PORTLAND PAINTS & PRODUCTS NIGERIA PLC

FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED
31 March 2020

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2020

CONTENTS	**PAGE**

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
GENERAL INFORMATION
FOR THE PERIOD ENDED 31 MARCH 2020

BOARD OF DIRECTORS		
	Mrs. Esosa Balogun	- Chairman
	Mrs Bolarin Okunowo (Appointed 21/3/2020)	- MD/CEO
	Mr Adedamola Olusunmade (Resigned 20/3/2020)	- MD/CEO
	Engr. Dipo Ashafa	- Director
	Mrs Adeline Ogunfidodo	- Director
	Dr Vitus Ezinwa	- Director
REGISTERED OFFICE	Sandtex House 105A, Adeniyi Jones Avenue, Ikeja. Lagos State.	
FACTORY	Km 36, Abeokuta – Lagos expressway Ewekoro, Ogun State.	
REGISTERED NUMBER	RC76075	
FRCN NUMBER	FRC/2012/0000000000221	
COMPANY SECRETARY	Ayomipo Wey Sandtex House 105A, Adeniyi Jones Avenue, Ikeja. Lagos State.	
AUDITORS	PricewaterhouseCoopers Landmark Towers, Plot 5B Water Corporation Road, Victoria Island, Lagos.	
REGISTRAR	Africa Prudential Plc 220B, Ikorodu Road Palmgrove, Lagos.	
BANKERS	Zenith Bank Plc United Bank for Africa Plc Guaranty Trust Bank Plc Ecobank Nigeria Ltd First City Monument Bank Ltd	

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020

(All amounts are in thousands of naira, unless otherwise stated)

	Note	3 Months to MAR 2020 N'000	3 Months to MAR 2019 N'000
Revenue from contracts with customers	4	390,393	777,351
Cost of sales	6(a)	(255,617)	(479,574)
Gross profit		**134,776**	**297,777**
Other operating income	5	1,661	3,188
Selling and distribution expenses	6(a)	(54,113)	(91,478)
Administrative expenses	6(a)	(112,212)	(105,469)
Impairment losses on financial assets	13ii	(10,000)	(9,000)
Profit from operations		**(39,888)**	**95,018**
Finance income	7	1,668	4,302
Finance cost	8	(967)	(1,685)
Net finance costs		**701**	**2,617**
Profit before taxation		**(39,187)**	**97,635**
Tax expense	9	(8,206)	(31,243)
Profit from continuing operations		**(47,393)**	**66,392**
Profit from discountinued operations		**-**	**-**
Other comprehensive income		**-**	**-**
Total comprehensive income		**(47,393)**	**66,392**
Earnings per share for profit attributable to owners of the Company during the year:			
Basic (Kobo)	20	(6)	8
Diluted (Kobo)	20	(6)	8

The notes on pages 8 to 40 form an integral part of these financial statements.

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

(All amounts are in thousands of naira, unless otherwise stated)

	Notes	Mar-20 N'000	Dec-19 N'000
ASSETS:			
Non - current assets:			
Property, plant and equipment	10	162,809	428,123
Intangible assets	11	72,076	74,749
Prepayments	14	1,731	1,769
Right of use asset	15	20,978	22,092
Deferred tax asset	19(a)	11,619	11,619
Total non - current assets		**269,213**	**538,352**
Current assets:			
Inventories	12	847,687	891,255
Trade and other receivables	13	448,977	512,499
Prepayments	14	56,043	33,057
Cash and cash equivalents	16	190,045	279,749
Assets held for sale	15b	255,436	0
Total current assets		**1,798,188**	**1,716,560**
Total assets		**2,067,401**	**2,254,911**
Equity and liabilities			
Equity:			
Issued share capital	20	396,708	396,708
Share premium	20	437,923	437,923
Other reserves	20	91,923	91,923
Retained earnings		608,257	655,650
Equity attributable to owners of the parent		**1,534,811**	**1,582,204**
Non current liabilities:			
Deferred tax liabilities	19(a)	-	-
Lease liability	15aii	18,889	17,374
Total non current liabilities		**18,889**	**17,374**
Current liabilities:			
Trade and other payables	17	406,699	553,489
Contract liabilities	4(b)	17,147	17,147
Provisions	18	500	3,000
Lease liability	15aii	3,868	4,416
Income tax payable	19	85,487	77,281
Total current liabilities		**513,701**	**655,333**
Total liabilities		**532,590**	**672,707**
Total equity and liabilities		**2,067,401**	**2,254,911**

The unaudited financial statements on pages 4 to 41 was approved by the board of directors on April 15, 2020 and signed on its behalf by:

Raheem Adejumobi	Mrs Bolarin Okunowo	Mrs Esosa Balogun
(Finance Manager)	(Managing Director)	(Chairman)
FRC/2016/ICAN/00000014225	FRC/2020/003/00000020616	FRC/2013/ICAN/00000001186

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF CHANGES IN EQUITY
AS AT 31 MARCH 2020

(All amounts are in thousands of naira, unless otherwise stated)

	Share capital N'000	Share Premium N'000	Other Reserves N'000	Retained earnings N'000	Total equity N'000
1 January 2019	396,708	437,923	91,923	610,427	1,536,981
Dividend paid	-	-	-	(39,671)	(39,671)
Profit for the period	-	-	-	66,392	66,392
31 March 2019	**396,708**	**437,923**	**91,923**	**637,148**	**1,563,702**
1 January 2020	396,708	437,923	91,923	655,650	1,582,204
Profit for the period	-	-	-	(47,393)	(47,393)
31 March 2020	**396,708**	**437,923**	**91,923**	**608,257**	**1,534,811**

The notes on pages 8 to 40 form an integral part of these financial statements.

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020

(All amounts are in thousands of naira, unless otherwise stated)

	Note	3 Months to MAR 2020 N'000	3 Months to MAR 2019 N'000
Cash flows from operating activities:			
Cash (used in) / generated from operations	21	(90,722)	130,839
Income tax paid	19	-	-
Net cash generated from / (used in) operating activities		**(90,722)**	**130,839**
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	(650)	(2,638)
Purchase of intangible assets	11	-	-
Proceeds from sales of property,plant and equipment	21.1	-	-
Finance income	7	1,668	4,302
Net cash used in investing activities		**1,018**	**1,664**
Cash flows from financing activities:			
Interest paid		-	(1,685)
Dvidend paid		-	0
Net cash used in financing activities		**-**	**(1,685)**
Net (decrease)/ increase in cash and cash equivalents		(89,704)	130,818
Cash and cash equivalents brought forward		279,749	491,655
Cash and cash equivalents	16	**190,045**	**622,473**

The notes on pages 8 to 40 form an integral part of these financial statements.

1.0 Corporate Information

Portland Paints & Products Nigeria Plc (The Company) was incorporated as a Limited Liability Company on 3 September 1985 and became a Public Company on 24 April 2008. The Company was listed on the floor of the Nigerian Stock Exchange on 9 July 2009.

The registered office is located at 105A, Adeniyi Jones Avenue, Ikeja, Lagos in Nigeria.

The principal activities of the Company are manufacturing and sale of paints. The main products of the Company are Sandtex range of decorative and industrial coatings and Hempel marine & protective coatings for oil and gas sector.

