CAP plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

Financial highlights

	6 Months to Jun 2022 ₦'000	6 Months to Jun 2021 ₦'000	% change
Revenue	8,745,101	5,728,253	53
Operating profit	1,263,833	587,643	115
Finance income	66,320	109,915	(40)
Profit before taxation	1,329,352	696,905	91
Taxation	(425,393)	(187,795)	127
Profit for the year	903,959	509,110	78
Total equity and liabilities	11,825,866	8,542,193	38
Additions to property, plant & equipment (PPE)	227,275	237,072	(4)
Depreciation on PPE	151,279	91,381	66
Cash and cash equivalents	3,086,082	3,679,361	(16)
Earnings per share (kobo) - Basic and diluted	111	73	53
Net asset per share (kobo) - Basic	615	398	54

Chemical and Allied Products Plc
Unaudited Statement of Profit or Loss and Other Comprehensive Income
For the Period Ended 30 June 2022

CAP plc

	Notes	3 Months to Jun 2022 ₦'000	3 Months to Jun 2021 ₦'000	6 Months to Jun 2022 ₦'000	6 Months to Jun 2021 ₦'000
Revenue	5	4,089,319	3,549,140	8,745,101	5,728,253
Cost of sales	7i	(2,382,671)	(2,514,135)	(5,230,741)	(3,992,262)
Gross profit		**1,706,648**	**1,035,005**	**3,514,360**	**1,735,991**
Selling and Marketing expenses	7iii	(445,440)	(228,340)	(895,922)	(303,144)
Administrative expenses	7ii	(785,270)	(650,484)	(1,430,455)	(1,063,988)
Other income	6	35,186	194,811	75,849	218,784
Operating profit		**511,124**	**350,992**	**1,263,833**	**587,643**
Finance income	9	37,294	47,689	66,320	109,915
Finance cost	10	(390)	(653)	(801)	(653)
Net Finance income		36,903	47,036	65,519	109,262
Profit before taxation		**548,027**	**398,029**	**1,329,352**	**696,905**
Income tax expense	11	(175,369)	(92,154)	(425,393)	(187,795)
Profit for the year		**372,658**	**305,875**	**903,959**	**509,110**
Other comprehensive income for the year net of tax					
Total comprehensive income for the year		372,658	305,875	903,959	509,110
Earnings per share for profit attributable to the equity holders of the company:					
Basic and diluted EPS (kobo)	13	47	44	111	73

The financial statements have been approved and authorised for issue by the board of Directors on 30 June 2022
The notes on pages 7 to 40 are an integral part of these financial statements.

Chemical and Allied Products Plc
Unaudited Statement of Financial Position
For the Period Ended 30 June 2022

CAP plc

	Notes	2022 ₦'000	2021 ₦'000
Assets			
Non-current assets			
Property, plant and equipment	14	1,448,664	1,374,421
Right of use asset	16	14,384	17,384
Intangible assets	15	320,194	196,926
Finance lease receivable	18b	10,372	10,372
		1,793,613	1,599,103
Current assets			
Inventories	17	5,855,105	5,484,222
Trade and other receivables	18a	618,310	551,593
Finance lease receivable	18b	3,300	3,300
Prepayments	19	227,172	1,663,427
Cash and cash equivalents	20	3,086,082	2,571,991
		9,789,969	10,274,533
Assets held for sale		242,284	242,283
		10,032,253	10,516,816
Total assets		**11,825,866**	**12,115,919**
Liabilities			
Non-current liabilities			
Lease Liability	24	8,527	7,874
Deferred taxation liabilities	23	165,809	165,809
		174,336	173,683
Current liabilities			
Trade and other payables	21	4,320,980	5,664,919
Lease liability	24	1,417	1,417
Current income tax liabilities	11	961,521	536,128
Import finance facility	26	197,206	6,170
Dividend payable	12	1,323,814	1,323,814
		6,804,937	7,532,448
Total liabilities		**6,979,274**	**7,706,131**
Ordinary share capital	21	407,374	394,130
Share premium	21	523,850	19,254
Other Reserves from business combination		968,267	968,267
Retained Earnings		2,947,101	3,028,137
Equity attributable to equity holders of the Company		4,846,592	4,409,788
Total equity		**4,846,592**	**4,409,788**
Total equity and liabilities		**11,825,866**	**12,115,919**

Mrs. Awuneba Ajumogobia	**Mrs. Bolarin Okunowo**	**Mr. Yomi Adenson**
Chairman	Managing Director	Chief Financial Officer
FRC/2020/003/00000020872	FRC/2020/003/00000020768	FRC/2021/001/00000023429

The notes on pages 7 to 40 are an integral part of these financial statements.

