FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

Contents

CAP plc

Financial highlights

	9 Months to Sep 2023	9 Months to Sep 2022	%
	₦'000	₦'000	change
Revenue	15,263,368	13,060,626	17
Operating profit	1,664,744	1,880,504	(11)
Finance income	763,415	76,941	892
Profit before taxation	2,326,333	1,952,478	19
Taxation	(767,690)	(624,793)	23
Profit for the year	1,558,643	1,327,685	17
Total equity and liabilities	14,804,488	12,672,502	17
Additions to property, plant & equipment (PPE)	511,621	569,777	(10)
Depreciation on PPE	302,963	242,813	25
Cash and cash equivalents	3,934,907	3,181,062	24
Earnings per share (kobo) - Basic and diluted	191	163	17
Net asset per share (kobo) - Basic	875	669	31

Chemical and Allied Products Plc
Unaudited Statement of Profit or Loss and Other Comprehensive Income
For the Period Ended 30 September 2023

	Notes	3 Months to Sep 2023 ₦'000	3 Months to Sep 2022 ₦'000	9 Months to Sep 2023 ₦'000	9 Months to Sep 2022 ₦'000
Revenue	5	5,486,075	4,315,525	15,263,368	13,060,626
Cost of sales	7i	(3,300,876)	(2,566,395)	(9,441,217)	(7,797,136)
Gross profit		**2,185,199**	**1,749,130**	**5,822,151**	**5,263,490**
Selling and Marketing expenses	7iii	(784,770)	(466,199)	(1,660,275)	(1,362,121)
Administrative expenses	7ii	(1,032,535)	(762,249)	(2,727,048)	(2,161,322)
Other income	6	58,169	64,608	229,916	140,457
Operating profit		**426,063**	**585,290**	**1,664,744**	**1,880,504**
Finance (Loss)/income	9	(23,112)	42,003	763,415	76,941
Finance cost	10	11,465	(4,167)	(101,826)	(4,968)
Net Finance (Loss)/income		**(11,647)**	**37,836**	**661,589**	**71,973**
Profit before taxation		**414,416**	**623,126**	**2,326,333**	**1,952,478**
Income tax expense	11	(136,757)	(199,400)	(767,690)	(624,793)
Profit for the year		**277,658**	**423,726**	**1,558,643**	**1,327,685**
Other comprehensive income for the year net of tax					
Total comprehensive income for the year		277,658	423,726	1,558,643	1,327,685
Earnings per share for profit attributable to the equity holders of the company:					
Basic and diluted EPS (kobo)	13	34	52	191	163

The financial statements have been approved and authorised for issue by the board of Directors on 20th October, 2023
The accompanying notes to the financial statements form part of these financial statements.

Chemical and Allied Products Plc
Unaudited Statement of Financial Position
For the Period Ended 30 September 2023

CAP plc

Assets	**Notes**	**2023 ₦'000**	**2022 ₦'000**
Non-current assets			
Property, plant and equipment	14	1,919,781	1,723,492
Right of use asset	16	7,206	11,206
Intangible assets	15	346,623	394,821
Finance lease receivable	18b	10,372	10,372
		2,283,982	**2,139,891**
Current assets			
Inventories	17	6,092,087	5,100,796
Trade and other receivables	18a	828,391	868,135
Finance lease receivable	18b		600
Prepayments	19	1,426,982	1,297,565
Cash and cash equivalents	20	3,934,907	3,761,078
		12,282,367	11,028,174
Assets held for sale		238,139	238,139
		12,520,506	11,266,313
Total assets		**14,804,488**	**13,406,204**
Liabilities			
Non-current liabilities			
Lease Liability	24	7,547	7,874
Deferred taxation liabilities	23	328,672	328,672
		336,219	336,546
Current liabilities			
Trade and other payables	21	5,000,135	3,350,598
Lease liability	24	1,417	1,417
Current income tax liabilities	11	826,135	922,800
Import finance facility	26	285,065	735,110
Dividend payable	12	1,460,132	1,460,132
		7,572,884	6,470,057
Total liabilities		**7,909,103**	**6,806,603**
Ordinary share capital	21	407,374	407,374
Share premium	21	523,850	523,850
Other Reserves from business combination		968,267	968,267
Retained Earnings		4,995,894	4,700,110
Equity attributable to equity holders of the Company		6,895,385	6,599,601
Total equity		**6,895,385**	**6,599,601**
Total equity and liabilities		**14,804,488**	**13,406,204**

Mr. Folasope Aiyesimoju	**Mrs. Bolarin Okunowo**	**Mr. Yomi Adenson**
Chairman	Managing Director	Finance Director
FRC/2019/IODN/00000019806	FRC/2020/003/00000020768	FRC/2021/001/00000023429

The accompanying notes to the financial statements form part of these financial statements.