1.1 Securities Trading Policy

Portland Paints & Products Nigeria Plc (the Company) has a Securities Trading Policy regulating securities transactions by its directors and other insiders. The Company's Securities Trading Policy complies with the standard set out by the Rules of the Nigerian Stock Exchange are no less stringent than the said standard.

The Company's Securities Trading Policy is to generally ensure the board members, employees and its external stakeholders who have knowledge of confidential and potentially price sensitive information are aware of the prohibition imposed by law against using, disclosing (other than in the normal course of the performance of their duties) or encouraging transactions in securities on the basis of such inside information. In addition to obligations imposed by law, the Company wants board members, employees and external stakeholders to respect the safeguarding of confidential information and potentially price sensitive information. The Policy has been made available to all stakeholders and is also available on the Company's website.

Having made specific enquiry of all directors, the Company confirms that all of its directors have complied with the standards set out in relevant laws as well as the Company's Securities Trading Policy.

2.0 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of Portland Paints & Products Nigeria Plc ("the Company") have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements are presented in Nigerian Naira (N), rounded to the nearest thousand, and prepared under the historical cost convention. The functional currency of the Company' is Nigerian Naira.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.3

2.1.1 Basis of Measurement

The financial statements have been prepared on a historical cost basis. Transactions in foreign currency are recognized in naira at the official spot rate at the date of transaction.

2.2 Changes in accounting policy and disclosures

2.2.1 New and amended standards adopted by the Company

The Company has applied the following standards for the first time for their annual reporting period commencing 1 January 2019:

2.2.1.1 IFRS 16 - Leases

IFRS 16: Leases was issued in January 2016 and became effective for reporting periods beginning on or after 1 January 2019. It replaces the provisions of IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. The Company has adopted IFRS 16 from 1 January 2019 using the simplified transitional approach, and thus has not restated comparative figures for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. There was no impact on the Company's retained earnings at the date of initial application (i.e. 1 January 2019).

The adoption of IFRS 16 resulted in the recognition of right-of-use assets and corresponding lease liabilities for leases that were formerly classified as operating leases under the provisions of IAS 17, with the exception of the Company's shortterm leases, as the distinction between operating and finance leases has been removed.

The impact of the adoption of this standard and the related new accounting policy are disclosed below:

The Company's leased assets include buildings and land. Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension options. The lease terms are between 1 and 2 years. On renewal of a lease, the terms are renegotiated. Leased assets may not be used as security for borrowing purposes.

From 1 January 2019, on adoption of IFRS 16, leased assets are recognised as a right-of-use assets and a corresponding liability at the date at which the leased asset is available for use by the company is also recognised. The company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'). Lease liabilities for leases formerly classified as operating leases were measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate of 16.17% as at that date.

Lease liabilities

At commencement date of a 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 the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating a lease, if the lease term reflects the company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense 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 the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the weighted average interest rate applicable to the company's general borrowings denominated in naira during the period. 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The lease term refers to the contractual period of a lease.

2.2 Changes in accounting policy and disclosures (continued)

2.2.1 New and amended standards adopted by the Company (continued)

Right of use assets

The Company recognises right-of-use assets at the commencement date of a 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. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-ofuse assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment

Short-term leases and leases of low value

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. low value assets). Low-value assets are assets with lease amount of less than $5,000 when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis

Impact of adoption

The new Leases standard, IFRS 16 replaces the provisions of IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. The Company has elected to apply the new standard using the simplified method.

On adoption of IFRS 16, the lease liabilities as at 1 January 2019 for leases formerly classified as operating leases were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at that date. The Company's weighted average incremental borrowing rate for the year was 16.17%.

On adoption of the new accounting standard, the Company elected to apply the following practical expedients:

• The Company relied on previous assessment of existing lease contracts
• Leases with a remaining lease term of one year with no extension commitments as at 1 January 2019 were treated as short-term leases.
• The Company excluded initial direct costs in determining the cost of right-of-use assets
• The same discount rate was applied for a portfolio of leases with reasonably similar character

a) Impact on statement of financial position

The following table summarises the impact of transition to IFRS 16 on the statement of financial position as at 31 March 2020 for each affected individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	Amount without impact of IFRS 16	Impact of IFRS 16	As at Mar 2020
	N'000	N'000	N'000
ASSETS			
Non-current assets			
Right-of-use assets	-	20,978	20,978
Total non-current assets	-	20,978	20,978

EQUITY AND LIABILITIES

Non-current liabilities			
Lease liabilities	-	18,889	18,889
Total non-current liabilities	-	18,889	18,889
Current assets			
Lease liabilities	-	3,868	3,868
Total current liabilities	-	3,868	3,868
Total liabilites	-	22,757	22,757

2.2 Changes in accounting policy and disclosures (continued)

2.2.1 New and amended standards adopted by the Company (continued)

Right-of-use assets

All the Company's right-of-use assets are non-current assets. A reconciliation of the Company's right-of-use asset as at 31 March 2020 is shown below:

	N'000
Opening balance as at 1 January 2020	22,092
Less: depreciation for the period	(1,114)
Closing balance as at 31 March 2020	20,978

The right-of-use assets recognised as at 31 December 2019 and 31 March 2020 comprised of the following

	31-Mar-20	31-Dec-19
	N'000	N'000
Building	20,978	22,092

Lease liabilities

A reconciliation of the Company's remaining operating lease payments and the lease liability as at 31 December 2019 and 31 March 2020 is shown below:

	N'000
Lease liability as at 1 January 2020	21,790
Additions	-
Lease payments	-
Add: interest on lease liabilities	967
Closing balance as at 31 March 2020	22,757

The lease liability as at 1 January 2020 is the total operating lease commitment as at 31 December 2019 discounted using the incremental borrowing rate as at that date.

Short term leases relate to leases of franchisee outlets with contractual lease term of less than or equal to 12 months at the date of initial application of IFRS 16.

The Company's lease liability as at 31 December 2019 and 31 March 2020 is split into current and non-current portions as follows:

	At 31 March 2020	As at31 December 2019
	N'000	N'000
Non-current	18,889	17,374
Current	3,868	4,416
	22,757	21,790

b) Impact on the statement of profit or loss

	N'000
Depreciation expense	(1,114)
Operating profit	(1,114)
Finance cost	(967)
Profit for the year	(2,081)

c) Impact on the statement of cash flows

	N'000
Depreciation of right-of-use assets	1,114
Interest on lease liabilities	967
Net cash flows from operating activities	2,081

d) Impact on earnings per share

As a result of adoption of IFRS 16, the earnings per share of the Company for the year decreased as shown in

	Amount under IAS 17	Impact of IFRS 16	Amount under IFRS 16
	N'000	N'000	N'000
Profit for the period	(45,312)	(2,081)	(47,393)
Earnings per share for profit attributable to the equity shareholders	(0.06)	(0.00)	(0.06)

2.2 Changes in accounting policy and disclosures (continued)

2.2.1 New and amended standards adopted by the Company (continued)

e) Impact on deferred taxes

As a result of adoption of IFRS 16, there were no impact on deferred taxes as interest expense on lease liabilities and depreciation of right-of-use assets give rise to permanent differences for tax purposes.