Chemical and Allied Products Plc
Statement of Cash Flows
For the period ended 30 June 2022

	Notes	2022 N'000	2021 N'000
Profit after taxation		903,959	1,122,583
Adjustments for:			
Depreciation of property plant and equipment	14	151,279	225,100
Depreciation of Right of Use assets	16	3,000	6,178
Amortisation	15	6,975	8,052
Profit on sale of PPE	6	(449)	(164,268)
Finance costs	10	801	7,614
Finance income	9	(66,320)	(180,480)
Impairment of trade and other receivables		(2,896)	42,270
Write back of impairment on financial assets.			(60,829)
Impairment and write off on inventory		29,900	100,935
Impairment of withholding tax asset	11		36,453
Income Tax expense	11	425,393	536,128
Deferred tax expense			46,800
Cash from operations before working capital changes		**1,451,642**	**1,726,536**
Decrease/(Increase) in inventory	17	(400,783)	(4,129,914)
Decrease/(Increase) in trade and other receivables	18(a)	(63,822)	188,224
Increase in trade payables	21	(1,343,939)	2,676,271
(Increase) in prepayment	19	1,436,255	(1,165,376)
Cash generated (used for)/from operations		**1,079,353**	**(704,259)**
Income taxes paid	11		(574,435)
Net cash generated (used for)/from operating activities		**1,079,353**	**(1,278,694)**
Cash flows from investing activities			
Purchase of property plant and equipment	14	(227,275)	(614,717)
Proceeds from disposal of PPE		1,069	184,221
Purchase of Intangible Assets		(129,110)	(142,059)
Interest received	9	66,320	177,180
Net cash flow from investing activities		**(288,996)**	**(395,375)**
Cash flows from financing activities			
Dividends paid	12	(467,155)	(1,470,000)
Interest paid		(148)	(6,199)
Repayment of lease liabilities			(1,307)
Proceeds from issue of share capital			44,130
Inflow of import finance facility	28	279,235	1,693,957
Repayment on import finance facility	28	(88,199)	(1,762,890)
Net cash flow used in financing activities		**(276,267)**	**(1,502,309)**
Net (decrease)/ increase in cash and cash equivalents		**514,091**	**(3,176,378)**
Net foreign exchange gain/(loss)			-
Cash and cash equivalents at beginning of period	**20**	2,571,991	5,748,369
Impact of ECL on cash & cash equivalent		-	-
Cash and cash equivalents at end of period	**20**	**3,086,082**	**2,571,991**

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

Statement of Changes in Equity

	Share Capital ₦'000	Share Premium ₦'000	Other Reserves ₦'000	Retained Earnings ₦'000	Total Equity ₦'000
At 01 January 2021	**350,000**	**19,254**		**3,375,554**	**3,744,808**
Additions during the year	44,130	(0)	968,267		1,012,397
Profit for the year				1,122,583	1,122,583
Other comprehensive income					
Total comprehensive income:				4,498,137	5,879,788
Post tax actuarial gains					
Transaction with owners:					
Dividend paid and proposed				(1,470,000)	(1,470,000)
Balance at 31 December 2021	**394,130**	**19,254**	**968,267**	**3,028,137**	**4,409,788**
Balance at 1 January 2022	394,130	19,254	968,267	3,028,137	4,409,788
Additions during the year*	13,244	504,596			
Profit for the year				903,959	903,959
Total comprehensive income:				3,932,096	5,313,747
Transactions with owners:					
Dividend paid and proposed				(984,995)	(984,995)
Balance at 30 June 2022	**407,374**	**523,850**	**968,267**	**2,947,101**	**4,328,752**

* Additional shares of 26,487,980 issued under the Scrip dividend scheme in June 2022 is in the process of being registered with SEC.

The notes on pages 7 to 40 are an integral part of these financial statements.

1. General information

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The policies set out below have been consistently applied to all the years presented.
(All amounts are in Naira thousands unless otherwise stated)

2.1.1 Going Concern

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this financial statements.

2.1.2 New and Amended standards and interpretation

The following new standards and amendments became effective as of 1 January 2020:

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. These amendments have no impact on the financial statements of the Company.

2. Significant accounting policies - Continued

2.1.2 New and Amended standards and interpretation - Continued

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below:

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current

The amendment are effective for annual periods beginning on or after 1 January 2023.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

2.1.2 New and Amended standards and interpretation - Continued

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
The amendments are effective annual reporting periods beginning on or after 1 January 2022.

Annual Improvements to IFRS Standards 2018–2020
Makes amendments to the following standards:
IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
These amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Covid-19-Related Rent Concessions (Amendment to IFRS 16)
The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.
The amendments are effective for annual reporting periods beginning on or after 1 January 2021

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

2. Significant accounting policies - Continued

Company as a lessee

The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets (ROU)

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Land 40 to 99 years

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (s) Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Company as a lessor

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

2.2 Segment reporting

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

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Naira (N), which is the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented

in the statement of profit or loss and other comprehensive income within 'finance income or cost'.

(c) Foreign currency policy

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.4 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administration purposes, are stated at cost less any accumulated impairment losses (for land and buldings) and accumulated depreciation (for buildings). All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the items. Land and building comprise mainly of factories and offices.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. The carrying amount of the replaced cost is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

2.4 Property, plant and equipment (continued)

Land is not depreciated. Leasehold properties are depreciated over their useful lives, unless the lease period is shorter, in which case the lease period is used. Depreciation on other classes of property, plant and equipment is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting date.

2.5 Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite.

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

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

Computer software

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

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

2.5 Intangible assets (continued)

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

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

2.6 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed 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 the higher of an asset's fair value less cost of disposal and value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.
When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

2.7 Initial recognition and measurement (Under IFRS 9)

All financial assets are recognised initially at fair value plus in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

(i) Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The company's loans and receivables comprise 'trade and other receivables' in the statement of financial position (Note 18).

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when: The rights to receive cash flows from the asset have expired or the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without materials delay under a 'pass through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.7.1 Subsequent measurement

(i) Loans and receivables

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement.

