PORTLAND PAINTS & PRODUCTS NIGERIA PLC

FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED
31 MARCH 2019

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
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FOR THE PERIOD ENDED 31 MARCH 2019

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PORTLAND PAINTS & PRODUCTS NIGERIA PLC
GENERAL INFORMATION
FOR THE PERIOD ENDED 31 MARCH 2019

BOARD OF DIRECTORS		
	Mrs. Adeline Ogunfidodo	- Ag Chairman
	Mr. Adedamola Olusunmade	- MD/CEO
	Engr. Dipo Ashafa	- 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	Mrs. Bolanle Oyekan UAC House 1-5 Odunlami Street Marina, Lagos	
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 Plc First City Monument Bank Plc	

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2019

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

	Note	3 Month to MAR 2019 N'000	3 Month to MAR 2018 N'000
Revenue from contracts with customers	4	777,351	624,101
Cost of sales	6(a)	(479,574)	(411,590)
Gross profit		**297,777**	**212,511**
Other operating income	5	3,188	32,377
Selling and distribution expenses	6(a)	(91,478)	(65,135)
Administrative expenses	6(a)	(114,469)	(145,975)
Profit from operations		**95,018**	**33,778**
Finance income	7	4,302	3,221
Finance cost	8	(1,685)	(2,222)
Net finance costs		**2,617**	**999**
Profit before taxation		**97,635**	**34,777**
Tax expense	9	(31,243)	(11,129)
Profit from continuing operations		**66,392**	**23,648**
Profit from discountinued operations		**-**	**-**
Other comprehensive income		**-**	**-**
Total comprehensive income		**66,392**	**23,648**
Earnings per share for profit attributable to owners of the Company during the year:			
Basic (Kobo)	19	8	3
Diluted (Kobo)	19	8	3

The notes on pages 8 to 42 form an integral part of these financial statements.

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

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

	Notes	Mar-19 N'000	Dec-18 N'000
ASSETS:			
Non - current assets:			
Property, plant and equipment	10	428,929	441,919
Intangible assets	11	82,769	85,442
Prepayments	14	7,600	5,537
Total non - current assets		**519,298**	**532,898**
Current assets:			
Inventories	12	731,149	728,047
Trade and other receivables	13	476,877	476,180
Prepayments	14	59,654	22,688
Cash and Cash Equivalent	16	622,472	491,655
Total current assets		**1,890,152**	**1,718,570**
Total assets		**2,409,450**	**2,251,468**
Equity and liabilities			
Equity:			
Issued share capital	19	396,708	396,708
Share premium	19	437,923	437,923
Other capital reserve (Revaluation reserve)	19	91,923	91,923
Retained earnings		676,818	610,427
Equity attributable to owners of the parent		**1,603,372**	**1,536,981**
Non current liabilities:			
Deferred tax liabilities	18(a)	14,048	14,048
Total non current liabilities		**14,048**	**14,048**
Current liabilities:			
Trade and other payables	17	627,185	501,988
Contract liabilities	4(b)	14,641	55,373
Provisions	18	26,917	24,917
Government grants	15	-	-
Income tax payable	18(a)	123,287	118,161
Total current liabilities		**792,030**	**700,439**
Total liabilities		**806,078**	**714,487**
Total equity and liabilities		**2,409,450**	**2,251,468**

The audited financial statements on pages 4 to 70 was approved by the board of directors on April 17, 2019 and signed

Raheem Adejumobi
(Finance Manager)
FRC/2016/ICAN/00000014225

Olusunmade Adedamola
(Managing Director)
FRC/2018/IODN/00000018035

Mrs Adeline Ogunfidodo
(Ag. Chairman)
FRC/2012/ICAN/00000000525

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF CHANGES IN EQUITY
AS AT 31 MARCH 2019

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

	Share capital N'000	Share Premium N'000	Revaluation Surplus N'000	Retained earnings N'000	Total equity N'000
1 January 2018	396,708	437,923.00	91,923	466,461	1,393,015
Increase in impairment losses on adoption of IFRS 9				(62,727)	(62,727)
1 January 2018 restated	**396,708**	**437,923**	**91,923**	**403,734**	**1,330,287**
Profit for the year	-		-	206,693	206,693
31 December 2018	**396,708**	**437,923**	**91,923**	**610,427**	**1,536,980**
1 January 2019	396,708	437,923	91,923	610,427	1,536,980
Profit for the year	-		-	66,392	66,392
31 March 2019	**396,708**	**437,923**	**91,923**	**676,818**	**1,603,372**

The notes on pages 8 to 42 form an integral part of these financial statements.