New Standards, amendments and interpretations issued but not yet effective

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Material estimates in the financial statements include the following:

2.3.1 Revenue recognition

Significant financing component

The Company has contracts with customers that requirees advance payment to be made before sale of paints can occur. The Company has considered whether the contract contains a financing component and whether that financing component is significant to the contract, including both of the following;

(a) The difference, if any, between the amount of promised consideration and cash selling price and;

(b) The combined effect of both the following:
- The expected length of time between when the Company transfers the paint to their customers and when payment is received and;
- The prevailing interest rate in the relevant market.

The advance period is less than 12 months, usually within 30 days. As a result, the effect of discounting will not be material.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time value of money.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions on default definition and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2.3.1 Revenue recognition (continued)
Significant financing component (continued)
Accounts receivable

The Company applies the IFRS 9 simplified approach in measuring the expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The expected credit loss rate for this receivable is determined using a provision matrix approach.

The allowance for doubtful accounts involves management judgment and review of individual receivable balances based on behavior of customers over the expected life of the receivable and adjusted for forward-looking estimates of relevant macroeconomic variables. The macroeconomic variables considered include inflation and gross domestic product (GDP). Additional information on impaired receivables is included in note 13.

2.3.2 Useful life and residual value of property, plant and equipment and definite life intangible assets.

Property, plant and equipment and intangible assets with definite life are depreciated over their useful life. The Company estimates the useful lives of PPE and intangible assets based on the period over which the assets are expected to be available for use. The estimation of the useful lives of plant and machinery are based on technical evaluations carried out on the assets. Estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence.

Trademark however has an indefinite useful life as the Company's forecasted sales provides evidence that Sandtex products will generate net cash inflows for the Company for an indefinite period. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment annually.

It is possible however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the plant and machinery would increase expenses and decrease the value of non-current assets.

2.3.3 Income and deferred tax

The Company is subject to income taxes under the Nigerian tax legislation. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

A certain level of judgement is required for recognition of deferred tax assets. Management is required to assess the ability of the Company to generate future taxable economic earnings that will utilise the deferred tax assets. Assumptions over the generation of future taxable profits depends on management's estimates of future cash flows. This estimate of future taxable income are based on forecast cash flows from operations.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

2.3.4 Impairment of intangible assets

Externally acquired intangible assets that have indefinite useful lives are initially recognized at cost and are subsequently tested for impairment at each financial year end or more frequently if events or changes in circumstances indicate they might be impaired and stated at their recoverable amount (the recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use). The impairment loss where the carrying amount is greater than the recoverable amount is charged to the profit or loss or income statement.

Management is of the opinion that the trademark is adjudged to have an indefinite life as the ownership had been transferred to the Company in perpetuity and the Company expects to generate cashflows from the use of the asset in perpetuity.

2.4 Summary of significant accounting policies

2.4.1 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible 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 tangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets. 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 income statement when the asset is derecognised.

Intangible assets include purchased trade mark and computer software.

Trade mark is externally acquired with indefinite useful lives. It is recognized at cost and are subsequently tested for impairment at each financial year end and stated at their recoverable amounts. The impairment loss, where the carrying amount is greater than the future economic benefits, is charged to the income statement.

Purchased software with finite useful lives are recognised as assets if there is sufficient certainty that future economic benefits associated with the item will flow to the entity. Amortisation is calculated using the straight-line method over 5 years.

Computer software primarily comprises external costs and other directly attributable costs.

Category	**Useful lives**
Trade Mark	Indefinite
Computer software	5 years

2.4.2 Property Plant and Equipment

Land and buildings are initially recognized at cost less any subsequent accumulated depreciation and accumulated impairment loss for land and buildings. All other property, plant and equipments are initially recognized at historical cost less accumulated depreciation and accumulated impairment loss.

Cost comprises the cost of acquisition and costs directly related to the acquisition up until the time when the asset is available for use. In the case of assets under construction, cost comprises direct and indirect costs attributable to the construction work, including salaries and wages, materials, components and work performed by subcontractors.

Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The depreciation base is determined as cost less any residual value. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets and begins when the assets are available for use.

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

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised within "other income/loss" in the income statement as an expense.

Category	**Useful lives**
Freehold buildings	up to 99
Factory Building	50 years
Plant and machinery	5-10 years
Furniture and fittings	3-5years
Motor vehicles	2-4 years
Office/computer equipments	3-5 years

2.4.3 Assets on lease

Finance leases are recognized at amount equal to the fair value of the leased property or if lower the present value of the minimum lease property, each determined at the inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease terms so as to produce a constant periodic rate of interest on the remaining balance of the liability.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

2.4.4 Earnings per share

Basic earnings are determined by dividing the profit attributable to share holders by the weighted average number of shares on issue during the year.

2.4.5 Diluted Earnings per share

Diluted Earnings per share is calculated by dividing the profit attributable to shareholders by the total number of shares (inclusive of diluted shares).

2.4.6 Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or in the case of indefinite life intangibles, then the asset's (CGU's) recoverable amount is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash-generating units (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGUs). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Portland Paints & Products Nigeria Plc evaluates impairment losses for potential reversals when events or circumstances may indicate such consideration is appropriate. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

2.4.7 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Costs incurred in bringing each product to its present location and conditions are accounted

Raw materials:

Purchase cost on weighted average basis.

Goods-In-Transit, Work-in-progress and Finished goods:

Goods in transit are valued at invoice price together with other attributable charges.

Work-in-progress cost consist of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

The cost of finished goods comprises overheads,suppliers' invoice prices, and,where appropriate, freight, printing costs and other charges incurred to bring the materials to their location and condition.
Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.4.8 Financial instruments

The Company's accounting policies were changed to comply with IFRS 9. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification. and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

(a) Classification and measurement

(i) Financial assets

It is the Company's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cashflow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

The business models applied to assess the classification of the financial assets held by the company are;

- Hold to collect: Financial assets in this category are held by the Company solely to collect contractual cash flows and these cash flows represents solely payments of principal and interest. Assets held under this
- Fair value through other comprehensive income: Financial assets in this category are held to collect contractual cash flows and sell where there are advantageous opportunities. The cash flows represents solely
- Fair value through profit or loss: This category is the residual category for financial assets that do not meet the criteria described above. Financial assets in this category are managed in order to realise the asset's fair

The business model for the Company's financial assets are held to collect contractual cashflows that are solely payments of principal (for non-interest bearing financial assets) or solely payments of principal and interest (for interest bearing financial assets)

The Company's financial assets include trade and other receivables, cash and cash equivalents. They are included in current assets, except for maturities greater than 12 months after the reporting date. Interest

(ii) Financial liabilities

Financial liabilities of the Company are classified and measured at fair value on initial recognition and subsequently at amortised cost net of directly attributable transaction costs.

Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Company's own credit risk which is presented in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Company's financial liabilities include trade and other payables and interest bearing loans and borrowings.

2.4.8 Financial instruments (continued)

(b) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost under IFRS 9: Financial instruments. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The simplified approach is applied for trade receivables from related parties and third party customers. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

In line with the Company's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Company carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Company determines that there are no realistic prospects of recovery, the financial asset, and any related loss allowance is written off either partially or in full.