The company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset, has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.7.2 Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

2.7.2 Financial assets carried at amortised cost - Continued

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss and other comprehensive income. Interest income (recorded as finance income in the statement of profit or loss and other comprehensive income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the customer
- a breach of contract, such as a default from the customer
- the company, for economic or legal reasons relating to the customer's financial difficulty, granting to the customer a concession that the company would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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.

2.7.3 Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction cost.

2.7.4 Financial Instruments-initial recognition and subsequent measurement under IFRS 9

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) **Financial Assets**

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Revenue from contracts with customers above.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

2. Significant accounting policies - Continued

2.7.4 Financial Instruments-initial recognition and subsequent measurement under IFRS 9 (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified into 1 category:

- Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables, other receivables, loans, cash and cash equivalents and related parties receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

• The rights to receive cash flows from the asset have expired Or

• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2. Significant accounting policies - Continued

2.7.4

Financial Instruments-initial recognition and subsequent measurement under IFRS 9 - Continued

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the note below:

• Trade receivables Note 18a

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, 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 using the loss rate model.

For receivables to related parties (non-trade), other receivables and short-term deposits, the Company applies general approach in calculating ECLs. It is the Company's policy to measure ECLs on such asset on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

• PD- the probability of default is an estimate of the likelihood of default over a given time horizon.

• EAD- the exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise.

• LGD- the loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

2. Significant accounting policies - Continued

2.7.4

Financial Instruments-initial recognition and subsequent measurement under IFRS 9 - Continued

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

ii) Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through statement of profit or loss and other comprehensive income, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs
The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

2.8 Inventories

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

2.9 Cash and cash equivalents

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

2.10 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, and it is probable that the company will be required to settle that obligation and the amount has been reliably estimated.

Provisions for restructuring costs are recognised when the company has a detailed formal plan for the restructuring that has been communicated to affected parties. 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 recognised 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 using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Current and deferred income tax

The tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its tax liabilities on a net basis.

2. Significant accounting policies - Continued

2.13 Employee benefits

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

(a) Defined contribution schemes

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

ii) Voluntary contributions (Note 8): The company also contributes on an annual basis a fixed percentage of the employees salary to a fund managed by a fund administrator. The funds are invested on behalf of the employees and they will receive a payout based on the return of the fund upon retirement.

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

(b) Productivity incentive and bonus plans

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

2.14 Revenue From Contracts with Customers (IFRS 15)

The Company is involved in the manufacturing and sale of paint.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Company has applied IFRS 15 practical expedient to a portfolio of contracts (or performance obligations) with similar characteristics since the Company reasonably expect that the accounting result will not be materially different from the result of applying the standard to the individual contracts. The Company has been able to take a reasonable approach to determine the portfolios that would be representative of its types of customers and business lines. This has been used to categorised the different revenue stream detailed below.

Sale of Paints

The Company manufactures and sells paint and other decorative. Revenue are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 30 to 60 days upon delivery.Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

2. Significant accounting policies - Continued

2.14 Revenue From Contracts with Customers (IFRS 15) - Continued

The paint is often sold with volume rebates based on aggregate sales over a three months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebates.The Company normally transfer the products to the customers premises as part of the sales incentive which is a logistics discount. The logistic discount which is the transport cost paid on behalf of the customer is recognised as a reduction to revenue for the related goods.The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (if any). In determining the transaction price for the sale of paint, the Company considers the existence of significant financing components and consideration payable to the customer (if any).

i) **Variable Consideration**

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of paint and other decorative provide customers with a right of return and usage based fees (management fee). The rights of return and usage based fees give rise to variable consideration.

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer,as at 31 December 2019 no performance obligation is outstanding however, we have assessed our revenue for the last 7 days in the year and recognised return assets in the statements of financial position and the corresponding entry was adjusted in the revenue as required by IFRS 15.

Customer Usage

The Company has contracts where support staffs are located in the colour centres/shops that belongs to its numerous customers. The fee charged is based on a constant rate on sales made by the customer.The total transaction price of service cost rendered by Company would be variable since the contracts have range of possible transaction prices arising from different volume purchased even though the rate per unit/band is fixed. The Company estimates the variable consideration using the expected value (i.e.., a probability weighted amount) because this method best predicts the amount of consideration.

ii) **Significant financing component**

Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component since it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Application of paint

The Company provides service of application of paints to its customers. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised by measuring progress using the input method that is labour hours.

Using the practical expedient in IFRS 15 for the application of paint, the Company has elect to recognise revenue based on the amount invoiced to the customer since the Company has a right to consideration from its customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date.

Contract Balances

Trade Receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund Liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Cost to obtain a contract

The Company pays sales commission to its employees for each contract that they obtain for sales of paint. The Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense sales commissions (included under employee benefits and part of selling and distribution) because the amortisation period of the asset that the Company otherwise would have used is one year or less.

2.15 Fair value measurement

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

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

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

2. Significant accounting policies - Continued

2.15 Fair value measurement - Continued

(a) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
(b) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

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

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

2.16 Dividend distribution

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

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

2.17 Risk management

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

2.18 Non-current assets held for sale

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

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.
Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

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

Other Significant policies

3.3 Trading in Securities Policy

Chemical and Allied Products Plc (the Company) has a Securities Trading Policy regulating securities transactions by its directors and other insiders. The company's Securities Trading Policy complies with the standard set out by the Rules of the Nigerian Stock Exchange are no less stringent than the said standard. The company's Securities Trading Policy is to generally ensure the board members, employees and its external stakeholders who have knowledge of confidential and potentially price sensitive information are aware of the prohibition imposed by law against using, disclosing (other than in the normal course of the performance of their duties) or encouraging transactions in securities on the basis of such inside information.