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019

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

		3 Month to MAR 2019 N'000	3 Month to MAR 2018 N'000
Cash flows from operating activities:			
Cash generated from operations	20	130,839	124,701
Legal Claims Paid			-
Income tax paid	18(a)	-	-
Net cash generated from / (used in) operating activities		**130,839**	**124,701**
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	(2,638)	(7,271)
Purchase of intangible assets	11	-	(2,189)
Proceeds from sales of property,plant and equipment	20.1		3,516
Finance income	7	4,302	3,221
Net cash used in investing activities		**1,664**	**(2,723)**
Cash flows from financing activities:			
Repayments of borrowings		-	(14,725)
Interest paid		(1,685)	(2,222)
Other direct fees and charges on borrowing			-
Right issues		-	-
Net cash used in financing activities		**(1,685)**	**(16,947)**
Net increase/(decrease) in cash and cash equivalents		130,817	105,031
Cash and cash equivalents brought forward		491,655	194,205
Cash and cash equivalents	13	**622,472**	**299,236**
			-

The notes on pages 8 to 42 form an integral part of these financial statements.

1.0 Corporate Information

Portland Paints and 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.

2.0 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of Portland Paints and 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 except for land and building measured at fair value less cost to sell. 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

A number of new improvements to IFRSs 2010-2012 and 2011-2013 cycles were effective for the first time for financial reporting periods commencing on or after 1 January 2017. However, IFRS 9 and IFRS 15 amended standards were adopted by the company in the period as they were applicable in the preparation of the financial statements.

(a) Transition notes - Impact on the financial statements

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Company did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustment to the carrying amounts of financial assets and liabilities at the date of transition were recognized in opening retained earnings on 1 January 2018 in the statement of changes in equity. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year. The Company has elected to adopt the provision matrix approach as a practical expedient for the calculation of expected credit loss on trade and other receivables on the adoption of IFRS 9.

The Company has also adopted IFRS 15: Revenue from Contracts with Customers using the modified retrospective method, with the effect of applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 financial year has not been restated but is presented, as previously reported, under IAS 18 and related interpretations. The adjustments to the carrying amounts as a result of the adoption of IFRS 15 have no impact on the opening retained earnings as at 1 January 2018.

The following tables summarise the impact, net of tax, of transition to IFRS 9 and IFRS 15 for each 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. There was no impact on the statement of cash flows as a result of adopting the new standards. The adjustments are explained in more detail below:

2.2.1.1 IFRS 9 Financial instruments – Impact of adoption

The new financial instruments standard, IFRS 9 replaces the provisions of IAS 39. The new standard presents a new model for classification and measurement of assets and liabilities, a new impairment model which replaces the incurred credit loss approach with an expected credit loss approach, and new hedging requirements.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in the notes below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated but the impact of adoption has been adjusted through opening retained earnings for the current reporting period.

(b) Classification and measurement

(i) Financial assets

On 1 January 2018 (the date of initial application of IFRS 9), the Company's management assessed the classification of its financial assets which is driven by the cash flow characteristics of the instrument and the business model in which the asset is held.

The Company's financial assets include cash and cash equivalents, trade and other receivables. The Company's business model is to hold these financial assets to collect contractual cash flows and to earn contractual interest. For cash and cash equivalents, interest is based on prevailing market rates of the respective bank accounts in which the cash and cash equivalents are domiciled.

Cash and cash equivalents and trade and other receivables that were previously classified as loans and receivables (L and R) are now classified as financial assets at amortised cost.

The changes in the classification and measurement requirements of IFRS 9 only resulted in a nomenclature change and as a result, this had no effect on the carrying amount of the financial assets and the opening retained earnings as at 1 January 2018.

(ii) Financial liabilities

The adoption of IFRS 9 requires that for financial liabilities that are measured under the fair value option, entities should recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The Company does not have any financial liabilities measured at fair value. Therefore the adoption of IFRS 9 did not affect the the measurement of its financial liabilities. Consequently, no retrospective adjustments have been made in relation to this change as at 1 January 2018.

*Other receivables exclude Withholding tax receivables, VAT receivables, advance and advance payments.

** Trade and other payables exclude provisions (including provisions for bonus and royalties), VAT, Withholding tax, deferred revenue, and royalties.

(c) Impairment of financial assets

Under IFRS 9, the Company is required to revise its previous impairment methodology under IAS 39 for each of these classes of assets. The following are the Company's financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables
- Receivables from related parties and;
- Cash and cash equivalent.

(i) Trade receivables

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. Trade receivables represent the amount of receivable from third-party customers for the sale of goods. The expected credit loss rate for this receivable is determined using a provision matrix approach.