(c) Derecognition

(i) Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised as finance income/cost.

(ii) Financial liabilities

The Company derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

(d) Offsetting of financial assets and financial liabilities

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

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.4.9 Cash and cash equivalent

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits that are readily convertible to known aounts of cash and which are subject to an insignificant risk of changes in value with an original maturity of three months or less in the statement of financial position.
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdraft.

2.4.10 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in Nigeria. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the income statement.

Deferred tax

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses.

No deferred tax is recognised when relating to temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Deferred tax items are recognised in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

- **Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

• Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

• Receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.4.11 Government grants

Government grants for expenditure are netted against the relevant expenditures as and when due and these are recognized in profit or loss in the statement of comprehensive income.

Where retention of a government grant is dependent on the Company satisfying certain criteria, it is recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the statement of comprehensive income (when related to expenses) or netted against the asset purchased (when specific to an asset).

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

2.4.12 Provisions

Provisions are recognised when there is a present obligation (legal or constructive) 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 amount of the obligation. Provisions are measured on initial recognition at the present value of management best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods or services, in the ordinary course of the Company's activities and it is stated net of value added tax (VAT), rebates and returns . A valid contract is recognised as revenue after;

- The contract is approved by the parties.
- Rights and obligations are recognised.
- Collectability is probable.
- The contract has commercial substance.
- The payment terms and consideration are identifiable.

The probability that a customer would make payment is ascertained based on the evaluation done on the customer as stated in the credit management policy at the inception of the contract. The Company is the principal in all of its revenue arrangement since it is the primary obligor in most of the revenue arrangements, has inventory risk and determines the pricing for the goods and services.

2.4.13 Revenue recognition

(a) Sale of goods

Sale of goods arises from sales of paint products to third parties and related parties. Revenue from the sale of goods is recognised when the control of the goods are transferred to the buyer. This occurs when the goods are delivered to the customer or picked up by the customers. This is at a point in time.

Portland transfers control to the customers after the goods have been delivered to the customer, however, the customer obtains the right to return goods that are bad or damaged after they have been delivered.

Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and when the customer has accepted the products in accordance with the sales contract, or the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

Revenue from sale of paint is recognised based on the price specified in the contract, net of the estimated rebates and returns. Rebates are estimated at the inception of the contract except where the time lag between the recognition of revenue and granting rebates is within one month.

Returns on goods are estimated at the inception of the contract except where the timing between when the revenue is recognised and when the returns occur is considered immaterial. In these instances, the returns are accounted for when they occur.

(b) Rendering of services

The sale-based management fees (royalties) are recognized at the later of when the sale occurs (provided there is no expectation of a subsequent reversal of the revenue); or the performance obligation to which some or all of the sales-based royalty has been allocated is satisfied (in whole or in part). An agreed royalty rate (1%) is charged on the turnover declared by each franchisee quarterly and recognized in the books as franchise/management fee.

Revenue from painting services is recognised as income from executed projects and it is recognised overtime by measuring the progress towards complete satisfaction of the performance obligation.

('c) Disaggregation of revenue from contract with customers

The Company recognises revenue from the transfer of goods at a point in time and services overtime in the following product lines and geographical regions. The Company derives revenue from three major revenue lines, sale of paint, franchise fees and income from executed projects.

(in thousands)	**Sale of Paint**	**from executed projects**	**Franchise/ Managemen t fees**	**Total**
Revenue from contract with customers	387,835	184	2,374	390,393

2.4.14 Interest income

All financial instruments measured at ammortised cost and interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

2.4.15 Borrowing cost

Specific borrowing costs on qualifying assets are capitalized from the date the actual costs on the qualifying asset are incurred. Where such borrowed amount, or part thereof, is invested, the income earned is netted off the borrowing costs capitalised.

Where the entity does not specifically borrow funds to construct a qualifying asset, general borrowing costs are capitalized by applying the weighted average cost of the borrowing cost proportionate to the expenditure on the asset.

2.4.16 Foreign currency

The Company's financial statements are presented in Nigerian Naira, which is also the Company's functional currency. Transactions in the foreign currency are recognized in Naira at the official spot rate at the date of transaction.

Monetary assets and liabilities denominated in a foreign currency are translated into Naira at the spot rate of exchange ruling at reporting date. Differences arising on settlement or translation of monetary items are recognised in income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e. the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.4.17 Segment reporting

The reportable segments are identified on the basis of Strategic Business Units (SBU) and the threshold of recognition is a contribution of not less than 10% of the revenue, assets, profits or losses of all the operating segments. Where the board and management is of the opinion that a strategic business unit is important to the growth initiative of the Company such SBU may be reported as a reportable segment even though it is not meeting the threshold of a reportable segment. The Chief Operating Decision Maker (CODM) has been identified as the executive management.

2.4.18 Employees' benefits

Employees' benefits both legal and constructive which are long and short term in nature are adequately recognized in profit or loss and the related liabilities are included in other liabilities in the statement of financial position.

The Company operates a defined contribution pension scheme in line with the Pension Reform Act 2014. The total contribution rate is 18%,where the employees contributes 8% and the Company contributes 10% of basic salary, housing and transport allowances. The Company's contributions are accrued and charged to the income statement as and when the relevant service is provided by employees. The Company has no further payment obligations once the contributions have been paid.

(All amounts are in thousands of naira, unless otherwise stated)

3 Segment information:

The company derives revenue from the transfer of goods and services overtime and at a point in time. All revenue are generated in Nigeria.

For management purpose, the Company is organised into Strategic Business Units (SBU) based on products categories and has three reportable segments as follows:

- Portland decorative paints segment, which manufactures and markets a range of decorative paints.
- Portland marine segment, which manufactures and markets various ranges of marine protective paints.
- Portland sanitary wares segment, which markets and distributes a range of sanitary ware products.
- Portland services segment which carries out the exceution of painting projects for customers and also earns income from management fees arising on franchisee agreements.

No other segment has been aggregated to form the above reportable operating segments.

The Chief Operating Decision Maker (CODM) has been identified as the executive management. The Executive Management monitors the operating results of each business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit or loss and is measured consistently with gross profit or loss in the combined financial statements.

(a) Income	**Decorative paints Mar-20 N'000**	**Marine paints Mar-20 N'000**	**Sanitary wares Mar-20 N'000**	**Management fees Mar-20 N'000**	**Total Mar-20 N'000**
Revenue:					
Revenue from contracts with customers	300,725	87,283	12	2,374	390,393
Company's revenue per statement of profit or loss and other comprehensive income	**300,725**	**87,283**	**12**	**2,374**	**390,393**
Segment gross profit /(Loss)	**110,067**	**22,406**	**(70)**	**2,374**	**134,776**
Operating expenses					(153,125)
Impairment losses on financial assets					(10,000)
Depreciation					(10,527)
Amortisation					(2,673)
Finance income					1,668
Finance cost					(967)
Other income					1,661
Sub-total					**(173,963)**
Company's profit before tax					**(39,187)**

(All amounts are in thousands of naira, unless otherwise stated)

	Decorative paints Mar-19 N'000	**Marine paints Mar-19 N'000**	**Sanitary wares Mar-19 N'000**	**Management fees Mar-19 N'000**	**Total Mar-19 N'000**
Revenue:					
Revenue from contracts with customers	610,194	167,152	6		777,352
Company's revenue per statement of profit or loss and other comprehensive income	**610,194**	**167,152**	**6**	**-**	**777,352**
Segment gross profit /(Loss)	**246,763**	**51,020**	**(5)**	**-**	**297,778**
Operating expenses					(178,647)
Impairment losses on financial assets					(9,000)
Depreciation					(15,627)
Amortisation					(2,673)
Finance income					4,302
Finance cost					(1,685)
Other income					3,188
Sub-total					**(200,142)**
Company's profit before tax					**97,635**

The operating segments did not transact with each other and as such there are no transfer prices between operating segments.

