adjustments were identified.

## IFRIC 23

The Group adopted IFRIC 23 with a transition date of 1 April 2019. The Group has chosen not to restate comparatives on adoption of the standard, and therefore, the revised requirements are not reflected in the prior year financial statements.

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

i) The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;

ii) The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and




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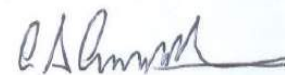
iii) If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

As at 1 April 2019, the directors of the Group reviewed and assessed the Group's uncertainty over income tax treatment for possible impact of the adoption of IFRIC 23 without undue cost of effort in accordance with requirement of IFRIC 23. No material adjustments were identified.

**(c) New standards, interpretations and amendments not yet effective**

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are listed below:

Title	Key requirements	Effective Date
Conceptual Framework Amendments	Amendments to References to the Conceptual Framework in IFRS Standards sets out amendments to IFRS Standards, their accompanying documents and IFRS practice statements to reflect the issue of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework).	1 January 2020
IFRS 3 Amendment	IFRS 3 Amendment was issued in October 2018, establishes the definition of a business and effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period	1 January 2020
Amendments to IAS 1 and IAS 8	In October 2018, the IASB issued amendments to IAS 1- Financial Statement Presentation and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors to clarify the definition of 'material' in the context of applying IFRS. As	1 January 2020

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	the concept of what is and is not material is crucial in preparing financial statements in accordance with IFRS, a change in the definition may fundamentally affect how preparers make judgments in preparing financial statements.	
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 and applies to annual reporting Contracts periods beginning on or after 1 Jan. 2021 IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	1 January 2023
IFRS 10 and IAS 28 Amendments	The International Accounting Standards Board (IASB) published Deferred Sale or Contribution of Assets between an Investor and its Indefinitely Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) on 11 September 2014. The amendments clarify the accounting for transactions where a parent loses control of a subsidiary, that does not constitute a business as defined in IFRS 3 Business Combinations, by selling all or part of its interest in that subsidiary to an associate or a joint venture that is accounted for using the equity	

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**4) Critical accounting judgments and key sources of estimation of uncertainty**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The management of the Company revises its estimates and assumptions on a regular basis to ensure that they are relevant regarding the past experience and the current economic and political environment. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The accounting for certain provisions, certain financial instruments and the disclosure of financial assets, contingent assets and liabilities at the date of the financial statements is judgmental. The items subject to judgment are detailed in the corresponding notes to the financial statements.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are discussed below:

**a Revenue recognition and distinct performance obligations**

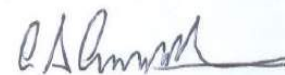
Contracts may include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately or together requires significant judgment. A product or service is distinct if the customer can benefit from the product or service either on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the product or service to the customer is separately identifiable from other promises in the contract. Such judgments could impact the timing of revenue recognition

**b Impairment of financial assets**

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions and forward-looking estimates at the end of each reporting period. Such estimates and judgments could impact trade receivables, contract assets for unbilled revenue on customer contracts and office and other operating expenses.

**c) Income and deferred taxation**

The Company incurs income taxes and also recognises changes to deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws and regulations. The quality of these estimates is highly dependent upon management's ability to properly apply at times a very complex sets of rules, to recognise changes in applicable rules and, in the case of deferred tax assets, management's ability to project future earnings from activities that may apply loss carry forward positions against future income taxes.





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d) **Impairment of property, plant and equipment**

The Company assesses assets or holding and subsidiary Companies of assets for impairment annually or whenever events or changes in circumstances indicate that carrying amounts of those assets may not be recoverable. In assessing whether a write-down of the carrying amount of a potentially impaired asset is required, the asset's carrying amount is compared to the recoverable amount. Frequently, the recoverable amount of an asset proves to be the Company's estimated value in use.

The estimated future cash flows applied are based on reasonable and supportable assumptions and represent management's best estimates of the range of economic conditions that will exist over the remaining useful life of the cash flow generating assets.

e) **Legal proceedings**

The Company reviews outstanding legal cases following developments in the legal proceedings at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Company's management as to how it will respond to the litigation, claim or assessment.

f) **Estimates of useful lives and residual value**

The estimates of useful lives and residual values of property, plant and equipment impact the annual depreciation charge. The useful lives and residual values are based on management experience and the condition of the assets. Consideration is given to management's intended usage policy for the assets in the future and potential market prices of similar assets.

