CAP plc

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 December 2024

Contents

CAP plc

Financial highlights

	12 Months to Dec 2024	12 Months to Dec 2023	%
	N'000	N'000	change
Revenue	36,362,182	23,890,279	52
Operating profit	5,340,065	3,253,029	64
Finance income	604,770	681,245	(11)
Profit before taxation	5,914,702	3,778,928	57
Taxation	(1,951,852)	(1,264,192)	54
Profit for the period	3,962,850	2,514,737	58
Total equity and liabilities	19,582,673	15,373,521	27
Additions to property, plant & equipment (PPE)	1,864,846	713,267	161
Depreciation on PPE	596,344	418,584	42
Cash and cash equivalents	7,014,735	4,996,425	40
Earnings per share (kobo) - Basic and diluted	486	309	58
Net asset per share (kobo) - Basic	1,310	1,011	30

Chemical and Allied Products Plc
Unaudited Statement of Profit or Loss and Other Comprehensive Income
For the Period Ended 31 December 2024

	Notes	3 Months to Dec 2024 N'000	3 Months to Dec 2023 N'000	12 Months to Dec 2024 N'000	12 Months to Dec 2023 N'000
Revenue	5	12,711,699	8,600,117	36,362,182	23,890,279
Cost of sales	7i	(6,953,400)	(5,378,880)	(21,581,051)	(14,878,476)
Gross profit		**5,758,299**	**3,221,237**	**14,781,131**	**9,011,803**
Selling and Marketing expenses	7iii	(1,313,456)	(725,259)	(3,651,770)	(2,363,046)
Administrative expenses	7ii	(2,066,583)	(1,123,012)	(6,239,622)	(3,929,041)
Other income	6	116,601	216,469	450,326	533,313
Operating profit		**2,494,861**	**1,589,435**	**5,340,065**	**3,253,029**
Finance Income	9	79,329	22,014	604,770	681,245
Finance cost	10	(596,240)	(203,325)	(30,134)	(155,346)
Net Finance income		**(516,911)**	**(181,311)**	**574,636**	**525,899**
Profit before taxation		**1,977,951**	**1,408,124**	**5,914,702**	**3,778,928**
Income tax expense	11	(652,724)	(480,428)	(1,951,852)	(1,264,192)
Profit for the period		**1,325,227**	**927,696**	**3,962,850**	**2,514,737**
Other comprehensive income for the period net of tax		-	-	-	-
Total comprehensive income for the period		1,325,227	927,696	3,962,850	2,514,737
Earnings per share for profit attributable to the equity holders of the company:					
Basic and diluted EPS (kobo)	13	163	114	486	309

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

Chemical and Allied Products Plc
Unaudited Statement of Financial Position
As At 31 December 2024

CAP plc

Assets	**Notes**	**2024 N'000**	**2023 N'000**
Non-current assets			
Property, plant and equipment	14	3,245,734	1,990,608
Right of use asset	16	6,850	7,028
Intangible assets	15	266,475	327,648
Finance lease receivable	18b	10,372	10,372
		3,529,431	**2,335,656**
Current assets			
Inventories	17	6,425,713	5,019,523
Trade and other receivables	18a	1,189,514	948,385
Prepayments	19	1,232,442	1,846,529
Cash and cash equivalents	20	7,014,735	4,996,425
		15,862,404	12,810,862
Assets held for sale	14.2	190,838	227,003
		16,053,242	13,037,865
Total assets		**19,582,673**	**15,373,521**
Liabilities			
Non-current liabilities			
Lease Liability	24	7,959	7,959
Deferred taxation liabilities	23	489,094	489,094
		497,053	497,053
Current liabilities			
Trade and other payables	21	4,922,073	4,141,179
Provision	21	100,254	100,254
Current income tax liabilities	11	1,969,870	1,121,788
Borrowing	26	-	39,830
Dividend payable	12	1,423,725	1,503,710
		8,415,922	6,906,761
Total liabilities		**8,912,975**	**7,403,814**
Equity			
Ordinary share capital	22	407,374	407,374
Share premium	22	523,850	523,850
Other Reserves from business combination	22	968,267	968,267
Retained Earnings		8,770,208	6,070,216
Equity attributable to equity holders of the Company		10,669,698	7,969,707
Total equity		**10,669,698**	**7,969,707**
Total equity and liabilities		**19,582,673**	**15,373,521**

Mr. Folasope Aiyesimoju	**Mrs. Bolarin Okunowo**	**Ms. Bukola Ogunbayo**
Chairman	Managing Director	Finance Controller
FRC/2019/IODN/00000019806	FRC/2020/PRO/DIR/003/00000020616	FRC/2013/PRO/00000002320

The financial statements have been approved and authorised for issue by the Board of Directors on 27 January, 2025

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

Chemical and Allied Products Plc
Statement of Cash Flows
For the Period Ended 31 December 2024