In addition to obligations imposed by law, Chemical and Allied Products Plc wants board members, employees and external stakeholders to respect the safeguarding of confidential information and potentially price sensitive information. The Policy has been made available to all stakeholders and is also available on the Company's website. Having made specific enquiry of all directors, the Company confirms that all of its directors have complied with the standards set out in relevant laws as well as the Company's Securities Trading Policy.

4. Significant judgements and estimates

4.1 Significant estimates

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

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

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

Property, plant and Equipment/Intangible assets

Estimates are made in determining the depreciation/amortisation rates and useful lives of these property, plant and equipment. These financial statements have, in the management's opinion been properly prepared within reasonable limits of materiality and within the framework of the summarised significant accounting policies.(refer to Note 2.4 for further details).

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

4.2 Significant judgements

There are no assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Analysis by revenue

The chief operating decision-maker has been identified as the executive directors. The executive directors review the company's internal reporting on monthly income statement and financial position in order to assess performance and allocate resources.

The executive directors assess performance of the operating segment based on profit from operations.

	YTD 2022 ₦'000	YTD 2021 ₦'000
Operating profit	1,263,833	587,643
Depreciation (Note 14)	151,279	91,379
Interest income (Note 9)	66,320	109,915
Profit before taxation	1,329,352	696,905
Income tax (Note 11)	425,393	187,795
Total assets	11,825,866	9,732,296
Total liabilities	6,979,274	5,784,104

Entity wide information:	**2022**	**2021**
Analysis of revenue:	**₦'000**	**₦'000**
Sale of paint products	8,707,744	5,704,112
Revenue from services	37,357	24,141
	8,745,101	5,728,253

6. Other income

	2022 ₦'000	2021 ₦'000
Sale of scrap items	7,241	12,285
Profit on sale of PPE	449	160,795
Management fees	66,509	44,054
Rental income	1,650	1,650
Exchange gain/loss		
	75,849	218,784

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

7. Expenses by nature

		2022 ₦'000	2021 ₦'000
7i	**Cost of sales**		
	Change in inventories of finished goods and work in progress	4,459,721	3,526,807
	Staff costs excluding directors' emoluments (Note 8i)	106,446	95,931
	Distribution cost*	186,968	86,179
	Royalty fees	257,418	199,444
	Hire of equipment	30,681	19,178
	Capdec project cost	22,596	17,013
	Depreciation of property,plant & equipment (Note 14)	74,318	40,408
	General risk insurance premium	19,897	14,288
	Direct overhead	2,944	4,898
	Other expenses	69,752	(12,003)
		5,230,741	**3,992,262**

* The Company modified the classification of distribution cost, from a net off in revenue, to part of cost of sales. As a result, comparative amounts have been reclassified for consistency

7ii **Admininstrative expenses**

Staff costs excluding directors' emoluments	763,382	545,800
Directors' emoluments (Note 8iii)	23,322	23,333
Auditors' fees	11,825	10,535
Depreciation of property,plant & equipment (Note 14)	76,961	50,971
Amortisation of intangible assets (Note 15)	6,975	1,666
Insurance	4,327	3,198
Commercial service fees (Note 25b)	91,982	59,718
Computer charges	115,429	61,554
Cleaning and laundry	11,745	7,693
Security	8,189	4,641
Fuel and Oil Expenses	37,257	48,011
Other Professional/Consutancy Expenses	24,452	25,241
Postage,Printing and Telecoms	25,170	38,812
AGM/Secretariat Expenses	22,498	14,324
Impairment and write off on inventory	29,900	75,935
Impairment of trade and other receivables	(2,896)	3,836
Exchange gain/loss	56,212	
Other expenses	122,995	87,722
	1,430,455	**1,063,988**

Selling and distribution expenses

Marketing, communication & entertainment	540,807	38,407
Tour and travelling	106,499	48,093
Other expenses	248,616	216,644
	895,922	303,144

These are expenses used in the dialy running of the business.

8. Employee benefits

	2022	**2021**
Staff costs include:		
Wages and salaries	831,621	628,786
Pension costs:		
- Defined contribution plans (Statutory)	38,207	12,945
- Defined contribution plans (Voluntary)		
	869,828	641,731

Particulars of directors and staff

(i) The company had in its employment during the year the weekly average number of staff in each category below. The aggregate amount stated against each category was incurred as wages and retirement benefit costs during the year.

	2022	**2021**
	₦'000	**₦'000**
Costs		
Management	697,253	512,639
Staff	172,575	129,092
Total	869,828	641,731

8. Employee benefits (continued)

	2022 Number	2021 Number
Numbers		
Management	111	84
Staff	145	115
	256	199

(ii) The table below shows the number of employees who earned over ₦ 400,000 as emoluments in the year and were within the bands stated.