5) **Summary of significant accounting policies**

The accounting policies set out below have been applied consistently to all years presented in these financial statements except for changes of the accounting policies below on account of adoption of IFRS 9 Financial Instruments ("IFRS 9") and IFRS15 Revenue from Contracts with Customers ("IFRS 15") effective 1 January 2018

a) **Foreign currency**

In preparing the financial statements of the Company, transactions in currencies other than the entity's presentation currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions and any exchange differences arising are included in the income statement of the reporting period.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (i.e. not retranslated).




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Foreign currency differences on loans and other borrowings are recognised as finance income and expenses. Other foreign currency differences as a result of transactions are recognised in the related items within the operating results.

b) **Basis of consolidation**

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether defacto control exists the Company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the holding and subsidiary Companies") as if they formed a single entity. Intercompany transactions and balances between holding and subsidiary Companies companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

c) **Associates**

When the holding and subsidiary Companies has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. The holding and subsidiary Companies' share of post-acquisition profits and losses is recognised in the consolidated statement of comprehensive income except that losses in excess of the holding and subsidiary Companies' investment in the associate are not recognised unless there is obligation to make good those

Profit and losses arising on transactions between the holding and subsidiary Companies and its associates are recognised only to the extent of unrelated investor's interest in the associate. The investor's share in the associate's profits and losses resulting from these




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transactions is eliminated against the carrying value of the associates.

Any premium paid for an associate above the fair value of the holding and subsidiary Companies' share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in the associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non financial assets.

d) **Revenue**

Revenue is recognized upon transfer of control of the promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

i) **Sales of goods**

**Performance obligations and timing of revenue recognition**

The Company's revenue is derived from sales of industrial chemicals, fast moving consumer goods, machinery, plastic films with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer.

There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the company no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

None of the company's contract of sales is negotiated on a bill and hold basis

Goods sold by the Company do not include warranties which may require the Company to either replace or mend a defective product during the warranty period.

**Determining the transaction price**

The Company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. Exceptions are as follows:

- Variable consideration relating to volume rebates has been constrained in estimating contract revenue in order that it is highly probable that there will not be a future reversal in the amount of revenue recognised when the amount of volume rebates has been determined.

**Allocating amounts to performance obligations**

For most contracts, there is a fixed unit price for each product sold, with reductions given for bulk orders placed at a specific time by particular customers. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts




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(it is the total contract price divided by the number of units ordered). Where a customer orders more than one product line, the Company is able to determine the split of the total contract price between each type by reference to each product's/water standalone selling prices (all product lines are capable of being, and are, sold separately).

In order to win significant repeat business with key customers, the Company might enter into contracts entitling them to discounts. Such discounts are usually agreed before the sales are made to the extent that the price agreed is adjusted to reduce the selling price. For such arrangements, there is no need to adjust the stand alone selling price.

Since the discounts are not tied to future sales, the Company does need to estimate both the probability that the customer will take up its future discount offer and the value of future purchases that might be made in order to estimate the value of the rights granted. In addition, there is not a significant number of such contracts.

**Costs of obtaining and fulfilling contracts**

Incremental cost of obtaining contracts are capitalised when they relate to long-term customer contracts.

Costs to obtain customer contracts represent commissions incurred and such commissions would not have been incurred if the contracts had not been obtained. These costs are incremental and the Company expects to recover these costs. The asset is amortised over the term of the specific contract it relates to, consistent with the associated pattern of revenue recognition, and is recorded in employee compensation expenses. As a practical expedient, incremental costs of obtaining a contract have been expensed when incurred if the amortization period of the asset is one year or less.

The costs of fulfilling contracts do not result in the recognition of a separate asset because such costs are included in the carrying amount of inventory for contracts involving the sale of goods.

**Significant Financing Components**

The Company has taken the advantage of the practical exemption not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less.