The provision matrix approach is based on the historical credit loss experience observed according to the 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).

(ii) Cash and cash equivalents

The Company also assessed the cash and cash equivalents to determine their expected credit losses. Based on this assessment, they identified the expected losses as at 1 January 2018 and 31 December 2018 to be insignificant, as the loss rate is deemed immaterial. The assets are assessed to be in stage 1.

(d) Reconciliation of impairment loss on financial assets

Movements in the provision for impairment of trade and intercompany receivables that are assessed for impairment are as follows:

	2019 **₦'000**
At 1 January	**203,988**
Additional allowance for receivable impairment	9,000
	212,988
Amount written off	0
Total as at 31 March 2019	**221,988**

2.2.2.2 IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The adoption of the new standard requires the Company to apply the five (5)-step model for recognizing revenue. The impact of adoption on the Company's opening retained earnings at the date of initial application (i.e. 1 January 2018) and other reclassification adjustments were immaterial as such these have not been reflected in the opening retained earnings.

(a) Product returns for a refund or credit note.

The company allows customers to return products after delivery within a certain timeframe if unsatisfactory. IFRS requires the company to estimate expected returns which should not be recognized as revenue until the return period lapses.

When a customer exercises this right to return products, the company also has a right to recover the product from the customer and will recognise an asset- Right of recovery in trade and other receivables and a corresponding adjustment to Cost of sales.

(b) Recognition of contract assets and contract liabilities

The Company introduced the presentation of contract assets and liabilities in the balance sheet to reflect the requirements of IFRS 15. Contract assets (₦0.35 million) have been reclassified from trade and other receivables which represent unbilled amounts from contracts with customers. Contract liabilities of (₦10.9 million) have also been reclassified from customer deposits which are advance payments received from customers.

2.2.2 New standards, amendments and interpretations not yet adopted

IFRS 16 Leases – Impact of adoption

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance lease is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The potential impact of the standard on the Company is described below:

IFRS 16 will affect the accounting for Portland's current operating lease which is the lease of its office premises. As at the reporting date, the company does not have non-cancellable operating lease commitments.

The Company will recognise right-of-use assets and lease liabilities in the Statement of financial position on adoption of the new standard. The company will also recognise interest expense and depreciation in the Statement of profit or loss. In the statement of cash flow, principal repayments would be recognised in financing activities while cash flows relating to leases of low-value assets and variable lease payments would be recognised in operating activities.

The standard for leases is mandatory for financial years commencing on or after 1 January 2019. The Company will apply the simplified transition approach and will not restate comparative amounts for the year prior to initial adoption.

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 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.

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 but subsequently recognized at fair value based on the valuations by the independent valuers 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.

On revaluation of property, plant and equipment, the surplus thereon is transferred to the revaluation surplus account in the statement of changes in equity and recognized as other comprehensive income in the comprehensive income statement.

Category	**Useful lives**
Long Leasehold Land	Over the lease period
Freehold buildings	up to 99
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 for as follows:

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 business
- 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 value.

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 income

(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.

(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

(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

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 measured on initial recognition. For example, disclose if
(a) present value of management best estimate of the expenditure required to settle the present obligation at the

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.

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.

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.

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**	**Income from executed projects**	**Franchise/ Management fees**	**Total**
Revenue from contract with customers	777,351	-	-	777,351

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 Managing Director (CEO) is the Chief Operating Decision Maker (CODM) of the Company whom the segment information is presented to.

2.4.18 Employees' benefits

Employees' benefits both legal and constructive which are long and short term in nature are adequately recognized in the income statement.

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:

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.

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**	**Marine & industrial paints**	**Sanitary wares**	**Management fees**	**Total**
	Mar-19	**Mar-19**	**Mar-19**	**Mar-19**	**Mar-19**
	N'000	**N'000**	**N'000**	**N'000**	**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	**246,763**	**51,019**	**(5)**	**-**	**297,777**
Operating expenses					(187,647)
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**

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

	Decorative paints	**Marine & industrial paints**	**Sanitary wares**	**Management fees**	**Total**
	Mar-18	**Mar-18**	**Mar-18**	**Mar-18**	**Mar-18**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Revenue:					
Revenue from contracts with customers	415,529	208,563	9	-	624,101
Company's revenue per statement of profit or loss and other comprehensive income	**415,529**	**208,563**	**9**	**-**	**624,101**
Segment gross profit	**141,479**	**71,505**	**(473)**	**-**	**212,511**
Operating expenses					(192,804)
Depreciation					(15,633)
Amortisation					(2,673)
Finance income					3,221
Finance cost					(2,222)
Other income					32,377
Sub-total					**(177,734)**
Company's profit before tax					**34,777**