Production activities in the factory is mainly production of decorative paints. Hence the relevant costs are absorbed by Decorative Paints Segment. This accounts for the depreciation on Factory building wholly absorbed by Decorative Paints. Other Income is generated from the application of paints in addition to the sales and marketing of paint products.

The amounts provided to the Chief Operating Decision Maker (CODM) with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segments and the physical location of the assets.

(All amounts are in thousands of naira, unless otherwise stated)

(ii) Assets & Liabilities	**Decorative Paints Mar-20 N'000**	**Marine Paints Mar-20 N'000**	**Sanitary wares Mar-20 N'000**	**Total Mar-20 N'000**
Addition to non-current assets	650	-	-	650
Reportable segment assets	1,343,564	455,372	12,379	1,811,315
Assets Held for sale	255,436	-	-	255,436
Total company assets	**1,599,650**	**455,372**	**12,379**	**2,067,401**
Reportable segment liabilities:				
Defined contribution pension scheme	7,095	-	-	7,095
Financial liabilities	394,034	-	-	394,034
Contact liabilities	17,147	-	-	17,147
Deferred tax laibilities	-	-	-	-
Other unallocated and central liabilities	114,314	-	-	114,314
Total company liabilities	**532,590**	**-**	**-**	**532,590**

	Decorative Paints Dec-19 N'000	**Marine Paints Dec-19 N'000**	**Sanitary wares Dec-19 N'000**	**Total Dec-19 N'000**
Addition to non-current assets	16,608	38,304	-	54,912
Reportable segment assets	1,536,839	500,047	12,450	2,049,336
Factory office property	188,967	-	-	188,967
Total company assets	**1,742,414**	**538,351**	**12,450**	**2,293,215**
Reportable segment liabilities:				
Defined contribution pension scheme	4,543	-	-	4,543
Financial liabilities	528,915	-	-	528,915
Contact liabilities	17,147	-	-	17,147
Deferred tax laibilities	-	-	-	-
Other unallocated and central liabilities	97,312	-	-	97,312
Total company liabilities	**647,917**	**-**	**-**	**647,917**

Items of property, plant and equipment are directly allocated to the SBU enjoying the economic benefits of the assets.

(All amounts are in thousands of naira, unless otherwise stated)

4 Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

The company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	3 Months to MAR 2020 N'000	3 Months to MAR 2019 N'000
Sale of paint	387,835	777,352
Revenue from executed projects	184	-
Franchise / Management fees	2,374	-
	390,393	**777,352**

4(b) Liabilities related to contracts with customers

The company has recognised the following liabilities related to contracts with customers:

	Mar-20 N'000	Dec-19 N'000
Contract liabilities - customer deposits	17,147	17,147
	17,147	**17,147**

Contract liabilities relate to advance payments from customers and also volume rebates earned by franchisees both of which can be used as consideration for purchase of goods and services.

No revenue recognised in the current reporting period relates to carried-forward contract liabilities.

5 Other operating income

	3 Months to MAR 2020 N'000	3 Months to MAR 2019 N'000
Discount received	-	-
Profit on sale of property, plant & equipment	-	-
Sale of scrap	319	-
Insurance claim received	111	-
Exchange gain	301	1,157
Other income	931	2,031
Total	**1,662**	**3,188**

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2020

(All amounts are in thousands of naira, unless otherwise stated)

		3 Months to MAR 2020 N'000	3 Months to MAR 2019 N'000
6(a)	**Expense by function**		
	Cost of sales	255,617	479,574
	Selling & distribution expenses	54,113	91,478
	Adminstrative expenses	112,212	105,469
		421,942	**676,521**
6(b)	**Expenses by nature**		
	Change in inventories of finished goods and work in progress	232,428	386,974
	Amortization of intangible assets	2,673	2,673
	Depreciation on property, plant and equipment	10,527	15,627
	Staff costs	86,520	134,624
	Distribution costs	17,282	28,049
	Repairs and maintenance	9,647	13,592
	Energy consumption	2,469	10,765
	Advert and promotional expenses	10,813	18,000
	Commercial service Fee	4,187	8,166
	Auditors' fees	3,000	2,900
	Information technology	9,925	6,204
	Rent & rates	5,778	5,728
	Bank charges	1,226	1,685
	Legal and professional Fees	3,417	2,525
	Travelling expenses	10,044	13,958
	Directors fees	888	575
	Telephone and stationery	2,481	3,274
	Other expenses	8,636	21,201
		421,942	**676,521**

*Change in inventories of finished goods and work in progress relates to movement in finished goods inventory during the year charged to cost of goods sold.

(All amounts are in thousands of naira, unless otherwise stated)

		3 Months to MAR 2020 N'000	3 Months to MAR 2019 N'000
7	**Finance income:**		
	Interest received on bank deposits	1,668	4,302
	Total	**1,668**	**4,302**
8	**Finance costs:**		
	Interest expense - lease liability	967	1,685
	Total	**967**	**1,685**

		3 Months to MAR 2020	3 Months to MAR 2019
9	**Taxation:**		
(i)	**Current tax on profits for the year:**		
	Company income tax - (Minimum Tax)	8,206	29,291
	Education tax	-	1,953
		8,206	**31,243**
	Deferred tax credit (note 19a)	-	-
	Total current tax	8,206	**31,243**
(ii)	**Reconciliation of tax charge:**		
	Profit before tax	(39,187)	97,635
	Tax at Nigerian's statutory income tax rates (Minimum tax)	8,206	92,260
	Disallowable expenses	-	-
	Disallowable income	-	-
	Balancing charge	-	-
	Effect of permanent difference	-	-
	Education tax @2% of assessable profit	-	1,953
	Others	-	-
	Deffered tax	-	-
	Total tax charge for the year	**8,206**	**94,213**

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2020

(All amounts are in thousands of Naira, unless otherwise stated)