Chemical and Allied Products Plc
Statement of Cash Flows
For the Period Ended 30 September 2023

	Notes	2023 N'000	2022 N'000
Profit after taxation		1,558,643	2,376,208
Adjustments for:			
Depreciation of property plant and equipment	14	302,963	353,875
Depreciation of Right of Use assets	16	4,000	6,178
Amortisation	15	55,968	26,680
Profit on sale of PPE	6	(51,801)	(6,466)
Finance costs	10	101,826	33,554
Finance income	9	(231,320)	(381,765)
Impairment of trade and other receivables		(13,912)	(31,443)
Write back of impairment on financial assets.			(28,708)
Write down and write off on inventory		144,803	60,575
Write off of obsolete assets			5,016
Income Tax expense	11	767,690	905,140
Deferred tax expense			162,864
Cash from operations before working capital changes		**2,638,861**	**3,481,708**
Changes in inventory	17	(1,136,094)	322,851
Changes in trade and other receivables	18(a)	53,656	(327,585)
Changes in finance lease receivable		600	2,700
Changes in trade payables	21	1,649,537	(2,058,002)
Changes in prepayment	19	(129,417)	365,862
Cash generated from operations		**3,077,142**	**1,787,534**
Income taxes paid	11	(864,354)	(447,275)
Net cash generated from operating activities		**2,212,788**	**1,340,259**
Cash flows from investing activities			
Purchase of property plant and equipment	14	(511,621)	(704,409)
Proceeds from disposal of PPE		64,168	10,919
Purchase of Intangible Assets		(7,770)	(228,437)
Interest received	9	231,320	381,765
Net cash flow used in investing activities		**(223,902)**	**(540,162)**
Cash flows from financing activities			
Dividends paid	12	(1,262,859)	(467,154)
Dividend refunded	12	-	160,758
Interest paid		(100,846)	(32,247)
Repayment of lease liabilities		(1,307)	(1,307)
Inflow of import finance facility	28	150,062	1,772,369
Repayment on import finance facility	28	(600,108)	(1,043,428)
Net cash flow (used in)/from financing activities		**(1,815,057)**	**388,990**
Net increase in cash and cash equivalents		**173,828**	**1,189,087**
Cash and cash equivalents at beginning of period	**20**	**3,761,078**	**2,571,991**
Cash and cash equivalents at end of period	**20**	**3,934,907**	**3,761,078**

The accompanying notes to the financial statements form part of these financial statements.

Chemical and Allied Products Plc
Unaudited Statement of Changes in Equity
For the Period Ended 30 September 2023

Statement of Changes in Equity

	Share Capital ₦'000	Share Premium ₦'000	Other Reserves ₦'000	Retained Earnings ₦'000	Total Equity ₦'000
At 01 January 2022	**394,130**	**19,254**	**968,267**	**3,028,137**	**4,409,788**
Profit for the year				2,376,208	2,376,208
Other comprehensive income					
Total comprehensive income:				2,376,208	2,376,208
Transaction with owners:					
Dividend paid and proposed				(984,994)	(984,994)
Scrip dividend	13,244	504,596			517,840
Write back of stature barred dividend	-	-		280,759	280,759
Balance at 31 December 2022	**407,374**	**523,850**	**968,267**	**4,700,110**	**6,599,601**
Balance at 1 January 2023	407,374	523,850	968,267	4,700,110	6,599,601
Additions during the year*					
Profit for the year				1,558,643	1,558,643
Total comprehensive income:				6,258,753	8,158,244
Transactions with owners:					
Dividend paid and proposed				(1,262,859)	(1,262,859)
Balance at 30 September 2023	**407,374**	**523,850**	**968,267**	**4,995,894**	**6,895,386**

The accompanying notes to the financial statements form part of these financial statements.

Notes to the Financial Statements

1. General information

1.1 Reporting Entity

Chemical and Allied Products Plc ('the Company') is a company incorporated in Nigeria. The Company is involved in the manufacturing and sale of paints. 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 Exchange domiciled in Nigeria.

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

1.2 Basis of accounting

i) Statement of compliance

The financial statements of Chemical and Allied Products Plc have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and the requirements of the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011. The financial statements, which were prepared on a going concern basis, were authorized for issue by the Company's board of directors on 20 March 2023. Details of the Company's accounting policies, including changes thereto are included in Note 2.

(All amounts are in Naira thousands unless otherwise stated)

ii) Basis of measurement

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

- Derivative financial instruments - measured at fair value
- Non- derivative financial instruments - initially measured at fair value and subsequently at amortised cost.
- Inventory - lower of cost and net realisable value
- Lease liabilities - measured at present value of future lease payments

1.3 Functional and Presentation Currency

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

Notes to the Financial Statements - Continued

2. Significant accounting policies

2.0 Leases

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.

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

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
• Shop Space	5years

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.

iii) Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The company has an annual rental expenses for its warehouse and has recognise the payment as an expense.