=N=		2022 Number	2021 Number
400,001	1,000,000	1	3
1,000,001	1,400,000	28	36
1,400,001	1,800,000	46	45
1,800,001	2,200,000	33	27
2,200,001	2,400,000	17	7
2,400,001	3,000,000	16	10
3,000,001	4,000,000	20	19
4,000,001	5,000,000	23	14
5,000,001	6,000,000	14	8
6,000,001	8,000,000	22	13
8,000,001	9,000,000	10	3
9,000,001	10,000,000	7	2
10,000,001	16,000,000	5	5
16,000,001	18,000,000	3	2
18,000,001	30,000,000	4	2
30,000,001	50,000,000	3	3
Above	50,000,000	4	0
		256	199

(iii) Emoluments of directors

	2022 ₦'000	2021 ₦'000
Fees	588	588
Passage allowance	22,734	22,301
Other emoluments	63,283	38,856
	86,605	61,745

	2022	2021
(iv) The Chairman's emoluments	6,732	6,099
(v) Emolument of the highest paid director	32,000	38,856

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

₦			2022 Number	2021 Number
0	-	14,000,000	6	4
14,000,001	-	16,000,000		
18,000,001	-	60,000,000	3	1
			9	5

8. Employee benefits (continued)

Key management compensation

Key management have been defined as the executive directors.

Key management compensation includes:	2022 ₦'000	2021 ₦'000
Short-term employee benefits:		
- Wages and salaries	63,283	38,856
- Directors emoluments		
	63,283	38,856

The above amounts have been included in directors emoluments above.

9. Finance income

	2022 ₦'000	2021 ₦'000
Interest income on short-term bank deposits	66,320	109,915
Rental Income		
	66,320	109,915

10. Finance Cost

	2022 ₦'000	2021 ₦'000
Lease interest expenses	653	653
Interest on bank facility	148	
	801	653

11. Taxation

	2022 ₦'000	2021 ₦'000
Current tax		
Nigeria corporation tax charge for the year	398,806	177,058
Education tax	26,587	10,737
Income tax expense	425,393	187,795

Nigeria corporation tax is calculated at 30% (2020: 30%) of the estimated assessable profit for the year.

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

	2022 ₦'000	2021 ₦'000
Accounting Profit before tax	**1,329,352**	**696,905**
Tax at the Nigeria corporation tax rate of 30% (2021: 30%)	398,806	177,058
Impact of disallowable expenses		
Education tax at 2% of assesable profit	26,587	10,737
	425,393	**187,795**

11. Taxation (Continued)

Effective tax rate	32%	27%
Income tax recognised in profit or loss		
Tax at the Nigeria corporation tax rate of 30% (2020: 30%)	398,806	177,058
Education tax	26,587	10,737
Tax charge for the year	**425,393**	**187,795**

	2022 ₦'000	2021 ₦'000
Per statement of profit or loss		
Income tax	398,806	177,058
Education tax	26,587	10,737
NPF Trust Fund		
Deferred taxation (Note 23)		
	425,393	187,795
Per statement of financial position:		
Balance 1 January	536,128	589,835
Transfer from PPPN		9,310
(Payments)/writeback during the year:		
Income tax		(534,417)
Education tax		(39,928)
NPF Trust Fund/Capital gains tax		(90)
Total cash payment		**(574,435)**
WHT Utilized		(10,244)
		(584,679)
		14,466
Provision for the year:		
Income tax	398,806	456,047
Education tax	26,587	49,850
NPF Trust Fund		15,765
	425,393	536,128
Balance as at 30 June	961,521	536,128

12. Dividend payable

Amounts recognised as distributions to ordinary shareholders in the year comprise:

	2022 ₦'000	2021 ₦'000
At 1 January	1,323,814	1,748,509
**Dividend re-imbursement		(125,784)
Transfer from PPPN		22,770
Reclassification		(321,681)
At 30 June	1,323,814	1,323,814

**Dividend re-imbursement relates to unclaimed dividend earlier refunded by the Registrars and later reimbursed upon the shareholders request.

ii. Dividend declared

Amounts recognised as distributions to ordinary shareholders in the year comprise of the below;

	₦'000	₦'000
At 1 January		
Approved dividend	984,995	1,470,000
Dividend paid as shares	(517,840)	
Cash payments during the year	(467,155)	(1,470,000)
At 30 June		

(a) Basic

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

	2022	2021
Weighted average number of ordinary shares in issue ('000)	814,748	700,000
Profit attributable to ordinary equity shareholders (₦'000)	903,959	509,110
Basic earnings per share (kobo)	111	73
(b) Diluted	111	73

There were no potentially dilutive shares outstanding at 30 June 2022.