**(ii) Other income**

This comprises profit from sale of financial assets, plant and equipment, foreign exchange gains, fair value gains of non financial assets measured at fair value through profit or loss and impairment loss no longer required written back.

Income arising from disposal of items of financial assets, plant and equipment and scraps is recognised at the time when proceeds from the disposal have been received by the holding and subsidiary Companies. The profit on disposal is calculated as the difference between the net proceeds and the carrying amount of the assets. The holding and subsidiary Companies recognises impairment no longer required as other income when the holding and subsidiary Companies receives cash on an impaired receivable or when the value of an impaired



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investment increased and the investment is realisable.

e) **Expenditure**

Expenditures are recognised as they accrue during the course of the year. Analysis of expenses recognised in the statement of comprehensive income is presented in classification based on the function of the expenses as this provides information that is reliable and more relevant than their nature.

The holding and subsidiary Companies classifies its expenses as follows:

- Cost of sales;
- Administration expenses;
- Selling and distribution expenses; and
- Other allowances and amortizations

f) **Finance income and finance costs**

Finance income comprises interest income on short-term deposits with banks, dividend income, changes in the fair value of financial assets at fair value through profit or loss and foreign exchange gains.

Dividend income from investments is recognised in profit or loss when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the entity and the amount of income can be measured reliably).

Interest income on short-term deposits is recognised by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, losses on disposal of available for sale financial assets, impairment losses on financial assets (other than trade receivables).

g) **Income tax expenses**

Income tax expense comprises current income tax, education tax and deferred tax. (See policy 'w' on income taxes)

h) **Earnings per share**

The holding and subsidiary Companies presents basic 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 holding and subsidiary Companies by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.



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## i) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property plant and equipment includes expenditures that are directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment and are depreciated accordingly. Subsequent costs and additions are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the holding and subsidiary Companies and the cost of the item can be measured reliably.

All other repairs and maintenance costs are charged to the profit and loss component of the statement of comprehensive income during the financial period in which they are incurred.

Freehold land and buildings are subsequently carried at revalued amounts, based on periodic valuations by external independent valuers; less accumulated depreciation and accumulated impairment losses. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Increases in the carrying amounts arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the Income statement.

Depreciation is recognised so as to write off the cost of the assets less their residual values over their useful lives, using the straight-line method on the following bases:

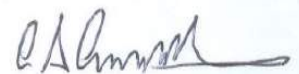
Major overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the average expected life.

Building	2%
Furniture and Fixtures	10%
Motor Vehicles	25%
Plant and Machinery	10%
Office Equipment	15%
Short leaseholds	over the unexpired period

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

**Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds

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and the carrying amount of the asset) is included in the profit and loss component of the statement of comprehensive income within 'Other income' in the year that the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if necessary.

**j) Intangible Assets**

**Computer software**

This represents computer software purchased from third parties. They are measured at cost less accumulated amortisation and accumulated impairment losses. Purchased computer software is capitalised on the basis of costs incurred to acquire and bring into use the specific software. These costs are amortised on a straight line basis over the useful life of the intangible asset.

Expenditure that enhances and extends the benefits of computer software beyond their original specifications and lives, is recognised as a capital improvement cost and is added to the original cost of the software. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An Intangible asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Computer software	5 years
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**Derecognition of intangible assets**

An intangible assets is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible assets, measured as the difference between the net disposal proceeds and the carrying amount of the assets, are recognised in profit or loss when the asset is derecognised.

**k) Investment property**

An investment property is an investment in land and buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operations of the holding and subsidiary Companies.

Initial measurement is at cost, while subsequent recognition is at fair value. Investment property measured at fair value is reassessed every year and changes in carrying value are recognised in the statement of profit or loss.

**l) Impairment of non-financial assets**

Non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is




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the higher of an asset's fair value less cost to sell and value in use. For the purposes of

assessing impairment, assets are held at the lowest levels for which they have separately identifiable cash flows (cash-generating units).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation increase.

m) **Financial instruments**

a) **Financial assets**

Financial assets are initially recognised at fair value plus directly attributable transaction costs. Subsequent remeasurement of financial assets is determined by their designation that is revisited at each reporting date.

i) **Classification**


The group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

**FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment



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expenses are presented as separate line item in the statement of profit or loss.

**FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The group holds the following financial assets:

**i) Trade and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

**ii) Cash and cash equivalents**

Cash and cash equivalents consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Bank overdrafts are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**iii) Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**b) Financial liabilities and equity instruments**

Financial liabilities are initially recognised at fair value when the Company becomes a party to the contractual provisions of the liability. Subsequent measurement of financial liabilities is based on amortized cost using the effective interest method. The Company financial liabilities include trade and other payables.

**i) De-recognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's

obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in income statement.



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**ii) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**iii) Impairment of financial instruments**

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at fair value through other comprehensive income (FVOCI)

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

**iv) Derecognition of financial assets**

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expires, or when it transfers substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the income statement.

**n) Prepayments**

Prepayments are payments made in advance relating to the following year and are recognised and carried at original amount less amounts utilised in the statement of profit or loss and other comprehensive income.



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o) **Inventory**

Inventory are stated at the lower of cost and net realisable value, with appropriate provisions for old and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and selling expenses.

Cost is determined as follows:-

**Raw materials**

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

**Finished goods**

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

**Spare parts and consumables**

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

s) **Employee benefits**

The holding and subsidiary Companies operates the following contribution and benefit schemes for its employees:

(i) **Defined Benefit gratuity scheme**

The company had defined benefit gratuity scheme with employees which is funded. Under this scheme a specified amount in accordance with gratuity scheme agreements is contributed by the company and charged to profit and loss account over the service life of the employee. This employee entitlement are calculated based on their actual salaries and fixed with EcoBank Plc.

The management has discontinued the scheme. No additional provisions were made during the year.

(ii) **Defined contribution pension scheme**

In line with the provisions of the Nigerian Pension Reform Act, 2014, Chellarams Plc and its subsidiaries has instituted a defined contributory pension scheme for its employees. The

scheme is funded by fixed contributions from employees and the Company at the rate of 8% by employees and 10% by the Company of basic salary, transport and housing allowances invested outside the Company through Pension Fund Administrators (PFAs) of the employees choice.

The holding and subsidiary Companies has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employees' service in the current and prior periods.



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The matching contributions made by the holding and subsidiary Companies to the relevant PFAs are recognised as expenses when the costs become payable in the reporting periods during which employees have rendered services in exchange for those contributions. Liabilities in respect of the defined contribution scheme are charged against the profit of the period in which they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) **Short-term benefits**

Short term employee benefit obligations which include wages, salaries, bonuses and other allowances for current employees are measured on an undiscounted basis and recognised and expensed by Chellarams Plc in the income statement as the employees render such services.

A liability is recognised for the amount expected to be paid under short - term benefits if the holding and subsidiary Companies has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

q) **Provisions**

A provision is recognized only 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. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The unwinding of the discount is recognised as finance cost.

r) **Income Taxes - Company income tax and deferred tax liabilities**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income. Current income tax is the estimated income tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

The tax currently payable is based on taxable results for the year. Taxable results differs from results as reported in the income statement because it includes not only items of income or expense that are taxable or deductible in other years but it further excludes items that are never taxable or deductible. The holding and subsidiary Companies' liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.



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Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability differs from its tax base. Deferred taxes are recognized using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (tax bases of the assets or liability). The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted by the reporting date.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

s) **Share capital and Share premium**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Any amounts received over and above the par value of the shares issued is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

t) **Dividend on ordinary shares**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the holding and subsidiary Companies' shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the shareholders. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

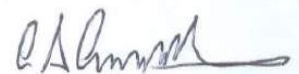
u) **Retained earnings**

General reserve represents amount set aside out of profits of the holding and subsidiary Companies which shall at the discretion of the directors be applied to meeting contingencies, repairs or maintenance of any works connected with the business of the

holding and subsidiary Companies, for equalising dividends, for special dividend or bonus, or such other purposes for which the profits of the holding and subsidiary

v) **Contingent liability**

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Where the holding and subsidiary Companies is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability. The entity recognises a provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable, except in the extremely rare circumstances where no reliable estimate can