CAP plc

	Notes	2024 N'000	2023 N'000
Profit after taxation		3,962,850	2,514,737
Adjustments for:		-	-
Depreciation of property plant and equipment	14	596,344	418,584
Depreciation of Right of Use assets	16	178	4,178
Amortization	15	77,589	74,943
Profit on sale of PPE	6	(41,552)	(46,576)
Finance costs	10	30,134	155,346
Finance income	9	(170,945)	(308,121)
Impairment of trade and other receivables	18	55,312	(31,907)
Write down and write off on inventory	7ii	153,633	387,658
Claims expense	7ii	-	100,254
Income Tax expense	11	1,951,852	1,103,770
Deffered tax expense	11	-	160,422
Net foreign exchange gains	9	(433,825)	-
Cash from operations before working capital changes		**6,181,570**	**4,533,288**
Changes in inventory	17	(1,559,824)	(306,385)
Changes in trade and other receivables	18(a)	(300,457)	(88,771)
Changes in finance lease receivable		-	600
Changes in trade payables	21	780,894	755,689
Changes in provision	21	-	100,254
Changes in prepayment	19	614,087	(548,964)
Cash generated from operations		**5,716,270**	**4,445,711**
Income taxes paid	11	(1,103,770)	(864,354)
Net cash generated from operating activities		**4,612,500**	**3,581,357**
Cash flows from investing activities			
Purchase of property plant and equipment	14	(1,864,846)	(713,267)
Proceeds from disposal of PPE		45,110	71,270
Proceeds from sale of PPE - HFS		50,000	14,009
Purchase of Intangible Assets		(16,415)	(7,770)
Interest received	9	170,945	308,121
Net cash flow used in investing activities		**(1,615,207)**	**(327,637)**
Cash flows from financing activities			
Dividend paid	12	(1,262,859)	(1,262,859)
Dividend refunded	12	(79,985)	96,443
Interest paid		(28,682)	(153,918)
Repayment of lease liabilities		(1,451)	(2,759)
Inflow of import finance facility	26	-	226,958
Repayment on import finance facility	26	(39,830)	(922,239)
Net cash flow used in financing activities		**(1,412,807)**	**(2,018,374)**
Net increase in cash and cash equivalents		**1,584,485**	**1,235,347**
Net foreign exchange gain		433,825	-
Cash and cash equivalents at beginning of period	**20**	**4,996,425**	**3,761,078**
Cash and cash equivalents at end of period	**20**	**7,014,735**	**4,996,425**

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

Statement of Changes in Equity

	Share Capital N'000	Share Premium N'000	Other Reserves N'000	Retained Earnings N'000	Total Equity N'000
At 01 January 2023	**407,374**	**523,850**	**968,267**	**4,700,110**	**6,599,601**
Profit for the period				2,514,737	2,514,737
Total comprehensive income:				**7,214,847**	**9,114,339**
Transaction with owners:					
Dividend proposed and paid				(1,262,859)	(1,262,859)
Write back of stature barred dividend				118,227	118,227
Balance at 31 December 2023	**407,374**	**523,850**	**968,267**	**6,070,216**	**7,969,707**
Balance at 1 January 2024	407,374	523,850	968,267	6,070,216	7,969,707
Profit for the period				3,962,850	3,962,850
Total comprehensive income:				10,033,066	11,932,558
Transactions with owners:					
Dividend paid				(1,262,859)	(1,262,859)
Balance at 31 December 2024	**407,374**	**523,850**	**968,267**	**8,770,208**	**10,669,698**

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

Notes to the Financial Statements

1. General information

1.1 Reporting Entity

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

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

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

1.2 Basis of accounting

i) Statement of compliance

The financial statements of Chemical and Allied Products Plc have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Standards) and the requirements of the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023. The financial statements, which were prepared on a going concern basis, were authorized for issue by the Company's board of directors on 27 January, 2025. Details of the Company's accounting policies, including changes thereto are included in Note 2.

ii) Basis of measurement

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

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

1.3 Functional and Presentation Currency

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

1.4 Changes in material accounting policies

a. Material accounting policy information

The Company adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 2 Material accounting policies (2023: Significant accounting policies) in certain instances in line with the amendments.

Notes to the Financial Statements - Continued

2. Material accounting policies

2.0 Leases

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

Company as a lessee

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

i) Right-of-use assets (ROU)

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

- Land 40 to 99 years
- Shop Space 5years

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

ii) Lease liabilities

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

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

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

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases.

Notes to the financial statements - Continued

Company as a lessor

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

2.1 Foreign currency translation

Transactions and balances

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

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

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

Foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income related to financial instruments.

2.2 Property, plant and equipment

Recognition and measurement

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

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.
An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Subsequent expenditure

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

Notes to the financial statements - Continued

2.3 Property, plant and equipment (continued)

Depreciation

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

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

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

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

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

Derecognition

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

2.4 Intangible assets

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

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

Asset	Useful Life
Trademark	Indefinite
Acquired Computer Software	5years

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

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

Notes to the financial statements - Continued

2.5 Intangible assets (continued)

Acquired Computer Software

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

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

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

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

2.6 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.
When the carrying amount of an asset or Cash Generating Unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Notes to the financial statements - Continued

2.7 Financial Instruments

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

i) Financial Assets

Initial recognition and measurement

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

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

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

2.7.1 Financial Instruments-initial recognition and subsequent measurement

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

Subsequent Measurement

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

- Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost (debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Derecognition

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

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

Notes to the financial statements - Continued

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.
When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Impairment of financial assets
Further disclosures relating to impairment of financial assets are also provided in the note to Trade receivables Note 18a.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment using the loss rate model.