14. Property, plant and equipment

14.1 Reconciliation of carrying amount

	Leasehold Land	Buildings on leasehold land	Tinting equipment	Plant and Machinery	Furniture and fittings	Motor vehicles	WIP	Total
Cost	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
At 1 January 2021	1,412	72,642	242,745	806,870	236,173	359,235	6,714	1,725,791
Additions		46,331	122,724	186,271	68,955	190,436		614,717
Acquired through merger	40,000	176,130	438,741	67,694	178,765	155,903		1,057,233
Disposals				(61,463)	(9,737)	(3,554)	(6,714)	(81,468)
Reclassification to assets held for sale	(40,000)	(148,967)	(47,466)	(2,173)	(3,677)			(242,284)
At 31 December 2021	1,412	146,135	756,744	997,199	470,479	702,021	(0)	3,073,990
At 1 January 2022	1,412	146,135	756,744	997,199	470,479	702,021	(0)	3,073,990
Additions			94,858	19,765	52,184	60,469		227,275
Disposals			(15,098)	(120)	(2,130)			(17,349)
At 30 June 2022	1,412	146,135	836,504	1,016,843	520,533	762,489	(0)	3,283,916
Accumulated depreciation								
At 1 January 2021		25,533	166,704	364,008	154,392	187,385		898,022
Charge for the year		3,316	43,510	60,554	33,622	84,098		225,100
Acquired through merger		24,266	352,854	15,129	162,415	93,355		648,019
Disposals		(3,286)		(55,901)	(9,190)	(3,198)		(71,575)
Reclassification to assets held for sale								
At 31 December 2021		49,829	563,068	383,790	341,239	361,640		1,699,567
At 1 January 2022		49,829	563,068	383,790	341,239	361,640		1,699,567
Charge for the year		1,802	42,845	31,472	23,932	51,227		151,279
Disposals			(14,450)	(120)	(1,023)			(15,593)
At 30 June 2022		51,632	591,464	415,142	364,148	412,867		1,835,253
Net book values								
At 30 June 2022	1,412	94,503	245,040	601,701	156,385	349,622	(0)	1,448,664
At 31 December 2021	1,412	96,306	193,676	613,409	129,240	340,381	(0)	1,374,420

14. Property, plant and equipment (Continued)

a) Leasehold properties have an unexpired tenure of 40 years
b) The Company had no capital commitments and no capital work in progress as at 31 March 2022
c) No asset of the Company was pledged as security and there are no restrictions to title on any of the Company's assets (2021: Nil).

14.3 Assets held for sale

Included in the assets acquired from the merger with Portland Paints is a disposal group held for sale. These relate to part of the manufacturing factory situated in Ewekoro, Ogun state.
The disposal group comprise the following assets:

	2022 N'000	2021 N'000
At 1 January 2022	242,284	
Leasehold Land		40,000
Buildings on leasehold land		148,967
Tinting equipment		47,466
Plant and Machinery		2,173
Furniture and fittings		3,677
	242,284	**242,284**

15. Intangible assets

	Software N'000	Trademark N'000	WIP N'000	Total N'000
Cost of software:				
At 1 January 2021	116,271			116,271
Additions			142,059	142,059
Acquired through merger	250,833	49,025		299,858
At 31 December 2021	367,104	49,025	142,059	558,188
At 1 January 2022	367,104	49,025	142,059	558,188
Additions			129,110	129,110
Disposal				
At 30 June 2022	367,104	49,025	271,169	687,298
Amortisation of software:				
At 1 January 2021	112,061			112,061
Amortisation charge	8,052			8,052
Acquired through merger	241,149			241,149
At 31 December 2021	361,262			361,262
At 1 January 2022	361,262			361,262
Amortisation charge	1,980			1,980
Disposal	3,862			3,862
At 30 June 2022	367,104			367,104
Net book value				
At 31 December 2021	5,842	49,025	142,059	196,926
At 31 January 2022	5,842	49,025	142,059	196,926
At 30 June 2022	0	49,025	271,169	320,194

Trademark

The Company's trademark represents the N49 million trade mark purchased from Blue Circle Industries Plc by Portland Paints & Products Plc, and acquired through the merger, which have been adjudged to have an indefinite life. The Trademark is carried at cost, without amortisation, to be tested annually for impairment.

Capital Work In Progress (WIP)

Capital work in progress (WIP) relates development cost incurred on SAP HANA, the new ERP software under development as at the reporting period.

16. Right of Use assets

	Land N'000	Shop Space N'000	Total N'000
Cost			
At 1 January 2021	7,740	30,000	37,740
Additions			
At 31 December 2021	7,740	30,000	37,740
At 1 January 2022	7,740	30,000	37,740
Additions			
At 30 June 2022	**7,740**	**30,000**	**37,740**
Accumulated Depreciation			
At 1 January 2021	178	14,000	14,178
Depreciation charge	178	6,000	6,178
At 31 December 2021	**356**	**20,000**	**20,356**
At 1 January 2022	356	20,000	20,356
Depreciation charge		3,000	3,000
At 30 June 2022	356	23,000	23,356
Carrying amount			
At 30 June 2022	7,384	7,000	14,384
At 31 December 2021	**7,384**	**10,000**	**17,384**

Right of Use Assets arise from the Company's lease arrangement with Wemabod on the piece of land where the office and warehouse is located for a non cancellable period of 100 years as well as for the joint lease of a retail store/ Dulux Colour Centre with a Trade Partner for a period of five (5) years beginning 1 September 2018.

17. Inventories

	Valued at:	2022 ₦'000	2021 ₦'000
Raw materials	Cost	1,871,168	1,739,244
Intermediates	Cost	43,130	34,526
Technical stocks and spares	Cost	72,549	54,843
Containers and labels	Cost	194,194	197,175
Consumable stocks	Cost	4,934	
Finished goods	Cost	3,862,873	2,012,100
Goods in Transit	Cost		1,769,811
Impairment - Inventory		(193,744)	(323,477)
		5,855,105	5,484,222

18a Trade and other receivables

Receivables due within one year	2022 ₦'000	2021 ₦'000
Trade receivables	689,362	721,335
Less: provision for impairment of trade receivables	(132,518)	(241,748)
Net trade receivable	556,843	479,587
Receivables from related parties (Note 25)	4,950	889
Witholding tax receivable	143,956	132,310
Impairment of WHT receivable	(129,618)	(116,769)
Other receivables	19,575	59,513
Impairment on other receivables	(5,938)	(29,522)
Advances to staff	21,854	25,585
Vat receivable	6,688	
	618,310	551,593

Other receivables mainly relates to interest receivable as at period end.