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. This has been recognised as finance lease receivable.

Notes to the financial statements - Continued

2.1 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.

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

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).

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 related to financial instruments.

2.2 Property, plant and equipment

Recognition and measurement

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

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

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

Subsequent expenditure

Subsequent 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.

Notes to the financial statements - Continued

2.3 Property, plant and equipment (continued)

Depreciation

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Asset under construction are disclosed Capital Work in Progress and are not depreciated.

Depreciation begins when the asset is available for use and continues until the asset is derecognised, even if it is idle.

Derecognition

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

2.4 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.

Asset	Useful Life
Trademark	Indefinite
Computer Software	5years

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.

Notes to the financial statements - Continued

2.5 Intangible assets (continued)

Computer software

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

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

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

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

2.6 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.

Notes to the financial statements - Continued

2.7 Financial Instruments

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.

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.

2.7.1 Financial Instruments-initial recognition and subsequent measurement

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.

Notes to the financial statements - Continued

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.

2.7.2 Financial Instruments-initial recognition and subsequent measurement

Impairment of financial assets
Further disclosures relating to impairment of financial assets are also provided in the note to 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.

Notes to the financial statements - Continued

2.7.3 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) 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 subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortized cost
These includes trade and other payables, loans payables and borrowings. Trade payables and borrowings are classified as current liabilities due to their short term nature.

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.

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.

2.8 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. Allowance is made for obsolete items where applicable.

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.

Notes to the financial statements - Continued

2.10 Provisions, Contingent liabilities and Contingent assets

Provisions are recognised when:
the Company has a present obligation as a result of a past event
it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cashflows (when the effect of the time value of money is material).

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

Contingent liabilities
A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

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

2.11 Share capital

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

The Company has only one class of shares; ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. The use of the share premium account is governed by Companies and Allied Matters Act (CAMA), 2020. All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

2.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. It includes tax payable on current year's profit plus adjustment in respect of previous years.

2.12.1 Current tax

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

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

Minimum tax
Minimum tax is payable by companies having no taxable profits for the year or where the tax on profits is below the minimum tax. Minimum tax is calculated by applying 0.5% on Company's turnover.

Notes to the financial statements - Continued

2.12.2 Deferred tax

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

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

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

2.12.3 Current and deferred tax for the year

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

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 and the employee to pay a minimum of 8% of monthly emoluments to a pension fund on behalf of all full time employees.

The contributions are recognised as employee benefit expenses as services are rendered by employees. The company has no further payment obligation once the contributions have been paid.

(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.

(c) Termination benefits

Termination benefits are recognised as an expense when it is paid under unvoluntary resignation or when the Company is committed to a formal detailed plan to terminate employment before the normal retirement date.

(d) Short term employee benefits

Short term employee benefit obligations are expensed undiscountedly as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and or the obligation can be estimated reliably.

Notes to the financial statements - Continued

2. Significant accounting policies

2.14 Revenue From Contracts with Customers (IFRS 15)

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

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 paints and other decoratives. 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.

2.14 Revenue From Contracts with Customers (IFRS 15)

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 2022 no performance obligation is outstanding however, we have assessed our revenue as at year end and recognised return assets in the statements of financial position and the corresponding entry was adjusted in the revenue as required by IFRS 15.

Notes to the financial statements - Continued

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 paints

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 paints, 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:

Notes to the financial statements - 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.

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

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

Further information about the basis of determination of fair values are included in Note 27 Financial Instruments - Fair Values and Financial Risk Management

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 Earnings per Share

Basic earnings per share is computed by dividing the profit or loss attributable to owners of the Company by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company, by the weighted average number of shares outstanding after adjusting for the effects of all dilutive potential ordinary shares.

2.18 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.

Notes to the financial statements - Continued

2.19 Prepayment

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

2.20 Operating profit

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

2.21 Finance income and finance costs

The Company's finance income and finance costs include:

- Interest income
- Interest expense

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

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

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

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

Notes to the Financial Statements - continued

3 Standards and Interpretations effective from 1 January 2022

A number of standards are effective for annual periods beginning after 1 January 2022.

The Company has determine the impact of that these standards and amendments will have on its financial statements. See the standards as follows:

A 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 on 1 January 2022.

B Other standards

The following are standards effective during the year: 1 January 2022 to 31 December 2022

Standard/Interpretation		**Date issued by IASB**	**Effective date Period beginning on or after**	**Summary of the requirements and impact assessment**
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvement 2018 - 2020	May 2020	1 January 2022	IFRS 1 First Time Adoption of International Financial Reporting Standards - The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. IFRS 9 Financial Instruments - The amendment clarifies that for the purpose of performing the ''10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. IFRS 16 Leases – The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. IAS 41 Agriculture - The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	May 2020	1 January 2022	The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before its intended use by management. As such, proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs. Companies will therefore need to distinguish between: • costs associated with producing and selling items before the iter of property, plant and equipment is available for use; and • costs associated with making the item of property, plant ar equipment available for its intended use. Making this allocation of costs may require significant estimation and judgement. The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments.