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be made. Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period under consideration except in the extremely rare circumstances where no reliable estimate can be made.

w) **Related party transactions or insider dealings**

Related parties include the related companies, the directors, their close family members and any employee who is able to exert significant influence on the operating policies of the holding and subsidiary Companies. Key management personnel are also considered related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly, including any director (whether executive or otherwise) of that entity. The holding and subsidiary Companies considers two parties to be related if, directly or indirectly one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

Where there is a related party transactions within the holding and subsidiary Companies, the transactions are disclosed separately as to the type of relationship that exists within the holding and subsidiary Companies and the outstanding balances necessary to understand their effects on the financial position and the mode of settlement.

x) **Off Statement of financial position events**

Transactions that are not currently recognized as assets or liability in the statement of financial position but which nonetheless give rise to credit risks, contingencies and commitments are reported off statement of financial position. Such transactions include letters of credit, bonds and guarantees, indemnities, acceptances and trade related contingencies such as documentary credits. Outstanding unexpired commitments at the year-end in respect of these transactions are shown by way of note to the financial statements.

y) **Effective Interest Method**

The effective interest method is a method of calculating the amortised cost of an interest bearing financial instrument and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cashflows (including all fees and points paid or received that form an integral part of the effective interest rate, translation costs and other premiums or discounts) through the expected life of the debt instruments, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

z) **Segment reporting**

An operating segment is a component of the holding and subsidiary Companies that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the holding and subsidiary Companies' other components, whose operating results are reviewed regularly by the Chief



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Finance Officer (being the Chief Operating Decision Maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

**6 (a) Determination of fair value**

A number of the holding and subsidiary Companies' accounting policies and disclosures require the determination of fair value for the both financial and non-financial assets and liabilities. Fair values have been determined for measurement and /or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that assets or liabilities. Significant valuation issues are reported to the Audit Committee.

**i Fair value hierarchy**

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 market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.

Level 2: valuation techniques using observable inputs: quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities values using models where all significant inputs are observable.

Level 3: valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable. The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, a valuation technique is used.

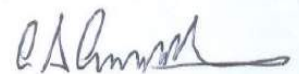
**b Financial risk management**

**i General**

Pursuant to a financial policy maintained by the Board of Directors, the holding and subsidiary Companies uses several financial instruments in the ordinary course of business. The holding and subsidiary Companies' financial instruments are cash and cash equivalents, trade and other receivables, interest bearing loans and bank overdrafts and trade and other payables.

The holding and subsidiary Companies has exposure to the following risks from its use of financial instruments: -

- Credit risk
- Liquidity risk
- Market risk, consisting of: currency risk, interest rate risk and price risk

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***Credit risk***

Credit risk is the risk of financial loss to the holding and subsidiary Companies if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The holding and subsidiary Companies is mainly exposed to credit risk from holding and subsidiary Companies' receivables from customers. It is the holding and subsidiary Companies' policy to assess the credit risk of new

The Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the holding and subsidiary Companies' standard payment and delivery terms and conditions are offered. The holding and subsidiary Companies' review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management.

The Management determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are holding and subsidiary Companies according to their credit characteristics. customers that are holding and subsidiary Companies as "high risk" are placed on a restricted customer list, and future credit services are made only with approval of the Management, otherwise payment in advance is required.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Banks with good reputation are accepted by the holding and subsidiary Companies for business transactions.





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The maximum credit risk as per statement of financial position, without taking into account the aforementioned financial risk coverage instruments and policy, consists of the book values of the financial assets as stated below:

	Company	
	31.03.21	31.10.20
	N'000	N'000
Trade receivables	30,133	16,166
Cash and cash equivalents	70,158	67,912
<b>Total</b>	<b>100,291</b>	<b>84,078</b>

As at the reporting date there was no concentration of credit risk with certain customers. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Banks with good reputation are accepted by the holding and subsidiary Companies for business.

FOR: CHELLARAMS PLC



DIRECTOR



DIRECTOR