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

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

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

The mechanics of the ECL calculations for receivable from related parties and other non-trade receivables are outlined below and the key elements are, as follows:
• PD- the probability of default is an estimate of the likelihood of default over a given time horizon.

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

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

Notes to the financial statements - Continued

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

Write-off policy

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

ii) **Financial Liabilities** - All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

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

Financial liabilities at amortized cost

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Offsetting financial instruments

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

2.8 Inventories

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

2.9 Cash and cash equivalents

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

Notes to the financial statements - Continued

2.10 Provisions, Contingent liabilities and Contingent assets

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

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

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

Contingent liabilities

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

Contingent Assets

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

2.11 Share capital

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

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

2.12 Taxation

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

2.12.1 Current tax

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

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

Minimum tax

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

Notes to the financial statements - Continued

2.12.2 Deferred tax

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

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

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

2.12.3 Current and deferred tax for the year

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

2.13 Employee benefits

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

(a) Defined contribution schemes

i) Statutory contributions (Note 8): The Pensions Reform Act of 2014 requires all companies to pay a minimum of 10% of employees monthly emoluments and the employee to pay a minimum of 8% of monthly emoluments (basic salary, housing and transport allowance) to a pension fund on behalf of all full time employees.

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

(b) Productivity incentive and bonus plans

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

(c) Termination benefits

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

(d) Short term employee benefits

Short term employee benefit obligations are expensed without deduction as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and or the obligation can be estimated reliably.

Notes to the financial statements - Continued

2. Significant accounting policies

2.14 Revenue From Contracts with Customers (IFRS 15)

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

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

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

Sale of Paints

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

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

i) **Variable Consideration**

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

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer, as at 31 December 2024 no performance obligation is outstanding however, we have assessed our revenue as at year end and recognised return assets in the statements of financial position and the corresponding entry was adjusted in the revenue as required by IFRS 15.

Notes to the financial statements - Continued

Customer Usage

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

ii) **Significant financing component**

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

Application of paints

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

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

Contract Balances

Trade Receivables

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

Assets and liabilities arising from rights of return

Right of return assets

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

Refund Liabilities

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

Cost to obtain a contract

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

2.15 Fair value measurement

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

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

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

Notes to the financial statements - Continued

2.15 Fair value measurement - Continued

(a) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

(b) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

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

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

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

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

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

2.16 Dividend distribution

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

Dividend not claimed for over a period of 15 months are refunded back to the company and are treated as a liability in the company's financial statements. Dividend that remain unclaimed for twelve years become statute barred and are written back to retained earnings.

2.17 Earnings per Share

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

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

2.18 Assets held for sale

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

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

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

Notes to the financial statements - Continued

2.19 Prepayment

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

2.20 Operating profit

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

2.21 Finance income and finance costs

The Company's finance income and finance costs include:

- Interest income
- Interest expense

Interest income or expense is recognised using the effective interest method.

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

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

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

Notes to the Financial Statements - continued

3 Standards and Interpretations

3.1 Standards and Interpretations effective from 1 January 2024

The following are standards, amendments and interpretations effective for annual period commencing on 1 January 2024 and available for early adoption.

Standard/Interpretation		Date issued by IASB	Effective date Period beginning on or after	Summary of the requirements and impact assessment
Amendments to IAS 1	**Non current Liabilities with Covenants and classification of Liabilities as Current or Non-current Liabilities**	October 2022	1 January 2024	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. The amendments also clarify how a Company classifies a liability that includes a counterparty conversion option, which could either be recognised as either equity or liability separately from the liability component under IAS 32 Financial Instruments: Presentation The standard is effective for annual periods beginning on or after 1 January 2024. Early adoption is permitted. These amendments are not expected to have a material impact on the financial statements.
Amendments to IAS 16	**Lease Liability in a Sale and Leaseback**	September 2022	1 January 2024	Amendments to IFRS 16 Leases requires a seller-lessee impacts how a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment also requires the seller-lessee to include *variable lease payments* when it measures a lease liability arising from a sale- and-leaseback transaction. The amendments confirm the following. • On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. • After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, a seller- lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. These amendments are not expected to have a material impact on the financial statements.

Amendments to IAS 7 and IFRS 7	**Supplier Finance Arrangements**	May-23	1 January 2024	The amendments apply to supplier finance arrangements that have all the following characteristics. • A finance provider pays amounts a company (the buyer) owes it suppliers. • A company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid. • The company is provided with extended payment terms or supplier benefit from early payment terms, compared with the related invoice payment due date. The amendments do not apply to arrangements for financing receivables or inventory. The amendments introduce two new disclosure objectives- one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. Under the amendments, companies also need to disclose the type and effect if non-cash changes in the carrying amount of its financial liabilities that are part of supplier finance arrangement. The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities. Companies needs to start collating additional information to meet the new disclosure requirements because some information may not always be readily available such as the carrying amount of financial liabilities for which suppliers have already received payments from finance providers. Companies may need to obtain this information from their finance providers directly. The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial. These amendments are not expected to have a material impact on the financial statement.