Notes to the Financial Statements - continued

C The following are standards available for early adoption

Standard/Interpretation		Date issued by IASB	Effective date Period beginning on or after	Summary of the requirements and impact assessment
Amendments to IAS 1	Classification of liabilities as current or non-current	January 2020	1 January 2023	The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. The amendments also clarify how a Company classifies a liability that includes a counterparty conversion option, which could either be recognised as either equity or liability separately from the liability component under IAS 32 Financial Instruments: Presentation The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted.
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction		1 January 2023	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure initiative: Accounting Policies	February 2021	1 January 2023	The amendments were issued to assist companies provide useful accounting policy disclosures. The key amendments to IAS 1 include: •requiring companies to disclose their material accounting policies rather than their significant accounting policies; •clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and •clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements; The amendments are consistent with the refined definition of material: "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements". The amendments are effective from 1 January 2023.
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2024	The effective date of this amendment has been deferred indefinitely by the IASB.	The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised. When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting. Under the consolidation standard, the parent recognises the full gain on the loss of control. But under the standard on associates and JVs, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV. In either case, the loss is recognised in full if the underlying assets are impaired. The IASB has decided to defer the effective date for these amendments indefinitely.

Notes to the Financial Statements - continued

Standard/Interpretation	Date issued by IASB	Effective date Period beginning on or after	Summary of the requirements and impact assessment
Amendments to IAS 8	February 2021	January 2023	This amendment provides clarifications to companies on how to distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The amendment introduces a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarifies the following: •an entity develops an accounting estimate to achieve the objective set out by an accounting policy. •developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. •a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. •a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. The definition of accounting policies remains unchanged. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Company applies the amendments.

Notes to the Financial Statements - continued

4. Significant judgements and estimates

4.1 Significant estimates

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

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 2023 ₦'000	YTD 2022 ₦'000
Operating profit	1,664,744	1,880,504
Depreciation (Note 14)	302,963	242,813
Interest income (Note 9)	231,320	108,323
Profit before taxation	2,326,333	1,952,478
Income tax (Note 11)	767,690	624,793
Total assets	14,804,488	13,406,204
Total liabilities	7,909,103	6,806,603

Entity wide information: Analysis of revenue:	2023 ₦'000	2022 ₦'000
Sale of paint products	15,252,008	12,999,780
Revenue from services	11,360	60,846
	15,263,368	**13,060,626**

6. Other income

	2023 ₦'000	2022 ₦'000
Sale of scrap items	56,418	34,844
Profit on sale of PPE	51,801	1,976
Management fees	119,221	101,162
Rental income	2,475	2,475
	229,916	**140,457**

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

7. Expenses by nature

	2023 ₦'000	2022 ₦'000
7i **Cost of sales**		
Change in inventories of finished goods and work in progress	7,993,791	6,585,805
Staff costs excluding directors' emoluments (Note 8i)	237,204	192,337
*Distribution cost	381,584	297,047
Royalty fees	469,927	384,416
Hire of equipment	39,939	44,852
Capdec project cost	16,044	44,689
Depreciation of property, plant & equipment (Note 14)	108,563	97,503
General risk insurance premium	72,437	32,252
Direct overhead	121,728	118,235
	9,441,217	**7,797,136**

* 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 **Administrative expenses**

Staff costs excluding directors' emoluments	1,476,352	1,218,593
Directors' emoluments (Note 8iii)	67,209	43,684
*Auditors' fees	20,920	17,737
Depreciation of property, plant & equipment (Note 14)	194,401	145,310
Amortisation of intangible assets (Note 15)	55,968	12,758
Insurance	13,810	4,327
Commercial service fees (Note 25b)	159,191	138,120
Computer charges	161,144	147,974
Cleaning and laundry	16,075	17,686
Security	12,464	12,045
Fuel and Oil Expenses	36,556	41,717
Other Professional/Consultancy Expenses	60,357	46,884
Postage, Printing and Telecoms	17,416	32,529
Donations	3,092	730
AGM/Secretariat Expenses	39,254	33,719
Write down and write off on inventory	144,803	41,505
Impairment of trade and other receivables	(13,912)	14,452
**Other expenses	261,948	191,550
	2,727,048	**2,161,322**

*There was no non-audit engagement during the year for which fee was paid

**Other expenses relates to vehicle, legal, rent, etc expenses charge to admin during the year.

Selling and distribution expenses

Marketing, communication & entertainment	767,802	823,386
Tour and travelling	68,289	133,030
*Other expenses	824,183	405,705
	1,660,275	**1,362,121**

*Other expenses relates to sales & redistributive incentive, dealers reward, etc during the year charged to selling & distribution expenses

8. Employee benefits

	2023	**2022**
Staff costs include:		
Wages and salaries	1,642,638	1,236,989
Pension costs:		
- Defined contribution plans (Statutory)	70,918	59,002
	1,713,556	1,295,991

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.