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

	2022 ₦'000	2021 ₦'000
At 1 January	241,748	57,241
Additional impairment charge for the year		36,535
Transfer from PPPN		147,972
Receivable Write off in the year	(106,334)	
Receivable Impairment written back during the year.	(2,896)	
At 31 January 2022	132,518	241,748

18. Trade and other receivables (continued)

18b Receivables due after one year, finance lease receivables

	2022 ₦'000	2021 ₦'000
Gross investment in lease	83,600	83,600
Unearned finance income	(69,928)	(69,928)
Net investment in lease	13,672	13,672
Gross investment in lease		
Gross finance lease receivable - minimum lease receivable		
- No later than 1 year	2,200	2,200
- 2 to 5 years	8,800	8,800
- More than 5 years	72,600	72,600
	83,600	83,600
Future finance income on lease	(69,928)	(69,928)
Present value of finance lease receivable	13,672	13,672
The present value is analysed as follows:		
- No later than 1 year	3,300	3,300
- 2 to 5 years	5,910	5,910
- More than 5 years	4,461	4,461
	13,671	13,671

The company has finance lease for a warehouse to a related party, MDS Logistics. The lease is for a total period of 51 years; of this period 41 years remain in the contract. The property reverts to the company at the end of the lease period.

19. Prepayments

	2022 ₦'000	2021 ₦'000
Import prepayment	(16,885)	1,369,416
Other prepayments	162,008	109,798
Packaging Material	82,049	87,941
	227,172	**1,567,150**

Other prepayment mainly relates to payments made in advance to vendors.

20. Cash and cash equivalents

	2022 ₦'000	2021 ₦'000
Cash at bank and in hand	367,818	175,401
Short-term deposits	2,718,264	2,396,590
Total	**3,086,082**	**2,571,991**
Restricted cash		
(Impairment) on short term deposits		
Total	**3,086,082**	**2,571,991**

Cash at banks earns interest at floating rates on daily bank deposit rates.

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

21. Trade and other payables

	2022 ₦'000	2021 ₦'000
Trade payables	1,643,166	3,589,612
Royalty accrual	719,025	461,607
	2,362,192	**4,051,219**
Provision for employee leave	18,677	
Statutory Payables	242,727	212,845
Advance payments received	12,878	12,878
Payable to related parties	391,587	264,903
Accrued expenses	1,199,291	1,062,972
Sundry creditors	93,629	60,102
	4,320,980	5,664,919

	2022	2021
Average credit period taken for trade purchases (days)	30	30

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The directors consider the carrying amount of trade and other payables to approximate its fair value.

22. Share capital

	2022		2021	
	Number '000	Amount N'000	Number '000	Amount ₦'000
Authorised:				
Ordinary shares of 50k each	1,500,000	750,000	1,500,000	750,000
Issued and fully paid:				
Ordinary shares of 50k each	788,260	394,130	788,260	394,130

Movements during the year:	Number of shares '000	Ordinary shares ₦'000
Balance at 1 January 2022	560,000	280,000
Bonus issue	140,000	70,000
Transfer from PPP	88,260	44,130
Scrip dividend issue	26,488	13,244
At 30 June 2022	814,748	407,374

Share premium	**₦'000 2022**	**₦'000 2021**
Balance at 1 January	19,254	19,254
Movement in the period	504,596	
At 30 June 2022	523,850	19,254

Reserves from business combination	**₦'000**	**₦'000**
Balance at 1 January	968,267	212,845
		968,267
At 30 June 2022	**968,267**	**968,267**

Nature and purpose of reserves

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

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

23. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Statement of financial position:	2022 ₦'000	2021 ₦'000
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	165,809	165,809
	165,809	165,809
Property, plant & equipment		349,818
Provisions		(208,221)
Trade and other receivables		
Inventories		
Exchange difference		24,831
Right of use assets (IFRS 16 Leases)		(619)
	165,809	165,809

24. Lease Liability

	2022 ₦'000	2021 ₦'000
Opening balance	9,291	9,183
Lease interest expenses	653	1,415
Lease payment during the year		(1,307)
Balance as at 31 December	**9,944**	**9,291**
Spliting into Current and Non-Current		
Current	1,417	1,417
Non-Current	8,527	7,874
	9,944	9,291

25. Related party transactions

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

The following transactions were carried out with related parties:

(a) Sales of goods and services

	Relationship		2,022 ₦'000	2,021 ₦'000
UAC of Nigeria Plc	Parent	Service	1,072	
UAC Foods Limited	Fellow subsidiary	Sales of paint		889
UACN Property Dev. Company Plc	Fellow subsidiary	Sales of paint		
UAC Restaurants	Fellow subsidiary	Sales of paint		
			1,072	**889**

(b) Purchases of goods and services

	2022 ₦'000	2021 ₦'000
UAC Foods Limited		98
UAC of Nigeria Plc: Commercial service fee (Note 7)	91,982	59,718
	91,982	**59,816**