3.2 Standards and Interpretations effective from 1 January 2025

Amendments to IAS 21	**Lack of Exchangeability**	August 2023	1 January 2025	The amendments clarifies: • when a currency is exchangeable into another currency; and • how a company estimates a spot rate when a currency lacks exchangeability. Assessing exchangeability: When to estimate a spot rate A currency is exchangeable into another currency when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, a company needs to estimate a spot rate. Estimating a spot rate: Meeting the estimation objective A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements on how to estimate a spot rate. Therefore, when estimating a spot rate a company can use: • an observable exchange rate without adjustment; or • another estimation technique. Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. This may include: • the nature and financial impacts of the currency not being exchangeable • the spot exchange rate used; • the estimation process; and • risks to the company because the currency is not exchangeable The amendments apply for annual reporting periods beginning on These amendments are expected to have a material impact on the financial statements.

4. Significant judgements and estimates

4.1 Significant estimates

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

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

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

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

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

4.2 Significant judgements

There are ongoing claims against the company which which have been provided for based on directors estimate that is likely to be paid based on legal advice during the financial year.

5. Analysis by revenue

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

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

	2024 N'000	2023 N'000
Operating profit	5,340,065	3,253,029
Depreciation (Note 14)	596,344	418,584
Interest income (Note 9)	170,945	308,121
Profit before taxation	5,914,702	3,778,928
Income tax (Note 11)	1,951,852	1,264,192

Entity wide information:	**2024**	**2023**
Analysis of revenue:	**N'000**	**N'000**
Sale of paint products	36,283,437	23,796,018
Revenue from services	78,745	94,261
	36,362,182	**23,890,279**

6. Other income

	2024 N'000	2023 N'000
Sale of scrap items	126,360	299,972
Profit on sale of PPE	31,804	43,703
Profit on sale of PPE - HFS	9,748	2,873
Management fees	279,114	186,765
Rental Income	3,300	-
	450,326	**533,313**

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

7. Expenses by nature

		2024 N'000	2023 N'000
7i	**Cost of sales**		
	Raw material consumed	18,366,275	12,748,211
	Staff costs excluding directors' emoluments	407,888	323,231
	Distribution cost	711,506	551,605
	Royalty fees	1,068,614	727,270
	Hire of equipment	129,907	62,447
	Capdec project cost	52,122	20,643
	Depreciation of property, plant & equipment (Note 14)	209,186	147,883
	General risk insurance premium	128,291	101,100
	Direct overhead	507,262	196,086
		21,581,051	**14,878,476**

7ii **Administrative expenses**

Staff costs excluding directors' emoluments	2,425,715	1,658,551
Directors' emoluments (Note 8iii)	603,619	410,012
*Auditors' fees	32,407	27,405
Depreciation of property, plant & equipment (Note 14)	387,158	270,701
Amortization of intangible assets (Note 15)	77,589	74,943
Insurance	20,522	19,494
Commercial service fees (Note 25b)	380,893	250,201
Computer charges	596,832	228,914
Cleaning and laundry	35,559	21,599
Security	39,258	15,536
Fuel and Oil Expenses	44,916	45,551
Other Professional/Consultancy Expenses	155,971	88,180
Postage, Printing and Telecoms	30,151	25,680
Donations	4,987	4,014
AGM/Secretariat Expenses	56,540	28,820
Write down and write off on inventory	153,633	387,658
Impairment of trade and other receivables	55,312	(35,482)
Claims expense		100,254
**Other expenses	1,138,560	307,011
	6,239,622	**3,929,041**

*During the year, the Company's auditor's, KPMG Professional Services, performed non-audit service related to assurance of the internal control over financial reporting of the Company.

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

7iii **Selling and distribution expenses**

Marketing, communication & entertainment	1,522,898	1,388,734
Tour and travelling	144,201	112,850
*Other expenses	1,984,671	861,462
	3,651,770	**2,363,046**

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

8. Employee benefits

	2024	**2023**
Staff costs include:		
Wages and salaries	2,731,641	1,886,609
Pension costs:		
- Defined contribution plans (Statutory)	101,963	95,173
	2,833,604	**1,981,782**

Particulars of directors and staff

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

	2024	**2023**
	N'000	**N'000**
Costs		
Management	2,375,257	1,570,785
Staff	875,725	731,599
Total	**3,250,982**	**2,302,384**