	2023 ₦'000	**2022 ₦'000**
Costs		
Management	1,043,285	946,167
Staff	670,272	349,824
Total	1,713,556	1,295,991

8. Employee benefits (continued)

Numbers	**2023 Number**	**2022 Number**
Management	128	122
Staff	143	137
	271	259

(ii) The table below shows the number of employees who earned over ₦700,000 as emoluments in the year and were within the bands stated.

=N=		**2023 Number**	**2022 Number**
700,001	1,000,000		4
1,000,001	1,400,000	7	28
1,400,001	1,800,000	33	45
1,800,001	2,200,000	53	32
2,200,001	2,400,000	24	16
2,400,001	3,000,000	22	16
3,000,001	4,000,000	28	24
4,000,001	5,000,000	16	24
5,000,001	6,000,000	21	13
6,000,001	8,000,000	21	20
8,000,001	9,000,000	8	12
9,000,001	10,000,000	7	7
10,000,001	16,000,000	11	5
16,000,001	18,000,000		2
18,000,001	25,000,000	7	6
30,000,001	40,000,000	5	4
40,000,000	50,000,000	5	
50,000,001	and above	3	1
		271	259

(iii) Emoluments of directors

	2023 ₦'000	**2022 ₦'000**
Fees	1,445	1,175
Passage allowance	65,764	42,542
Other emoluments	261,802	16,000
	329,011	59,717
(iv) The Chairman's emoluments	14,285	10,098
(v) Emolument of the highest paid director	116,101	52,875

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

₦			**2023 Number**	**2022 Number**
0	-	14,000,000	6	6
14,000,001	-	16,000,000		1
18,000,001	-	60,000,000	3	
			9	7

8. Employee benefits (continued)

Key management compensation

Key management have been defined as the executive directors.

Key management compensation includes:	2023 ₦'000	2022 ₦'000
Short-term employee benefits:		
- Wages and salaries	256,927	16,000
- Allowance - Executive Directors	4,875	1,625
	261,802	17,625

The above amounts have been included in directors emoluments above. `

9. Finance income

	2023 ₦'000	2022 ₦'000
Interest income on short-term bank deposits	231,320	108,323
*Exchange gain/(loss)	532,095	(31,382)
	763,415	**76,941**

*Exchange gain/(loss) has been reclassified from administrative expense and same is done for prior year for consistency.

10. Finance Cost

	2023 ₦'000	2022 ₦'000
Lease interest expenses	980	980
Interest on borrowings	100,846	3,988
	101,826	4,968

11. Taxation

	2023 ₦'000	2022 ₦'000
Current tax		
Nigeria corporation tax charge for the year	697,900	585,743
Education tax	69,790	39,050
Others		
Income tax expense	767,690	624,793

Nigeria corporation tax is calculated at 30% (2022: 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:

	2023 ₦'000	2022 ₦'000
Accounting Profit before tax	**2,326,333**	**1,952,478**
Tax at the Nigeria corporation tax rate of 30% (2021: 30%)	697,900	585,743
Impact of disallowable expenses		
Education tax at 3% of assessable profit	69,790	39,050
	767,690	**624,793**

11. Taxation (Continued)

Effective tax rate	33.0%	32.0%
Income tax recognised in profit or loss		
Tax at the Nigeria corporation tax rate of 30% (2020: 30%)	697,900	585,743
Education tax	69,790	39,050
Tax charge for the year	**767,690**	**624,793**

	2023 ₦'000	**2022 ₦'000**
Per statement of profit or loss		
Income tax	697,900	585,743
Education tax	69,790	39,050
	767,690	624,793
Per statement of financial position:		
Balance 1 January	922,800	536,128
(Payments)/writeback during the year:		
Income tax	(775,396)	(381,473)
Education tax	(88,675)	(49,995)
NPF Trust Fund/Capital gains tax	(284)	(15,807)
Total cash payment	(864,354)	**(447,275)**
WHT Utilized	-	(71,194)
	(864,354)	**(518,469)**
Provision for the year:		17,659
Income tax	697,900	816,009
Education tax	69,790	88,675
Capital gain tax	-	284
NPF Trust Fund	-	172
	767,690	905,140
Balance as at 30 September	826,135	922,800

12. Dividend payable

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

	2023 ₦'000	**2022 ₦'000**
At 1 January	1,460,132	1,323,814
Dividend declared	1,262,859	984,994
*Dividend refunded	-	160,758
Payment during the year -cash	(1,262,859)	(467,154)
Payment during the year -scrip dividend	-	(517,840)
Reclassification to trade and other payable (Note 21)	-	256,319
**Reclassification of dividend - Stature barred	-	(280,759)
	1,460,132	1,460,132

*The dividend refunded relates to a recall of dividend deposited with the Registrars which have stayed over and above 18 months.

ii. Dividend declared

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

	₦'000	**₦'000**
At 1 January		
Approved dividend	1,262,859	984,994
Dividend paid as shares		(517,840)
Cash payments during the year	(1,262,859)	(467,154)
	-	-

(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.