(c) Key management compensation

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

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

	Relationship		2,022 ₦'000	2,021 ₦'000
Receivable:				
UAC Foods Limited	Fellow subsidiary	Sales of paint		889
UACN Property Dev. Company Plc	Fellow subsidiary	Sales of paint		-
UAC Restaurants	Fellow subsidiary	Service		-
MDS Logistics			4,950	
UAC of Nigeria Plc	Parent	Service		
			4,950	**889**
Payable:				
UAC Foods Limited				98
UAC Restaurants	Fellow subsidiary	Service	131	
UAC of Nigeria Plc	Parent	Service	391,456	264,805
			391,587	**264,903**

26. Loans and borrowing

Bank facility - Import finance facility b/f	6,170	75,103
Payment made during the year	(88,199)	(1,762,890)
Receipt of import during the year	279,235	1,693,957
Amount outstanding - Import finance facility	**197,206**	**6,170**

27 Financial instruments - financial risk management and fair values

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Risks Management Committee of the Board of Directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

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

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

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

Exposure to credit risk

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

	2022 N'000	2021 N'000
Trade and other receivables*	597,284	535,163
Lease receivable	13,672	13,672
Cash and cash equivalents (Note 20)	3,086,082	2,571,991
	3,683,366	**3,107,154**

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

Trade and other receivables

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

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

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

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

Expected credit loss assessment for Trade Receivables

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

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

As at 30 June 2022	**Average loss rate**	**Gross**	**Impairment**	**Net**
		N'000	**N'000**	**N'000**
Current (not due)	4%	548,492	20,733	527,759
61-90 Days (past due)	8%	174,118	14,318	159,800
91-120 Days (past due)	71%	-	-	-
121-365 Days (past due)	94%	-	-	-
Over 365 days (past due)	100%	92,800	92,800	-
		815,410	**127,851**	**687,559**

As at 31 December 2021	**Average loss rate**	**Gross**	**Impairment**	**Net**
		N'000	**N'000**	**N'000**
Current (not due)	4.59%	447,414	27,740	419,674
61-90 Days (past due)	57%	127,880	72,892	54,988
91-120 Days (past due)	71%	21,321	16,417	4,904
121-365 Days (past due)	94%	232	211	21
Over 365 days (past due)	100%	124,488	124,488	-
		721,335	**241,748**	**479,587**

Cash and cash equivalents

The Company held cash and cash equivalents of N3.1 billion as at 30 June 2022 (Dec 2021 - N2.6 billion). The Company mitigates its credit risk exposure of its bank balances and derivative financial instrument by selecting and transacting with reputable banks with good credit rating by rating agencies.

(b) Liquidity risk

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

Liquidity Analysis

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

As at 30 June 2022

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-5years	Over 5years
	N'000	N'000	N'000	N'000	N'000	N'000
Non-derivative financial liabilities						
Trade and other payables *	4,320,980	4,320,980	(4,320,980)		-	-
Lease liability	9,944	56,181	(1,307)	(1,307)	(6,535)	(47,032)
Import finance facility	197,206	197,206				
Dividend payable	1,323,814	1,323,814				

31 December 2021

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

(c) Market risk

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

Currency risk

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

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

Chemical and Allied Products Plc
Free Float Computation
For the Period Ended 30 June 2022

CAP plc

Company Name:	Chemical and Allied Products PLC
Board Listed:	Main Board
Year End:	December 31
Reporting Period:	Half Year Ended 30 June 2022
Share Price at end of reporting period:	N18.15 (2021: N19.00)
Shareholding Structure/Free Float Status	

Description	**30-Jun-22**		**30-Jun-21**	
	Unit	**Percentage**	**Unit**	**Percentage**
Issued Share Capital*	788,259,520	100%	700,000,000	100%
Substantial Shareholdings (5% and above)				
UAC of Nigeria Plc	445,696,097	56.54%	360,427,061	51.49%
Total Substantial Shareholdings	**445,696,097**	**56.54%**	**360,427,061**	**51.49%**
Directors' Shareholdings (direct and indirect), excluding directors with substantial interests				
Mrs. Awuneba Ajumogobia	-	-	-	-
Mrs Bolarin Okunowo	-	-	-	-
Mrs. Udo Okonjo	-	-	-	-
Mrs. Muhibat Abbas	-	-	-	-
Dr. Vitus Ezinwa	-	-	-	-
Mr. Folasope Aiyesimoju	-	-	-	-
Mrs. Ifeoma Chuks-Adizue	-	-	-	-
Mr. Yomi Adenson	-	-	-	-
Total Directors' Shareholdings	0	0.00%	0	0.00%
Other Influential Shareholdings				
Stanbic IBTC Nominees Nigeria Ltd/C002 -	33,491,241	4.25%	45,516,590	6.50%
Total Other Influential Shareholdings	**33,491,241**	**4.25%**	**45,516,590**	**6.50%**
Free Float in Units and Percentage	309,072,182	39.21%	294,018,579	42.00%
Free Float in Value	**5,609,660,103**		**5,586,353,001**	

Declaration:

* Excluded from the issued share capital value is additional shares of 26,487,980 issued under the Scrip dividend scheme in June 2022 and awaiting registration with SEC.

(A) CAP Plc with a free float percentage of 39.21% as at 30 June 2022, is compliant with The Exchange's free float requirements for companies listed on the Main Board.