8. Employee benefits (continued)

	2024 Number	2023 Number
Management	144	125
Staff	155	139
	299	**264**

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

=N=		2024 Number	2023 Number
700,001	1,000,000	30	10
1,000,001	1,400,000	5	9
1,400,001	1,800,000	5	6
1,800,001	2,200,000	21	35
2,200,001	2,400,000	6	15
2,400,001	3,000,000	39	42
3,000,001	4,000,000	47	35
4,000,001	5,000,000	30	18
5,000,001	6,000,000	17	9
6,000,001	8,000,000	30	31
8,000,001	9,000,000	12	6
9,000,001	10,000,000	9	10
10,000,001	16,000,000	25	18
16,000,001	18,000,000	2	2
18,000,001	25,000,000	10	4
30,000,001	40,000,000	7	6
40,000,000	50,000,000	3	5
50,000,001	and above	1	3
		299	**264**

(iii) Emoluments of directors

	2024 N'000	2023 N'000
Fees	1,725	1,725
Passage allowance	229,605	87,685
Other emoluments	372,289	320,602
	603,619	**410,012**
(iv) The Chairman's emoluments	45,561	19,046
(v) Emolument of the highest paid director	242,800	139,902

(vi) The table below shows the number of directors of the Company excluding the highest paid director and chairman, whose remuneration, excluding pension contributions, fell within the bands shown.

₦			2024 Number	2023 Number
0	-	14,000,000	-	-
14,000,001	-	16,000,000	4	5
18,000,001	-	60,000,000	2	2
			6	**7**

8. Employee benefits (continued)

Key management compensation

Key management have been defined as the executive directors.

Key management compensation includes:	2024 N'000	2023 N'000
Short-term employee benefits:		
- Wages and salaries	360,764	314,102
- Allowance - Executive Directors	11,525	6,500
	372,289	**320,602**

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

9. Finance income

	2024 N'000	2023 N'000
Interest income on short-term bank deposits	170,945	308,121
Interest income on finance lease		3,575
*Exchange gain	433,825	369,548
Rental Income		
	604,770	**681,245**

Interest income is calculated using the effective interest rate method

10. Finance Cost	2024 N'000	2023 N'000
Lease interest expenses	1,452	1,428
Treasury Expense	28,682	-
Interest on borrowings	-	153,918
	30,134	**155,346**

11. Taxation

	2024 N'000	2023 N'000
Current tax		
Nigeria corporation tax charge for the year	1,774,411	985,738
Education tax	177,441	117,108
Others	-	924
Deferred Tax Expense	-	160,422
Income tax expense	1,951,852	1,264,192

Nigeria corporation tax is calculated at 30% (2023: 30%) of the estimated assessable profit for the year.

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

	2024 N'000	2023 N'000
Accounting Profit before tax	**5,914,702**	**3,778,928**
Tax at the Nigeria corporation tax rate of 30% (2023: 30%)	1,774,411	985,738
Impact of disallowable expenses		
Education tax at 3% of assessable profit	177,441	117,108
	1,951,852	**1,102,846**

11. Taxation (Continued)

Effective tax rate	33.0%	29.2%
Income tax recognised in profit or loss		
Tax at the Nigeria corporation tax rate of 30% (2023: 30%)	1,774,411	985,738
Education tax	177,441	117,108
Tax charge for the year	**1,951,852**	**1,102,846**

	2024 N'000	2023 N'000
Per statement of profit or loss		
Income tax	1,774,411	985,738
Education tax	177,441	117,108
	1,951,852	**1,102,846**
Per statement of financial position:		
Balance 1 January	1,121,788	922,800
(Payments)/writeback during the year:		
Income tax	(985,738)	(775,396)
Education tax	(117,108)	(88,675)
NPF Trust Fund/Capital gains tax	(924)	(284)
Total cash payment	**(1,103,770)**	**(864,354)**
WHT Utilized	-	(40,427)
	(1,103,770)	(904,782)
Provision for the year:	18,018	18,018
Income tax	1,774,411	985,738
Education tax	177,441	117,108
Capital gain tax		735
NPF Trust Fund		189
	1,951,852	1,103,770
Balance as at 31 December	1,969,870	1,121,788

12. Dividend payable

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

	2024 N'000	2023 N'000
At 1 January	1,503,710	1,460,132
Dividend declared	1,262,859	1,262,859
*Dividend refunded	105,648	96,443
Payment during the year	(1,262,859)	(1,262,859)
Dividend refunded to registrar	(185,633)	-
Reclassification of dividend - Stature barred	-	(52,865)
	1,423,725	**1,503,710**

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

ii. Dividend declared

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

	N'000	N'000
At 1 January		
Approved dividend	1,262,859	1,262,859
Cash payments during the year	(1,262,859)	(1,262,859)
	-	-

(a) Basic

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

	2024	2023
Weighted average number of ordinary shares in issue ('000)	814,748	814,748
Profit attributable to ordinary equity shareholders (N'000)	3,962,850	2,514,737
Basic earnings per share (kobo)	486	309
(b) Diluted	486	309

There were no potentially dilutive shares outstanding at 31 December 2024.