	2023	**2022**
Weighted average number of ordinary shares in issue ('000)	814,748	814,748
Profit attributable to ordinary equity shareholders (₦'000)	1,558,643	1,327,685
Basic earnings per share (kobo)	191	163
(b) Diluted	191	163

There were no potentially dilutive shares outstanding at 30 September 2023.

Notes to the Financial Statements - continued

14. Property, plant and equipment

14.1 Reconciliation of carrying amount

	Leasehold Land	Buildings on leasehold land	Tinting equipment	Plant and Machinery	Furniture and fittings	Motor vehicles	WIP	Total
Cost	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
At 1 January 2022	1,412	146,135	756,744	997,199	470,479	702,021	(0)	3,073,990
Additions		11,721	155,183	106,989	108,702	319,006	2,808	704,409
Acquired through merger								
Disposals			(120)	(17,108)	(2,599)	(6,343)		(26,170)
HFS Reclassification				18,299	2,786			21,085
At 31 December 2022	1,412	157,856	911,807	1,105,379	579,368	1,014,684	2,808	3,773,314
At 1 January 2023	1,412	157,856	911,807	1,105,379	579,368	1,014,684	2,808	3,773,314
Additions		14,444	37,591	127,318	61,676	249,135	21,457	511,621
Disposals					(952)	(104,642)		(105,594)
Reclassification				1,231	1,577		(2,808)	0
At 30 September 2023	1,412	172,300	949,398	1,233,928	641,669	1,159,177	21,457	4,179,341
Accumulated depreciation								
At 1 January 2022		49,829	563,068	383,790	341,239	361,640	-	1,699,567
Charge for the year		2,344	98,889	51,850	55,504	145,288	-	353,875
Acquired through merger							-	
Disposals			(120)	(16,055)	(1,319)	(3,066)	-	(20,559)
HFS Reclassifications				16,103	838		-	16,941
At 31 December 2022		52,174	661,837	435,688	396,263	503,862		2,049,824
At 1 January 2023		52,174	661,837	435,688	396,263	503,862	-	2,049,824
Charge for the year		2,076	64,335	44,228	55,084	137,241	-	302,963
Disposals					(693)	(92,534)	-	(93,227)
Reclassifications								
At 30 September 2023		54,249	726,172	479,916	450,654	548,569		2,259,560
Net book values								
At 30 September 2023	1,412	118,050	223,226	754,012	191,016	610,608	21,457	1,919,781
At 31 December 2022	1,412	105,682	249,970	669,691	183,105	510,822	2,808	1,723,491

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 30 September 2023
c) No asset of the Company was pledged as security and there are no restrictions to title on any of the Company's assets (2022: 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:	2023 N'000	2022 N'000
At 1 January 2023		
Leasehold Land	40,000	40,000
Buildings on leasehold land	148,967	148,967
Plant and Machinery	47,466	47,466
Furniture and fittings	1,706	1,706
At 30 September 2023	**238,139**	**238,139**

An impairment assessment of the assets held for sale was carried out in Dec 2022 with no impairment noted
The assets are still held for sale as at 30 September as management is committed to completing the sale and has commenced the disposal process.

15. Intangible assets

	Software N'000	Trademark N'000	WIP N'000	Total N'000
Cost of software:				
At 1 January 2022	367,104	49,025	142,059	558,188
Additions	20,762	-	207,675	228,437
Disposal	(367,104)	-	-	(367,104)
Reclassification	349,734	-	(349,734)	0
At 31 December 2022	370,496	49,025	0	419,521
At 1 January 2023	370,496	49,025	0	419,521
Additions	7,770	-	-	7,769.51
Reclassification	-	-	-	-
At 30 September 2023	378,265	49,025	0	427,291
Amortisation of software:				
At 1 January 2022	361,262	-	-	361,262
Amortisation charge	26,680	-	-	26,680
Disposal	(363,242)	-	-	(363,242)
At 31 December 2022	24,700	-	-	24,700
At 1 January 2023	24,700	-	-	24,700
Amortisation charge	55,968	-	-	55,968
Disposal	-	-	-	-
At 30 September 2023	80,668	-	-	80,668
Net book value				
At 31 December 2022	345,796	49,025	0	394,822
At 31 January 2023	345,796	49,025	0	394,822
At 30 September 2023	297,597	49,025	0	346,623

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.