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-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
Addition to non-current assets	2,638	-	-	-	2,638
Reportable segment assets	1,893,311	310,726	11,211	-	2,215,248
Factory office property	191,564	-	-	-	191,564
Total company assets	**2,087,513**	**310,726**	**11,211**	**-**	**2,409,450**
Reportable segment liabilities:					
Loans and borrowings (excluding leases and overdrafts)	-	-	-	-	-
Defined contribution pension scheme	8,328	-	-	-	8,328
Financial liabilities	-	-	-	-	-
Contact liabilities	14,641				14,641
Deferred tax laibilities	14,049	-	-	-	14,049
Other unallocated and central liabilities	742,143	-	-	-	742,143
Total company liabilities	**779,161**	**-**	**-**	**-**	**779,161**

	Decorative Paints Dec-18 N'000	Marine Paints Dec-18 N'000	Sanitary wares Dec-18 N'000	Management fees Dec-18 N'000	Total Dec-18 N'000
Addition to non-current assets	87,368	-	-	-	87,368
Reportable segment assets	1,467,479	304,491	13,718	-	1,785,688
Factory office property	195,890	-	-	-	195,890
Total company assets	**1,750,737**	**304,491**	**13,718**	**-**	**2,068,946**
Reportable segment liabilities:					
Loans and borrowings (excluding leases and overdrafts)	43,742	-	-	-	43,742
Defined contribution pension scheme	9,595	-	-	-	9,595
Financial liabilities	-	-	-	-	-
Deferred tax laibilities	14,048	-	-	-	14,048
Other unallocated and central liabilities	610,554	-	-	-	610,554
Total company liabilities	**677,939**	**-**	**-**	**-**	**677,939**

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

	3 Month to MAR 2019 N'000	3 Month to MAR 2018 N'000
Sale of paint	777,352	624,101
Revenue from executed projects	-	-
Franchise / Management fees	-	-
	777,352	**624,101**

4(b) Liabilities related to contracts with customers

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

	Mar-19 N'000	Dec-18 N'000
Contract liabilities - customer deposits	14,641	55,373
	14,641	**55,373**

Contract liabilities relate to advance payments from customers and also volume rebates earned by franchisees both of which can be used 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 Month to MAR 2019 N'000	3 Month to MAR 2018 N'000
Discount received	0	-
Government grants	0	3,670
Profit on sale of property, plant & equipment	-	50
Sale of scrap	0	275
Insurance claim received	-	1,737
Exchange gain	1,157	1,940
Other income	2,031	24,398
Container deposit refund	-	307
Total	**3,188**	**32,377**

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

		3 Month to MAR 2019 N'000	3 Month to MAR 2018 N'000
6(a)	**Expense by function**		
	Cost of sales	479,574	411,590
	Selling & distribution expenses	91,478	65,135
	Adminstrative expenses	114,469	145,975
		685,521	**622,700**
6(b)	**Expenses by nature**		
	Change in inventories of finished goods and work in progress	386,974	357,747
	Amortization of intangible assets	2,673	2,673
	Depreciation on property, plant and equipment	15,628	15,633
	Staff costs	134,624	128,971
	Distribution costs	28,049	17,759
	Repairs and maintenance	13,592	17,627
	Energy consumption	10,765	7,280
	Advert and promotional expenses	18,000	18,498
	Commercial service Fee	8,166	6,266
	Auditors' fees	2,900	2,700
	Bad debt provision	9,000	1,000
	Information technology	6,204	11,347
	Rent & rates	5,728	5,325
	Bank charges	1,685	1,351
	Legal and professional Fees	4,525	3,556
	Travelling expenses	13,958	14,143
	Directors fees	575	803
	Telephone and stationery	3,274	1,177
	Other expenses	19,200	8,846
		685,521	**622,700**

		3 Month to MAR 2019 N'000	3 Month to MAR 2018 N'000
7	**Finance income:**		
	Interest received on bank deposits	4,302	3,221
	Total	**4,302**	**3,221**
8	**Finance costs:**		
	Charges /Interest on debts and borrowings	1,685	2,222
	Total	**1,685**	**2,222**