10 Property, plant and equipment	Land	Factory building	Plant and machinery	Office/ computer equipments	Furniture and fittings	Motor vehicles	Work-in-progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cost								
At 1 January 2019	**40,000**	**173,165**	**459,518**	**163,099**	**33,831**	**210,535**	**4,162**	**1,084,310**
Additions	-	-	38,304	6,939	953	8,715	-	**54,911**
Transfers	-	-	-	-	-	-	(1,096)	**(1,096)**
Write off	-	-	-	-	-	-	-	-
Disposal	-	-	-	(3,783)	-	(18,127)	-	-21910
At 31 December 2019	**40,000**	**173,165**	**497,822**	**166,255**	**34,784**	**201,123**	**3,066**	**1,116,215**
At 1 January 2020	**40,000**	**173,165**	**497,822**	**166,255**	**34,784**	**201,123**	**3,066**	**1,116,215**
Additions	-	-	-	650	-	-	-	650
Transfers /Reclassification	-	-	-	-	-	-	-	-
Held for sale	(40,000)	(173,165)	(362,267)	(10,329)	(7,710)	-	-	(593,471)
Disposal	-	-	-	-	-	-	-	-
At 31 March 2020	**-**	**0**	**135,555**	**156,576**	**27,074**	**201,123**	**3,066**	**523,394**
Depreciation								
At 1 January 2019	-	**20,736**	**314,584**	**131,441**	**28,723**	**146,907**	-	**642,392**
Charge for the year	-	3,462	34,117	9,390	3,225	15,662	-	65,856
Disposal	-	-	-	(3,780)	-	(16,375)	-	(20,155)
At 31 December 2019	-	**24,198**	**348,701**	**137,051**	**31,948**	**146,194**	-	**688,092**
At 1 January 2020	-	**24,198**	**348,701**	**137,051**	**31,948**	**146,194**	-	**688,092**
Charge for the year	-	-	3,847	2,165	639	3,876	-	10,527
Held for sale	-	(24,197)	(301,119)	(5,741)	(6,977)	-	-	(338,035)
Disposal	-	-	-	-	-	-	-	-
At 31 March 2020	-	**1**	**51,429**	**133,475**	**25,611**	**150,070**	-	**360,585**
Net book value as at:								
At 31 March 2020	**0**	**(0)**	**84,126**	**23,101**	**1,463**	**51,053**	**3,066**	**162,809**
At 31 December 2019	**40,000**	**148,967**	**149,121**	**29,204**	**2,836**	**54,929**	**3,066**	**428,123**

Land and building held for use in the production or supply of goods and services, or for administrative purposes are stated at cost less any accumulated impairment losses and accumulted depreciation.

Depreciation amounting to N10.5 million (2019:N15.6 million) has been charged to the income statement, N3.6million (2019: N8.4million) charged to cost of sales, N5.6million (2019: N4.4 million) to administrative expenses and N1.2million (2019: N2.6million) to selling and distribution expenses.

There were no borrowing costs capitalised during the year (2019: Nil).

(All amounts are in thousands of Naira, unless otherwise stated)

11 Intangible Assets	**Trade Mark N'000**	**Computer Software N'000**	**Total N'000**
Cost			
At 1 January 2019	**49,025**	**250,834**	**299,859**
Additions	-	-	-
At 31 December 2019	**49,025**	**250,834**	**299,859**
At 1 January 2020	**49,025**	**250,834**	**299,859**
Additions	-	-	-
At 31 March 2020	**49,025**	**250,833**	**299,859**
Amortization:			
At 1 January 2019	-	**214,417**	**214,417**
Charge for the year	-	10,693	10,693
At 31 December 2019	-	**225,110**	**225,110**
At 1 January 2020	-	225,110	225,110
Charge for the year	-	2,673	2,673
At 31 March 2020	-	**227,783**	**227,783**
Net Book values at:			
At 31 March 2020	**49,025**	**23,050**	**72,076**
At 31 December 2019	**49,025**	**25,724**	**74,749**

The Company's trademark represents the N49 million trade mark purchased from Blue Circle Industries Plc adjudged to have an indefinite life. The trade mark is carried at cost to be tested annually for impairment.

The trademark used to identify and distinguish (Sandtex brands; carrying amount N49million) has an indefinite life. The Company intends to continue the production of paints in the Sandtex product categories and evidence supports its ability to do so. An analysis of the Company's forecasted sales provides evidence that Sandtex products will generate net cash inflows for the Company for an indefinite period. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment annually.

The trade mark was reviewed for impairment as at 31 December 2019 and at present no impairment is deemed required and there are no contractual commitment that may have an impact on the carrying value of the trade mark.

Intangible assets amortization charged to income statement amounts to N2.6m (2019: N2.6million) has been included as part of administrative expenses.

(All amounts are in thousands of Naira, unless otherwise stated)

		Mar-20	Dec-19
12	**Inventories:**	**N'000**	**N'000**
	Raw materials	224,802	233,443
	Packaging materials	46,325	29,233
	Work in progress	526	156
	Finished goods	675,449	717,708
	Spare parts	9,524	9,490
	Diesel	1,115	1,279
	Stock impairment	(110,054)	(100,054)
	Total	**847,687**	**891,255**

Quarterly stock count was conducted across all Company's stock holding locations. The quantity counted was valued using weighted average costing model as per the Company's policy and agreed as stated herein.

The amount of write-down on inventories to net realizable value recognised as an expense is N110 million (2019: N100 million). This represents impairment for slow moving, obsolete and damaged inventories. All inventory items are stated at the lower of cost and their net realisable values.

The value of finished goods include N455million (2019: N500 million) imported merchandizing products.

		Mar-20	Dec-19
13	**Trade and other receivables**	**N'000**	**N'000**
(i)	Trade receivables	565,594	596,143
	Less: Provision for impairment of trade receivables - (note 13ii)	(248,912)	(238,912)
	Net trade receivables	**316,682**	**357,231**
	Other receivables	1,522	5,914
	Right of return asset	5,253	5,253
	Unutilized withholding tax credit note	33,236	31,407
	Less: Provision for impairment of other receivables	-	-
	Net other receivables	**40,011**	**42,574**
	Receivables from related parties (note 22)	3,550	5,759
	Less: provision for impairment of receivable from related parties	(1,692)	(1,692)
		1,858	4,067
	Withholding tax receivable	54,677	50,754
	VAT receivable	35,749	57,873
	Total trade and other receivables	**448,977**	**512,499**

*Other receivables relates to advance payments made to suppliers.

(All amounts are in thousands of Naira, unless otherwise stated)

13 Trade and other receivables (continued)

The fair values of trade and other receivables classified as amortised cost are as follows:

	Mar-20	Dec-19
	N'000	**N'000**
Trade receivables	316,682	357,231
Receivables from related parties (note 22e)	1,858	4,067
Withholding tax receivable	54,677	50,754
VAT receivable	35,749	57,873
Right of return asset	5,253	5,253
Untilized withholding tax credit note	33,236	31,407
Other receivables	1,522	5,914
Total	**448,977**	**512,499**

Trade receivables are non-interest bearing and are generally on terms of 30-90 days. Trade and other receivables as at 31 March 2020 were reviewed for impairment.

	Mar-20	Dec-19
	N'000	**N'000**
(ii) Allowance for impairment of trade receivables:		
At 1 January 2020	238,912	202,296
Additional allowance for receivable impairment	10,000	36,616
	248,912	238,912
Amount written off	-	-
Total as at 31 Mar 2020	**248,912**	**238,912**

(iii) Reconciliation of gross carrying amount of trade receivables	**Mar-20**	**Dec-19**
	N'000	**N'000**
Gross carrying amount as at 1 January	596,143	447,789
Revenue from contracts with customers	390,393	2,596,909
Receipts from customers	(420,942)	(2,448,555)
Receivables written off as uncollectible	-	-
Gross carrying amount as at 31 March 2020	**565,594**	**596,143**

(All amounts are in thousands of naira, unless otherwise stated)

		Mar-20 N'000	Dec-19 N'000
14	**Prepayments**		
	Prepayments - current portion	56,043	33,057
	Prepayments - non current portion	1,731	1,769
	Total prepayments	57,774	34,825

The balance on prepayment represent rent, generator, furniture, passage allowances and insurance paid in advance which will be charged against earnings in the periods it relates.