Notes to the Financial Statements - continued

16. Right of Use assets

	Land N'000	Shop Space N'000	Total N'000
Cost			
At 1 January 2022	7,740	30,000	37,740
Additions			
At 31 December 2022	7,740	30,000	37,740
At 1 January 2023	7,740	30,000	37,740
Additions			
At 30 September 2023	**7,740**	**30,000**	**37,740**
Accumulated Depreciation			
At 1 January 2022	356	20,000	20,356
Depreciation charge	178	6,000	6,178
At 31 December 2022	**534**	**26,000**	**26,534**
At 1 January 2023	534	26,000	26,534
Depreciation charge		4,000	4,000
At 30 September 2023	534	30,000	30,534
Carrying amount			
At 30 September 2023	7,206		7,206
At 31 December 2022	**7,206**	**4,000**	**11,206**

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:	2023 ₦'000	2022 ₦'000
Raw materials	Cost	2,112,634	1,673,758
Intermediates	Cost	53,061	26,987
Technical stocks and spares	Cost	159,395	128,464
Containers and labels	Cost	203,016	237,837
Finished goods	Cost	3,893,357	3,282,442
Goods in Transit	Cost	0	15,844
		6,421,463	5,365,331
Write down - Inventory		(329,376)	(264,536)
		6,092,087	**5,100,796**

18a Trade and other receivables

Receivables due within one year	2023 ₦'000	2022 ₦'000
Trade receivables	666,835	682,637
Less: provision for impairment of trade receivables	(90,045)	(103,971)
Net trade receivable	576,790	578,666
Receivables from related parties (Note 25)	1,967	92
Withholding tax receivable	118,879	96,578
Impairment of WHT receivable	(94,972)	(94,972)
Other receivables	139,510	245,351
Impairment on other receivables	(5,938)	(5,938)
Receivable from Pal Pension - Gratuity	89,770	47,114
Vat receivable	2,385	1,244
	828,391	**868,135**

Other receivables mainly relates to interest receivable and advance payment to vendors as at period end.

Notes to the Financial Statements - continued

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

	2023 ₦'000	2022 ₦'000
At 1 January	103,971	241,748
Additional impairment charge for the year	(13,925)	(31,443)
Receivable Write off in the year	-	(106,334)
At 30 September 2023	**90,045**	**103,971**

18b **Receivables due after one year, finance lease receivables**

	2023 ₦'000	2022 ₦'000
Gross investment in lease	81,400	81,400
Unearned finance income	(70,428)	(70,428)
Net investment in lease	10,372	10,972
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	70,400	70,400
	81,400	81,400
Future finance income on lease	(71,028)	(70,428)
Present value of finance lease receivable	10,372	10,972
The present value is analysed as follows:		
- No later than 1 year		600
- 2 to 5 years	5,910	5,910
- More than 5 years	4,461	4,461
	10,371	**10,972**

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 37 years remain in the contract. The property reverts to the company at the end of the lease period.

19. Prepayments

	2023 ₦'000	2022 ₦'000
Import prepayment	327,995	1,035,029
Other prepayments	173,621	184,123
Other Down payments	925,365	78,413
	1,426,982	**1,297,565**

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

20. Cash and cash equivalents

	2023 ₦'000	2022 ₦'000
Cash at bank and in hand	234,091	390,220
Short-term deposits	3,700,817	3,370,858
Total	**3,934,907**	**3,761,078**

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.

Notes to the Financial Statements - continued

21. Trade and other payables

	2023 ₦'000	2022 ₦'000
Trade payables	1,612,358	794,769
Royalty accrual	469,927	588,265
	2,082,285	**1,383,034**
Employee Payables	24,852	11,651
Statutory Payables	252,933	331,181
Advance payments received	104,576	
Sundry creditors		135,024
Payable to related parties	743,633	310,277
Accrued expenses	1,404,216	1,179,431
Other Payables	387,639	
	5,000,135	**3,350,598**

	2023	2022
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

	2023		2022	
	Number '000	Amount N'000	Number '000	Amount ₦'000
Authorised:				
Ordinary shares of 50k each	-	-	-	-
Issued and fully paid:				
Ordinary shares of 50k each	814,748	407,374	814,748	407,374

Movements during the year:	Number of shares '000	Ordinary shares **N'000**	Number of shares '000	Ordinary shares **₦'000**
Balance at 1 January 2023	814,748	407,374	788,260	394,130
Bonus issue	-	-		
Scrip dividend issue	-	-	26,488	13,244
At 30 September 2023	814,748	407,374	814,748	407,374

Share premium	**₦'000 2023**	**₦'000 2022**
Balance at 1 January	523,850	19,254
Movement in the period		504,596
At 30 September 2023	**523,850**	**523,850**

Reserves from business combination	**₦'000**	**₦'000**
Balance at 1 January	968,267	212,845
		968,267
At 30 September 2023	**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 of 26,487,980 issued under the Scrip dividend scheme in June 2022