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

9 Taxation:

(i)	**Current tax on profits for the year:**		
	Company income tax	29,291	10,433
	Education tax	1,953	696
		31,244	**11,129**
	Deferred tax (credit)/charge (note 18b)	-	
	Total current tax	**31,244**	**11,129**
(ii)	**Reconciliation of tax charge:**		
	Profit before tax	97,635	34,777
	Tax at Nigerian's statutory income tax rates (Minimum Tax)	29,291	10,433
	Disallowable expenses	-	-
	Disallowable income	-	-
	Balancing charge	-	-
	Effect of permanent difference	-	-
	Education tax @2% of assessable profit	1,953	696
	Others	-	-
	Total tax charge for the year	**31,244**	**11,129**

(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 2018	**40,000**	**173,164**	**417,630**	**156,103**	**28,802**	**196,510**	**2,372**	**1,014,581**
Additions	-	1	45,170	9,997	5,238	22,800	4,162	**87,368**
Transfers	-	-	-	-	-	-	(2,372)	**(2,372)**
Write off	-	-	(3,282)	-	-	-	-	**(3,282)**
Disposal	-	-	-	(3,001)	(209)	(8,775)	-	**(11,985)**
At 31 December 2018	**40,000**	**173,165**	**459,518**	**163,099**	**33,831**	**210,535**	**4,162**	**1,084,310**
At 1 January 2019	**40,000**	**173,165**	**459,518**	**163,099**	**33,831**	**210,535**	**4,162**	**1,084,310**
Additions	-	-	-	-	180	2,100	358	2,638
Transfers	-	-	-	-	-	-	-	-
Write off	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-
At 31 March 2019	**40,000**	**173,165**	**459,518**	**163,099**	**34,011**	**212,635**	**4,520**	**1,086,948**
Depreciation								
At 1 January 2018	**-**	**17,274**	**283,308**	**124,440**	**25,451**	**143,152**	**-**	**593,626**
Charge for the year	-	3,462	31,276	9,573	3,402	11,653	-	59,366
Disposal	-	-	0	(2,572)	(130)	(7,898)	-	(10,600)
At 31 December 2018	**-**	**20,736**	**314,584**	**131,441**	**28,723**	**146,907**	**-**	**642,391**
At 1 January 2019	**-**	**20,736**	**314,584**	**131,441**	**28,723**	**146,907**	**-**	**642,391**
Charge for the year	-	865	8,346	2,197	856	3,364	-	15,628
Reclasification	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-		-
At 31 March 2019	**-**	**21,601**	**322,930**	**133,638**	**29,579**	**150,271**	**-**	**658,019**
Net book value as at:								
At 31 March 2019	**40,000**	**151,564**	**136,588**	**29,461**	**4,432**	**62,364**	**4,520**	**428,929**
At 31 December 2018	**40,000**	**152,429**	**144,934**	**31,658**	**5,108**	**63,628**	**4,162**	**441,919**

Fair Value of land and building

Land and building held for use in the production or supply of goods and services, or for administrative purposes are stated at cost but subsequently recognized at fair value based on the valuations by the independent valuers less any accumulated impairment losses (for land and buildings) and accumulted depreciation (for buildings).

Depreciation amounting to N15.6 million (2018:N15.6 million) has been charged to the income statement, N8.4million (2018: N9.03 million) charged to cost of sales, N4.4 million (2018: N4.3 million) to administrative expenses and N2.6million (2018: N2.2 million) to selling and distribution expenses.

(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 2018	**49,025**	**248,644**	**297,669**
Additions	-	2,190	2,190
At 31 December 2018	**49,025**	**250,834**	**299,859**
At 1 January 2019	**49,025**	**250,834**	**299,859**
Additions	-	-	-
At 31 March 2019	**49,025**	**250,833**	**299,859**
Amortization:			
At 1 January 2018	**-**	**203,724**	**203,724**
Charge for the year	-	10,693	10,693
At 31 December 2018	**-**	**214,417**	**214,417**
At 1 January 2019	-	214,417	214,417
Charge for the year	-	2,673	2,673
At 31 March 2019	**-**	**217,090**	**217,090**
Net Book values at:			
At 31 March 2019	**49,025**	**33,743**	**82,769**
At 31 December 2018	**49,025**	**36,417**	**85,442**

The Company's Intangible asset 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 2018 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 (2018: N2.6million) has been included as part of administrative expenses.

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

		Mar-19 N'000	Dec-18 N'000
12	**Inventories:**		
	Raw Materials	258,994	217,476
	Packaging Materials	34,760	31,357
	Work in progress	2,056	2,986
	Finished Goods	514,039	537,402
	Spare Parts	10,562	10,135
	Diesel	1,768	4,591
	Stock Impairment	(91,030)	(75,900)
	Total	**731,149**	**728,047**

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 N91 million (2018: N75.9 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 N310 million (2018: N312 million) imported merchandizing products.