15 Right of use - Asset

		Mar-20 N'000	Total N'000
	Building		
(i)	**At 1 January 2019**	26,547	26,547
	Additions	-	-
	At 31 December 2019	26,547	26,547
	Accumulated Depreciation		
	At 1 January 2020	4,455	4,455
	Charge for the year	1,114	1,114
	At 31 March 2020	5,569	5,569
	Carrying amount		
	At 31 December 2019	22,092	22,092
	At 31 March 2020	20,978	20,978

15ai Lease liability

	Mar-20 N'000	Dec-19 N'000
I January	21,790	23,922
Payments during the year	-	(6,000)
Interest on lease liability during the year	967	3,868
At 31 March 2020	22,757	21,790

15aii Lease liability(Current & Non Current)

Lease liability - current portion	3,868	4,416
Lease liability - non current portion	18,889	17,374
Total Lease Liability	22,757	21,790

IFRS 16 affect the accounting for Portland's current operating lease which is the lease of its office premises. The estimated amount of right-of-use assets of ₦ 26.5million and lease liabilities of ₦ 23.9million was recognised on adoption of the new standard.

(All amounts are in thousands of Naira, unless otherwise stated)

15b Disposal Group Held For Sale

Part of a manufacturing facility within Portland Paints & Products Nig Plc segment is presented as a disposal group held for sale following the commitment of the board on November 2019 to selling the disposal group, an active plan of sale has commenced and in the judgement of management it is highly probable that the sale willl be completed within 12months.

The disposal group are measured in accordance with the applicable accounting policy and are no longer depreciated.

At 31st Jan 2020, the disposal group comprise the following Assets:

		Mar-20	Dec-19
		N'000	**N'000**
Property, plant and equipment	(Note 10)	255,436	0

16 Cash and cash equivalent:

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following as at 31 March 2020

	Mar-20	Dec-19
	N'000	**N'000**
Cash in hand and bank	64,866	22,758
Treasury bills & fixed deposit	125,179	256,991
Cash & short term deposit	**190,045**	**279,749**
Cash and cash equivalents	**190,045**	**279,749**

Treasury bills & fixed deposit are made for varying periods of between one month and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. During the reporting period, an expected credit loss assessment was performed on these balances. The impairment allowance is considered immaterial.

(All amounts are in thousands of Naira, unless otherwise stated)

		Mar-20	Dec-19
17	**Trade and other payables**	**N'000**	**N'000**
	Trade payables	155,111	297,608
	Accrued employee benefits	26,431	4,833
	Other payables	76,911	87,579
	Refund liability (note 17i)	7,985	7,985
	Intercompany payable (note21d)	107,587	110,901
	Dividends payable (refunded)	20,009	20,009
	Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**394,034**	**528,915**
	PAYE payable	3,365	485
	Defined contribution pension scheme	7,095	4,543
	VAT payable	1,784	17,482
	Withholding tax payable	422	2,064
	Total trade and other payables	**406,699**	**553,489**

Terms and conditions of the above financial and non-financial liabilities.

Trade payables are non-interest bearing and normally settled on 30 day term.
Other payables and accruals are non-interest bearing and have an average term of 90 days. Dividend payable represents the total unclaimed dividend as at 31 Mar 2020.

17(i) **Refund Liability**

When a customer has a right to return products bought within a given period, the company recognises a refund liability for the amount of consideration received for which the entity does not expect to be entitled. At the same time, the company has a right to recover the products from the customer where the customer exercises his right of return and recognises an asset.

The costs to recover the products are not material because the customers usually return the product in a saleable condition.

	Mar-20	Dec-19
	N'000	**N'000**
At 1 January 2020	7,985	15,277
Addition/(release)	-	(7,292)
Total refund liability	7,985	7,985

		Mar-20	Dec-19
18	**Provisions**	**N'000**	**N'000**
	At 1 January 2019	3,000	24,917
	Charge to profit or loss	-	-
	Amount used during the year	(2,500)	(9,917)
	Provisions write back	-	(12,000)
		500	**3,000**

The recognised provision reflects the directors' best estimate of the most likely outcome of legal cases against the company based on legal advice from the company's legal counsel

(All amounts are in thousands of Naira, unless otherwise stated)

		Mar-20	Dec-19
19	**Corporate tax liability**	**N'000**	**N'000**
	Balance at beginning of the year		
	Company income tax	71,823	109,921
	Education tax	5,458	8,240
		77,281	**118,161**
	Current tax expense		
	Company income tax (Minimum Tax)	8,206	62,510
	Education tax	-	5,458
		85,487	186,129
	Payment	0	(108,848)
	Income tax payable	**85,487**	**77,281**
	The analysis of tax payment during the year is as follows:		
	Cash payment	-	51,709
	Withholding tax credit Utilized	-	57,139
		-	**108,848**

19(a) Deferred taxes are calculated on all temporary differences using the balance sheet method and a tax rate of 30% (2019:30%).

(All amounts are in thousands of Naira, unless otherwise stated)

20 **Equity**

(1) Share capital

	Authorised		Authorised	
	Mar-20		Dec-19	
	Number'000	N'000	Number'000	N'000
Ordinary shares of 50 kobo each	1,000,000	500,000	1,000,000	500,000
Total	**1,000,000**	**500,000**	**1,000,000**	**500,000**

	Issued and Fully Paid Mar-20	Issued and Fully Paid Mar-20	Issued and Fully Paid Dec-19	Issued and Fully Paid Dec-19
	Number'000	N'000	Number'000	N'000
Ordinary shares of 50 Kobo each at the beginning of the year	793,416	396,708	793,416	396,708
Rights issue	-	-	-	-
As at 31 Mar 2020	**793,416**	**396,708**	**793,416**	**396,708**

(ii) Share premium

	Mar-20 N'000	Dec-19 N'000
At 1 January 2020	437,923	437,923
Additions in the year	-	-
As at 31 Mar 2020	**437,923**	**437,923**

Share premium relates to the excess consideration paid forN 393 million ordinary shares issued in 2017 over the nominal amount of 50kobo per share. Funds raised from the right issues were used for general working capital purposes.

(iii) Nature and purpose of reserves:

Other reserves	Mar-20 N'000	Dec-19 N'000
At 1 January 2020	91,923	91,923
Revaluation during the year	-	-
As at 31 Mar 2020	**91,923**	**91,923**

Other reserves:

The other reserves relates to increases in the fair value of property, plant and equipment and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. The revaluation was carried out on land and building in December 2010 and 2012 by Ubosi Eleh & Co., a professional firm of Chartered Surveyors on an open market basis. However, upon the conversion of the Company's accounting standard to International Financial Reporting Standards, the cost and revaluation surplus of the asset was taken as deemed cost and no subsequent revaluations are required in line with the UACN Plc group accounting policy.