Notes to the Financial Statements - continued

23. Deferred tax

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

Statement of financial position:	2023 ₦'000	2022 ₦'000
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	328,672	328,672
	328,672	**328,672**
Property, plant & equipment	-	423,776
Provisions	-	(208,359)
Trade and other receivables	-	
Exchange difference	-	112,632
Right of use assets (IFRS 16 Leases)	-	623
	328,672	**328,672**

24. Lease Liability

	2023 ₦'000	2022 ₦'000
Opening balance	9,291	9,291
Lease interest expenses	980	1,307
Lease payment during the year	(1,307)	(1,307)
Balance as at 30 September	**8,964**	**9,291**
Splitting into Current and Non-Current		
Current	1,417	1,417
Non-Current	7,547	7,873
	8,964	**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		2023 ₦'000	2022 ₦'000
UAC of Nigeria Plc	Parent	Sales of paint	-	260
UAC Foods Limited	Fellow subsidiary	Sales of paint	-	356
				616

(b) Purchases of goods and services

	2023 ₦'000	2022 ₦'000
UAC of Nigeria Plc: Commercial service fee (Note 7)	159,191	138,120
	159,191	**138,120**

Notes to the Financial Statements - continued

(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		2023	2022
Receivable:			**₦'000**	**₦'000**
MDS Logistics	Fellow subsidiary	Service	2,104	610
			2,104	610
Payable:				
UAC Restaurants	Fellow subsidiary	Sales of paint	136	136
UAC of Nigeria Plc	Parent	Service	743,497	310,141
			743,633	**310,277**

		2023	2022
26.	**Loans and borrowing**	**₦'000**	**₦'000**
	Bank facility - Import finance facility b/f	735,111	6,170
	Payment made during the year	(600,108)	(1,043,428)
	Receipt of import during the year	150,062	1,772,369
	Amount outstanding - Import finance facility	**285,065**	**735,111**

Loans and borrowings refer to the import finance facility the company has which provides better access to dollars at CBN retail rates. The amount outstanding of N285m as at 30 September 2023 relates to pending Letter of Credit amounts for import shipments received as at 30 September 2023 paid by Coronation Merchant Bank.

Notes to the Financial Statements - continued

27 Financial instruments - financial risk management and fair values

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

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

(a) Credit risk

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

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

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

Exposure to credit risk

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

	2023 N'000	2022 N'000
Trade and other receivables* (Note 18)	802,099	800,146
Lease receivable (Note 24)	10,372	10,972
Cash and cash equivalents (Note 20)	3,934,907	3,761,078
	4,747,378	**4,572,196**

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

Notes to the Financial Statements - continued

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

Expected credit loss assessment for Trade Receivables

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

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

As at 30 September2023	**Average loss rate**	**Gross**	**Impairment**	**Net**
		N'000	**N'000**	**N'000**
Current (not due)	5%	562,268	28,252	534,016
61-90 Days (past due)	31%	36,310	11,287	25,024
91-120 Days (past due)	46%	31,561	14,498	17,063
121-365 Days (past due)	70%	8,858	6,205	2,654
Over 365 days (past due)	100%	29,805	29,805	-
		668,802	**90,045**	**578,756**

As at 31 December 2022	**Average loss rate**	**Gross**	**Impairment**	**Net**
		N'000	**N'000**	**N'000**
Current (not due)	5%	526,275	26,426	499,849
61-90 Days (past due)	31%	63,742	19,813	43,928
91-120 Days (past due)	46%	32,678	15,012	17,667
121-365 Days (past due)	70%	57,489	40,267	17,222
Over 365 days (past due)	100%	2,453	2,453	-
		682,637	**103,971**	**578,665**

Cash and cash equivalents

The Company held cash and cash equivalents of N3.9 billion as at 30 September 2023(2022: N3.761billion). The Company mitigates its credit risk exposure of its bank balances and derivative financial instrument by selecting and transacting with reputable banks.

Notes to the Financial Statements - continued

(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.

30 September 2023

	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 ***(Note 21)	4,747,202	4,747,202	(4,747,202)		-	-
Lease liability (Note 24)	8,964	57,492	(653)	(653)	(6,533)	(49,652)
Import finance facility (Note 26)	285,065	285,065				
Dividend payable (Note 12)	1,460,132	1,460,132				

31 December 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 *** (Note 21)	2,904,848	2,904,848	(2,904,848)		-	-
Lease liability (note 24)	9,291	57,492	(653)	(653)	(6,533)	(49,652)
Import finance facility (Note 26)	735,110	735,110				
Dividend payable 9Note 12)	1,460,132	1,460,132				

*Statutory payables and refund liability are not financial instruments and have therefore been excluded from trade and other payables.

(c) Market risk

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

Currency risk

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

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