			Mar-19 N'000	Dec-18 N'000
13	**Trade and Other Receivables**			
(i)	Trade receivables		502,455	447,789
	Less: Provision for impairment of trade receivables - (note 13ii)		(212,988)	(202,296)
	Net trade receivables		**289,467**	**245,493**
	Other receivables		10,007	57,393
	Right of return asset (note 17i)		9,593	9,593
	Untilized withholding tax credit note		-	8,630
	Less: Provision for impairment of other receivables		-	-
	Net other receivables		**19,600**	**75,616**
	Receivables from related parties (note 21)		5,576	5,286
	Less: provision for impairment of receivable from related parties	13ii		(1,692)
	Withholding tax receivable		94,033	88,614
	VAT receivable		68,201	62,863
	Total trade and other receivables		**476,877**	**476,180**

(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-19 N'000	Dec-18 N'000
Trade receivables	289,467	243,801
Receivables from related parties (note 21e)	5,576	5,286
Withholding tax receivable	94,033	88,614
VAT receivable	68,201	62,863
Other receivables	19,600	75,616
Total	**476,877**	**476,180**

Trade receivables are non-interest bearing and are generally on terms of 30-90 days. Trade and other receivables as at 31 March 2019 were reviewed for impairment.

	Mar-19 N'000	Dec-18 N'000
(ii) Allowance for impairment of trade receivables:		
At 1 January 2019	203,988	176,905
Increase in impairment losses on transition (Adoption of IFRS 9)		62,727
	203,988	239,632
Additional allowance for receivable impairment	9,000	19,994
	212,988	259,626
Amount written off	0	(57,330)
Total as at 31 March 2019	**212,988**	**202,296**

	Dec-18 N'000	Dec-18 N'000
14 Prepayments		
Prepayments - current portion	59,654	22,688
Prepayments - non current portion	7,600	5,537
Total prepayments	**67,253**	**28,224**

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

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

15 Interest bearing loans and borrowings:

		Mar-19 N'000	Dec-18 N'000
(i)	**Current borrowings:**		
	Bank loans:		
	Long term liabilities due within one year	-	43,742
	Total Current borrowings	**-**	**43,742**

The movement in loan and borrowings represent principal repayment as at 31 December 2018.

Current borrowings:

The bank loan was secured with the followings:

- Debenture on fixed and floating assets of Portland Paints & Products Nigeria Plc, valued at N1.1 billion as at August 2016, by Steve Akhigbemidu & Co. Estate Surveyors &Valuers.
- Execution of trust receipts by the borrower.
- Ownership of assets financed
- Promissory note of the Company for principal and interest
- Sales collection agreement

(ii) Long term borrowings

Non current liabilities

The secured loan is a Central Bank of Nigeria (CBN) intervention fund through Bank of Industry (BOI). The applicable interest rate is 6% per annum subject to review by the BOI from time to time in line with the prevailing market conditions. The loan is repayable in instalments at various dates between January 2011 to 2018. After bifurcation of the government grant, in the form of a low interest rate loan, the loan bears an effective current interest rate of 22%. N2.7m (2017:N6m) interest on BOI facility was charged to income statement as at 30 June, 2018 when the loan was fully repaid.

Lender	Total Facility	Repayment Terms	Mar-19 N'000	Dec-18 N'000
Bank of Industry (BOI) Intervention funds Through Ecobank Nigeria Plc	N300m	Carrying Value - 28 equal quarterly installments from date of draw down	-	-
Bank of Industry (BOI) Intervention Funds Through FCMB Nigeria Plc	N255m	Carrying Value - 60 equal monthly installments with 12 months moratorium	-	43,742
Total long term facility			**-**	**43,742**
Current portion of term-loans			-	(43,742)
Due after one year			**-**	**-**

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

(iii) Government grants:

	Mar-19 N'000	Dec-18 N'000
As at 1 January 2019	0	7,742
Total government grant for the year	0	7,742
Released to the income statement	0	(7,742)
	-	-
Current	-	-
Non current	-	-
At 31 March 2019	**-**	**-**

Government grants relates to loan granted by an Agency of the Nigeria Government (Central Bank of Nigeria) with 6% interest rate which is below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. There are no unfulfilled conditions or contigencies attached to these grants.

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 2019

	Mar-19 N'000	Dec-18 N'000
Cash in hand and bank	507,472	326,655
Treasury Bills & Fixed Deposit	115,000	165,000
Cash & short term deposit	**622,472**	**491,655**
Cash and cash equivalents	**622,472**	**491,655**

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.