14. Property, plant and equipment

14.1 Reconciliation of carrying amount

	Leasehold Land	Buildings on leasehold land	Tinting equipment	Plant and Machinery	Furniture and fittings	Motor vehicles	WIP	Total
Cost	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
At 1st January 2023	1,412	157,856	911,807	1,105,379	579,368	1,014,684	2,808	3,773,314
Additions		49,048	37,602	208,458	107,810	310,348	-	713,267
Disposals	-	-	-	(74,338)	(3,948)	(114,984)	-	(193,270)
Reclassification	-	-	-	1,231	1,577	-	(2,808)	-
At 31st December 2023	1,412	206,904	949,409	1,240,730	684,807	1,210,048		4,293,311
At 1st January 2024	1,412	206,904	949,409	1,240,730	684,807	1,210,048		4,293,311
Additions		125,778	186,031	715,423	262,862	467,787	106,965	1,864,846
Disposals			(2,087)	(44)	(95,585)	(70,828)		(168,544)
At 31 December 2024	1,412	332,682	1,133,353	1,956,109	852,084	1,607,007	106,965	5,989,613
Accumulated depreciation								
At 1st January 2023		52,173	661,837	435,688	396,263	503,862	-	2,049,823
Charge for the year		3,646	86,771	61,111	76,366	190,689	-	418,584
Disposals				(60,809)	(3,052)	(101,842)	-	(165,703)
At 31st December 2023		55,819	748,608	435,990	469,577	592,709		2,302,704
At 1st January 2024		55,819	748,608	435,990	469,577	592,709	-	2,302,704
Charge for the year		6,090	118,255	90,930	125,238	255,831		596,344
Disposals			(2,068)	(43)	(91,444)	(61,611)		(155,166)
At 31 December 2024		61,909	864,795	526,877	503,371	786,929		2,743,882
Net book values								
At 31st December 2023	1,412	151,085	200,801	804,740	215,230	617,339		1,990,606
At 31 December 2024	1,412	270,773	268,558	1,429,232	348,713	820,078	106,965	3,245,734

14. Property, plant and equipment (Continued)

a) Leasehold properties have an unexpired tenure of 40 years
b) The Company had no capital commitments and no capital work in progress as at 31 December 2024
c) No asset of the Company was pledged as security and there are no restrictions to title on any of the Company's assets (2023: Nil).

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

	Leasehold Land	Buildings on leasehold land	Plant and Machinery	Furniture and fittings	Total
	N'000	N'000	N'000	N'000	N'000
At 1 January 2023	40,000	148,967	47,466	1,706	238,139
Disposal	-	-	(9,430)	(1,706)	(11,136)
At 31 December 2023	40,000	148,967	38,036	-	227,003
At 1 January 2024	40,000	148,967	38,036		227,003
Disposal	-	-	(36,165)		(36,165)
At 31 December 2024	**40,000**	**148,967**	**1,871**	**-**	**190,838**

An impairment assessment of the assets held for sale was carried out in Dec 2023 with no impairment noted
The assets are still held for sale as at 31 December as management is committed to completing the sale and has commenced the disposal process.

15. Intangible assets

	Software	Trademark	WIP	Total
Cost of software:	**N'000**	**N'000**	**N'000**	**N'000**
At 1st January 2023	370,495	49,025	0	419,521
Additions	7,770	-	-	7,770
Disposal	-	-	-	-
At 31st December 2023	378,265	49,025	0	427,290
	378,265	49,025	0	427,290
Additions	16,415	-	-	16,415
Reclassification	-	-	-	
At 31 December 2024	394,680	49,025	0	443,705
Amortisation of software:				
At 1st January 2023	24,700	-	-	24,700
Amortisation charge	74,943	-	-	74,943
Disposal	-	-	-	
At 31st December 2023	99,642	-	-	99,642
	99,642	-	-	99,642
Amortisation charge	77,589	-	-	77,589
Disposal	-	-	-	-
At 31 December 2024	177,231	-	-	177,231
Net book value				
At 31st December 2023	278,623	49,025	0	327,648
At 31 December 2024	217,449	49,025	0	266,475

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

16. Right of Use assets

	Land N'000	Shop Space N'000	Total N'000
Cost			
At 1 January 2023	7,740	30,000	37,740
Additions			
At 31 December 2023	7,740	30,000	37,740
At 1 January 2024	7,740	30,000	37,740
Additions			
At 31 December 2024	**7,740**	**30,000**	**37,740**
Accumulated Depreciation			
At 1 January 2023	534	26,000	26,534
Depreciation charge	178	4,000	4,178
At 31 December 2023	**712**	**30,000**	**30,712**
At 1 January 2024	712	30,000	30,712
Depreciation charge	178		178
At 31 December 2024	890	30,000	30,890
Carrying amount			
At 31 December 2023	**7,028**	-	**7,028**
At 31 December 2024	**6,850**	-	**6,850**

Right of Use Assets arise from the Company's lease arrangement with Wemabod on the piece of land where the office and warehouse is located for a non cancellable period of 100 years as well as for the joint lease of a retail store/ Dulux Colour Centre with a Trade Partner for a period of five (5) years which elapsed in 2023

17. Inventories

	2024 N'000	2023 N'000
Raw materials	3,521,720	2,064,204
Intermediates	87,284	28,676
Technical stocks and spares	167,964	140,790
Containers and labels	210,794	149,637
Finished goods	3,002,556	3,154,880
	6,990,318	5,538,187
Write down - Inventory	(564,605)	(518,664)
	6,425,713	**5,019,523**

Inventories have been reduced by N565million (2023: N519 million) as a result of bad and damage products. The movement in 2024 is the net of provision made in the year and write-off of bad and damaged stock in the period.