(iv) Earnings per share

Basic earnings per share is calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares during the year.

The following reflects the income and share data used on the basic and diluted earnings per share computations:

(All amounts are in thousands of Naira, unless otherwise stated)

20 Equity (continued)

(iv) Earnings per share (continued)	Mar-20 N'000	Dec-19 N'000
Net profit attributable to ordinary equity holders	(47,393)	66,392
Weighted average number of ordinary shares for basic earnings per share	793,416	793,416
Basic earnings per share (in kobo)	(6)	8
Weighted average number of ordinary shares for diluted earnings per share	793,416	793,416
Diluted earnings per share (in kobo)	(6)	8

21 Reconciliation of net profit to net cash generated from operations

	3 Months to MAR 2020 N'000	3 Months to MAR 2019 N'000
Profit before tax	(39,187)	97,635

Adjustments to reconcile net income to net cash provided by operating activities:

	3 Months to MAR 2020 N'000	3 Months to MAR 2019 N'000
Interest paid	967	1,685
Finance income	(1,668)	(4,302)
Depreciation charges	10,527	15,628
Depreciation - Right of use asset	1,114	-
Impairment loss recognised in profit or loss (note 13ii)	(10,000)	-
Amortisation of intangible assets	2,673	2,673
	3,613	**15,684**
Changes in assets and liabilities:		
(Increase)/decrease in trade debtors and prepayments	50,574	(56,532)
Decrease/(increase) in inventories	43,568	(3,102)
Increase/(decrease) in trade creditors & accruals	(149,291)	117,886
Increase/(decrease) in contract liabilities	-	(40,732)
	(55,149)	**17,520**
Net adjustment	**(51,536)**	**33,204**
Net cash provided by operating activities	**(90,722)**	**130,840**

21.1 Gain/(Loss) on disposal of property, plant and equipment

Proceeds on disposal of property, plant and equipment	-	-
Less: net book value	-	-
Gain on disposal of property plant and equipment	**-**	**-**

(All amounts are in thousands of Naira, unless otherwise stated)

22 Related party transactions

The parent, ultimate parent and controlling party of the company is UAC of Nigeria Plc incorporated in Nigeria. There are other companies that are related to Portland Paints & Products Nigeria Plc through common share holdings and directorship.

The following transactions were carried out with related parties:

			Mar-20	Dec-19
(a)	**Sales of goods and services**	**Relationship**	**N'000**	**N'000**
	UACN Property Development Company Plc	Sister company	-	-
	Grand Cereals Limited	Sister company	-	4,243
	Chemical and Allied Products (CAP) Plc	Sister company	-	2,322
	UAC Foods Limited	Sister company	-	1,716
	MDS Logistics Ltd	Sister company	-	1,968
	UAC Resturants Ltd	Sister company	-	670
			0	**10,919**

			Mar-20	Dec-19
(b)	**Purchases of goods and services**		**N'000**	**N'000**
	UAC of Nigeria Plc: Service fee	Principal shareholder	4,187	27,060
			4,187	**27,060**

			Mar-20	Dec-19
(c)	**Other transactions with related parties**		**N'000**	**N'000**
	UAC of Nigeria Plc	Principal shareholder	89,478	74,927
	Grand Cereals Limited	Sister company	-	423
			89,478	**75,350**

			Mar-20	Dec-19
(d)	**Intercompany payable:**		**N'000**	**N'000**
	UAC of Nigeria Plc	Principal shareholder	93,666	99,986
	Grand Cereals Limited	Sister company	-	-
	Chemical and Allied Products (CAP) Plc	Sister company	13,918	10,912
	Livestock Feeds Plc	Sister company	3	3
	UAC Foods Limited	Sister company	-	-
			107,587	**110,901**

			Mar-20	Dec-19
(e)	**Intercompany receivable:**		**N'000**	**N'000**
	UACN Property Development Company Plc	Sister company	2,349	2,349
	Grand Cereals Limited	Sister company	1,190	1,843
	Chemical and Allied Products (CAP) Plc	Sister company	11	11
	UAC Foods Limited	Sister company	-	1,556
			3,550	**5,759**

Receivables are largely as a result of sales of paints to related parties. Payables due to related parties are not as a result of trade transactions but relate to settlement of liabilities and reimbursements for expenses incurred by related parties on behalf of the Company.

All trading balances will be settled in cash.

Provisions for doubtful related party receivables as at 31 March 2020 amounted to N1.7 million (2019: N1.7million)

All related party transactions were carried out on commercial terms and conditions (See also disclosures in Note 17).

(All amounts are in thousands of Naira, unless otherwise stated)

		3 Months to MAR 2020 N'000	3 Months to MAR 2019 N'000
23	**Compensation to key management personnel:**		
	Short-term employee benefits	5,690	5,134
	Long-term employee benefits	477	430
		6,167	**5,564**

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel (The Executive Director). The Executive Director is paid basic salaries, housing and transportation allowance while the Non-executive Directors are only entitled to Directors Fees, passage and sitting allowance. The Executive Director is entitled to a defined contribution plan (pension) in accordance with Pension Reform Act 2014 as amended. Non-executive Directors are not entitled to any form of pension or post employment benefits with the company. Amounts paid to Directors are disclosed below:

	3 Months to MAR 2020 N'000	3 Months to MAR 2019 N'000
The emoluments of the highest paid director	**6,167**	**5,564**
Emolument of non-executive directors:		
Fee	188	368
Sitting allowance	700	425
Passage Allowance	7,406	-
	8,294	**793**

Directors' mix	3 Months to MAR 2020 Number	3 Months to MAR 2019 Number
Executive Director	1	1
Non-executive Directors	4	2
	5	**3**

24 Employee compensation

The average number of persons employed by the Company during the year, including Director, is as follows:

	3 Months to MAR 2020 Number	3 Months to MAR 2019 Number
Production	12	37
Sales, marketing and depot	32	43
Administration	28	28
	72	**108**

The number of employees in respect of emoluments within the following ranges was:

	3 Months to MAR 2020 Number	3 Months to MAR 2019 Number
N10,000 - N500,000	-	-
N500,001 - N1,000,000	-	31
Above N1,000,001	72	77
	72	**108**

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF VALUE ADDED
FOR THE PERIOD ENDED 31 MARCH 2020

	3 Months to MAR 2020 N'000	%	3 Months to MAR 2019 N'000	%
Turnover	390,393		777,351	
Non trading items	3,329		7,489	
	393,722		**784,840**	
Bought-in-material and services:				
- Local	(261,218)		(417,510)	
- Imported	(73,677)		(117,759)	
Value added	**58,827**	**100%**	**249,571**	**100%**
Applied as follows:-				
To pay employees:				
Salaries and labour related expenses	86,520	147%	134,624	54%
To pay Government:				
Corporate tax	8,206	14%	31,243	13%
To pay provider of capital:				
Interest charges	967	2%	1,685	1%
To pay shareholders				
as dividend	-	0%	-	0%
Retained for replacement of assets and business growth:				
- Depreciation	10,527	18%	15,627	6%
- Deferred tax	-	0%	-	0%
- Profit for the year	(47,393)	-81%	66,392	26%
	58,827	**100%**	**249,571**	**100%**

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