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

		Mar-19	Dec-18
17	**Trade and other payables**	**N'000**	**N'000**
	Trade payables	245,281	217,446
	Other payables	15,273	13,963
	Refund Liability	15,277	15,277
	Accruals	236,650	153,652
	Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**512,481**	**400,338**
	Intercompany payable (note21d)	90,704	80,577
	Withholding tax payable	3,991	1,064
	Customer deposits	-	-
	Dividends payable(refunded)	20,009	20,009
	Total trade and other payables	**627,185**	**501,988**

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 March 2019.

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 doe not expect to be entitled. At the same time, the company has a right to recover the product from the customer where the customer exercises his right of return and recognises an asset.

	Mar-19	Dec-18
	N'000	**N'000**
At 1 January 2019	15,277	15,277
Addition/(Release)	0	
Total Refund Liability	15,277	15,277

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

18 Provisions

	Mar-19	Dec-18
	N'000	**N'000**
At 1 January 2019	24,917	24,917
Charge to Profit or loss	2,000	
Amount used during the year	0	
	26,917	**24,917**

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

18(a) Corporate tax liability

	Mar-19	Dec-18
	N'000	**N'000**
Balance at beginning of the year		
Company income tax	115,410	65,805
Education tax	8,240	5,787
	123,650	**71,592**
Current tax expense		
Company income tax	29,291	100,608
Education tax	1,953	8,240
	154,894	180,440
Tax Povision	(14,800)	
Payment	(16,807)	(62,279)
Income tax payable	**123,287**	**118,161**

The analysis of tax payment during the year is as follows:

	Mar-19	Dec-18
Cash payment		44,692
Withholding tax credit	16,807	17,587
	16,807	**62,279**

18(b) Deferred taxes are calculated on all temporary differences using the balance sheet method and a tax rate of 30% (2018:30%).

19 Equity

(i) Share capital

	Authorised		Authorised	
	Mar-19	**Mar-19**	**Dec-18**	**Dec-18**
	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

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

19 Equity (continued)

(i) Share capital (continued)

	Issued and Fully Paid Mar-19 Number'000	Issued and Fully Paid Mar-19 N'000	Issued and Fully Paid Dec-18 Number'000	Issued and Fully Paid Dec-18 N'000
Ordinary shares of 50 Kobo each at the beginning of the year	793,416	396,708	400,000	200,000
Rights issue	-	-	393,416	196,708
As at 31 March 2019	**793,416**	**396,708**	**793,416**	**396,708**

(ii) Share premium	**Mar-19 N'000**	**Dec-18 N'000**
At 1 January 2019	437,923	-
Additions in the year	-	437,923
As at 31 March 2019	**437,923**	**437,923**

Share premium relates to the excess consideration paid for 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 capital reserve (revaluation reserve)	**Mar-19 N'000**	**Dec-18 N'000**
At 1 January 2019	91,923	91,923
Revaluation during the year	-	-
As at 31 March 2019	**91,923**	**91,923**

Asset revaluation reserve:

The asset revaluation reserve is used to record 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 due to change in company policy, no further revaluation was recognized into the account for the year under review.

(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)

19 Equity (continued)

(iv) **Earnings per share (continued)**	**Mar-19 N'000**	**Dec-18 N'000**
Net profit attributable to ordinary equity holders	66,392	23,648
Weighted average number of ordinary shares for basic earnings per share	793,416	695,062
Basic earnings per share (in Kobo)	8	3
Weighted average number of ordinary shares for diluted earnings per share	793,416	695,062
Diluted earnings per share (in Kobo)	8	3

20 Reconciliation of net profit to net cash generated from operations

	3 Month to MAR 2019 N'000	**3 Month to MAR 2018 N'000**
Profit before tax	97,635	34,777

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

	3 Month to MAR 2019 N'000	**3 Month to MAR 2018 N'000**
Interest payable	1,685	2,222
Impairment loss recognised in profit & loss (note 12ii)	(9,000)	
Finance income	(4,302)	(3,221)
Depreciation charges	15,628	15,633
WHT credit notes utilized	(17,117)	-
Amortization of government grant	-	(3,670)
Profit on disposal of fixed assets	-	(50)
Amortisation of intangible assets	2,673	2,673
	(10,433)	**13,587**
Changes in assets and liabilities:		
(Increase)/decrease in trade debtors and prepayments	(39,726)	20,054
Increase in impairment losses on transition (Adoption of IFRS 9)		-
Decrease/(increase) in inventories	(3,102)	156,129
Increase/(decrease) in trade creditors & accruals	127,197	(99,845)
Increase/(Decrease) in contract liabilities	(40,732)	-
	43,637	**76,338**
Net adjustment	**33,204**	**89,925**
Net cash provided by operating activities	**130,839**	**124,702**