18a Trade and other receivables

Receivables due within one year	2024 N'000	2023 N'000
Trade receivables	877,236	696,003
Receivables from related parties (Note 25)	285	627
	877,520	696,630
Less: provision for impairment of trade receivables	(123,361)	(72,064)
Net trade receivable	**754,159**	**624,566**
Withholding tax receivable	199,366	99,152
Impairment of WHT receivable	(65,429)	(65,427)
Other receivables	128,676	167,984
Receivable from Pal Pension - Gratuity	172,741	122,111
	1,189,514	**948,386**

Notes to the financial statements - Continued

18. Trade and other receivables (continued)

Other receivables mainly relates to Advance payment guarantee (cashback), right of return asset, and advance payment to vendors as at period end.

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

	2024 N'000	2023 N'000
At 1 January	72,064	103,971
Additional impairment charge /(Impairment no longer required)	55,312	(31,907)
Receivable Write off in the year	(4,015)	-
At 31 December 2024	**123,361**	**72,064**

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

	2024 N'000	2023 N'000
Gross investment in lease	79,200	79,200
Unearned finance income	(68,828)	(68,828)
Net investment in lease	10,372	10,372

	2024	2023
Gross investment in lease		
Gross finance lease receivable - minimum lease receivable		
- No later than 1 year	-	-
- 2 to 5 years	8,800	8,800
- More than 5 years	68,200	68,200
	77,000	77,000
Future finance income on lease	(66,628)	(66,628)
Present value of finance lease receivable	10,372	10,372
The present value is analysed as follows:		
- No later than 1 year	-	-
- 2 to 5 years	5,911	5,911
- More than 5 years	4,461	4,461
	10,372	10,372

The company has finance lease for a warehouse to a related party, MDS Logistics. The lease is for a total period of 51 years; of this period 37 years remain in the contract. The property reverts to the company at the end of the lease period.

19. Prepayments

	2024 N'000	2023 N'000
Foreign Import prepayment	476,065	836,471
Other prepayments	352,317	84,930
Advance payment to vendors	404,060	925,128
	1,232,442	1,846,529

Other prepayment mainly relates to prepaid expenses - Insurance, rent, software licences, etc.

20. Cash and cash equivalents

	2024 N'000	2023 N'000
Cash at bank and in hand	906,315	1,909,523
Short-term deposits	6,108,420	3,086,902
Total	**7,014,735**	**4,996,425**

Short-term deposits are made for varying periods of between one day and three months, depending on the

immediate cash requirements of the company, and earn interest at the respective short-term deposit rates.

Notes to the financial statements - Continued

21. Trade and other payables

	2024 N'000	2023 N'000
Trade payables	936,071	1,284,484
Royalty accrual	396,962	727,270
	1,333,033	**2,011,754**
Employee Payables	7,277	8,220
Statutory Payables	375,493	357,419
Advance payments received	176,789	116,603
Payable to related parties	374,865	241,241
Accrued expenses	2,000,408	1,116,602
Other Payables	644,942	289,341
Refund Liability	9,266	
	4,922,073	**4,141,180**
*Provisions	100,254	100,254

	2024	2023
Average credit period taken for trade purchases (days)	30	30

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

*Provision - This represents liabilities arising on the normal course of the business for which the actual amounts are not certain. The amount is the directors' estimate of an amount that is likely to be paid. The matter is expected to be concluded within the next financial year and accordingly the provision has not been discounted.

22. Share capital

	2024		2023	
	Number N'000	Amount N'000	Number N'000	Amount N'000
Issued and fully paid:				
Ordinary shares of 50k each	814,748	407,374	814,748	407,374

Movements during the year:	Number of shares N'000	Ordinary shares N'000	Number of shares N'000	Ordinary shares N'000
Balance at 1 January 2024	814,748	407,374	814,748	407,374
At 31 December 2024	814,748	407,374	814,748	407,374

Share premium	N'000 2024	N'000 2023
Balance at 1 January	523,850	523,850
Movement in the period	-	-
At 31 December 2024	**523,850**	**523,850**

Reserves from business combination	**N'000**	**N'000**
Balance at 1 January	968,267	968,267
At 31 December 2024	**968,267**	**968,267**

Nature and purpose of reserves

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

Notes to the financial statements - Continued

23. Deferred tax

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

Statement of financial position:	2024 N'000	2023 N'000
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	489,094	489,094
	489,094	489,094

Property, plant & equipment	471,770	471,770
Provisions	(249,591)	(249,591)
Exchange difference	265,902	265,901
Right of use assets (IFRS 16 Leases)	1,013	1,013
	489,094	489,094

24. Lease Liability

	2024 N'000	2023 N'000
Opening balance	7,959	9,291
Lease interest expenses	1,453	1,428
Lease payment during the year	(1,452)	(2,759)
Balance as at 31 December	7,959	7,959
Splitting into Current and Non-Current		
Current		
Non-Current	7,959	7,959
	7,959	**7,959**

25. Related party transactions

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

The following transactions were carried out with related parties:

(a) Sales of goods and services

	Relationship		2024 N'000	2023 N'000
UAC of Nigeria Plc	Parent	Sales of paint	1,124	1,136
UAC Foods Limited	Fellow subsidiary	Sales of paint	-	192
Grand Cereals Ltd	Fellow subsidiary	Sales of paint	-	3,123
Livestock Feeds Plc	Fellow subsidiary	Sales of paint	-	2,425
MDS Logistics	Fellow subsidiary	Rental	285	-
UPDC	Fellow subsidiary	Sales of paint	4,632	-
			6,040	6,876

(b) Purchases of goods and services

	2024 N'000	2023 N'000
UAC of Nigeria Plc: Commercial service fee (Note 7)	380,893	250,201
	380,893	250,201

(c) Period-end balances arising from sales/purchases of goods/services:

	Relationship		2024 N'000	2023 N'000
Receivable:				
UAC Foods Limited	Fellow subsidiary	Sales of paint	-	627
MDS Logistics	Fellow subsidiary	Rental	285	-
			285	627
Payable:				
MDS Logistics	Fellow subsidiary	Rental	-	3,015
UPDC	Fellow subsidiary	Sales of paint	272	
UAC of Nigeria Plc	Parent	Service	374,593	241,241
			374,865	244,256

Notes to the financial statements - Continued

(d) Key management compensation

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

		2024	2023
		N'000	N'000
26.	**Loans and borrowing**		
	Bank facility - Import finance facility b/f	39,830	735,111
	Payment made during the year	(39,830)	(922,239)
	Receipt of import during the year	-	226,958
	Amount outstanding - Import finance facility	-	39,830

Loans and borrowings refer to the import finance facility the company has which provides better access to dollars at CBN retail rates. The outstanding amount of N39.8m paid as at 29 February 2024 was paid to Coronation Merchant Bank.

Notes to the Financial Statements - continued

27 Financial instruments - financial risk management and fair values

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

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

(a) Credit risk

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

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

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

Exposure to credit risk

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

	2024 N'000	2023 N'000
Trade and other receivables* (Note 18)	1,055,576	914,661
Lease receivable (Note 18)	10,372	10,372
Cash and cash equivalents (Note 20)	7,014,735	4,996,425
	8,080,683	**5,921,458**

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

Notes to the Financial Statements - continued

Trade and other receivables

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

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

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

Expected credit loss assessment for Trade Receivables

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

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

As at 31 December 2024	**Average loss rate**	**Gross**	**Impairment**	**Net**
		N'000	**N'000**	**N'000**
Current (not due)	5%	686,269	34,483	651,787
61-90 Days (past due)	31%	107,986	33,566	74,420
91-120 Days (past due)	46%	49,452	22,717	26,735
121-365 Days (past due)	70%	3,627	2,540	1,086
Over 365 days (past due)	100%	30,187	30,187	-
		877,520	**123,492**	**754,029**

As at 31 December 2023	**Average loss rate**	**Gross**	**Impairment**	**Net**
		N'000	**N'000**	**N'000**
Current (not due)	5%	641,444	31,082	610,362
61-90 Days (past due)	31%	13,872	4,312	9,560
91-120 Days (past due)	46%	3,235	1,486	1,749
121-365 Days (past due)	70%	9,662	6,768	2,894
Over 365 days (past due)	100%	28,417	28,417	-
		696,630	**72,064**	**624,565**

Cash and cash equivalents

The Company held cash and cash equivalents of N7.01billion as at 31 December 2024(2023: N4.9billion). The Company mitigates its credit risk exposure of its bank balances by selecting and transacting with reputable banks. The expected credit loss on bank balances is not considered material. Accordingly no impairment loss was recognised (2023:Nil).

Notes to the Financial Statements - continued

(b) Liquidity risk

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

Liquidity Analysis

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

31 December 2024

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-5years	Over 5years
	N'000	N'000	N'000	N'000	N'000	N'000
Non-derivative financial liabilities						
Trade and other payables *(Note 21)	4,537,314	4,537,314	(4,537,314)	-	-	-
Lease liability (Note 24)	7,959	49,712	-	-	(5,226)	(44,486)
Import finance facility (Note 26)	-	-	-	-	-	-
Dividend payable (Note 12)	1,423,725	1,423,725	-	-	-	-

31 December 2023

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-5years	Over 5years
	N'000	N'000	N'000	N'000	N'000	N'000
Non-derivative financial liabilities						
Trade and other payables * (Note 21)	3,783,760	3,783,760	(3,783,760)	-	-	-
Lease liability (Note 24)	7,959	49,712	-	-	(5,226)	(44,486)
Import finance facility (Note 26)	39,830	39,830	-	-	-	-
Dividend payable (Note 12)	1,503,710	1,503,710	-	-	-	-

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

(c) Market risk

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

Currency risk

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

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