20.1 Loss on disposal of property, plant and equipment

Proceeds on disposal of property, plant and equipment	-	3,516
Less: net book value	-	1,385
Gain on disposal of property plant and equipment	**-**	**2,131**

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

21 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:

		Relationship	Mar-19 N'000	Dec-18 N'000
(a)	**Sales of goods and services**			
	UACN Property Development Company Plc	Sister company	2,252	2,237
	Grand Cereals Limited	Sister company	2,747	2,467
	UAC Resturants	Sister company	570	-
	UAC Foods Limited	Sister company	7	608
			5,576	**5,312**

			Mar-19 N'000	Dec-18 N'000
(b)	**Purchases of goods and services**			
	UAC of Nigeria Plc: Service fee	Principal shareholder	8,166	28,078
			8,166	**28,078**

			Mar-19 N'000	Dec-18 N'000
(c)	**Other transactions with related parties**			
	UAC of Nigeria Plc: Bills settled on behalf of Portland Paints	Principal shareholder	78,661	48,450
	Grand Cereals Limited	Sister company	423	423
			79,084	**48,873**

			Mar-19 N'000	Dec-18 N'000
(d)	**Intercompany payable:**			
	UAC of Nigeria Plc	Principal shareholder	86,827	76,528
	Grand Cereals Limited	Sister company	1,101	1,101
	Chemical and Allied Products (CAP) Plc	Sister company	2,774	2,736
	UAC Foods Limited	Sister company	-	212
			90,702	**77,629**

			Mar-19 N'000	Dec-18 N'000
(e)	**Intercompany receivable:**			
	UACN Property Development Company Plc	Sister company	2,252	2,237
	Grand Cereals Limited	Sister company	2,747	2,441
	UAC Resturants	Sister company	570	-
	UAC Foods Limited	Sister company	7	608
			5,576	**5,286**

All trading balances will be settled in cash.

There were no provisions for doubtful related party receivables as at 31 March 2019(N2018:Nil) and no charges to the income statement in respect of related party receivables.

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 Month to MAR 2019 N'000	3 Month to MAR 2018 N'000
22 Compensation to key management personnel:		
Short-term employee benefits	5,134	5,134
Long-term employee benefits	2,394	2,736
	7,528	**7,870**

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel (The Directors). The Executive Director is paid salaries and housing allowance, transportation is also provided for him. While the Non-executive Directors are only entitled to Directors Fees and sitting allowance. The Executive Director is entitled to a defined contribution plan (pension) in accordance with Pension Reform Act 2004. But 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 Month to MAR 2019 N'000	3 Month to MAR 2018 N'000
The emoluments of the highest paid director	**7,528**	**7,870**
Emolument of non-executive directors:		
Fee	350	368
Sitting allowance	225	425
	575	**793**

Directors' mix	3 Month to MAR 2019 Number	3 Month to MAR 2018 Number
Executive Director	1	1
Non-executive Directors	2	5
	3	**6**

23 Employee compensation

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

	3 Month to MAR 2019 Number	3 Month to MAR 2018 Number
Production	37	39
Sales, marketing and depot	43	39
Administration	28	37
	108	**115**

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

	3 Month to MAR 2019 Number	3 Month to MAR 2018 Number
N10,000 - N500,000	-	-
N500,001 - N1,000,000	31	57
Above N1,000,001	77	58
	108	**115**

PORTLAND PAINTS & PRODUCTS NIGERIA PLC
STATEMENT OF VALUE ADDED
FOR THE PERIOD ENDED 31 MARCH 2019

	3 Month to MAR 2019 N'000	%	3 Month to MAR 2018 N'000	%
Turnover	777,351		624,101	
Non trading items	7,490		35,598	
	784,841		**659,699**	
Bought-in-material and services:				
- Local	(417,510)		(372,915)	
- Imported	(117,758)		(105,181)	
Value added	**249,573**	**100%**	**181,603**	**100%**
Applied as follows:-				
To pay employees:				
Salaries and labour related expenses	134,624	54%	128,971	71%
To pay Government:				
Corporate tax	31,244	13%	11,129	6%
To pay provider of capital:				
Interest charges	1,685	1%	2,222	1%
To pay shareholders				
as dividend	-	0%	-	0%
Retained for replacement of assets and business growth:				
- Depreciation	15,628	6%	15,633	9%
- Deferred tax	-	0%	-	0%
- Profit for the year	66,392	27%	23,648	13%
	249,573	**100%**	**181,603**	**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.