

# **PZ CUSSONS NIGERIA PLC**

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**31 MAY 2020**

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## Corporate information

### Board of Directors

|                                |   |   |
|--------------------------------|---|---|
| Chief Kolawole Jamodu, CFR     | - | Chairman, Non - Executive Director                                      |
| Mr. L. Batagarawa              | - | Non - Executive Director  |
| Mr. P. Usoro, SAN              | - | Non - Executive Director  |
| Mrs. E. Ebi                    | - | Independent Non-Executive Director                                      |
| Mallam D. Muhammad             | - | Independent Non-Executive Director                                      |
| Ms. J. Coker                   | - | Executive Director  |
| Mr G. Sotiropoulos (Greek)     | - | Executive Director  |
| Mr. Zuber Momoniat             | - | Executive Director / Chief Financial Officer (Appointed 01 April, 2020) |
| Mr. Panagiotis Katsis          | - | Managing Director / Chief Executive Officer (Appointed 01 July, 2020)   |
| Mr C. Giannopoulos (Greek)     | - | Managing Director/ Chief Executive Officer (Retired 30 June, 2020)      |
| Mr. Pedro Barreto (Portuguese) | - | Executive Director (Retired 31 March, 2020)                             |
| Mr. Alex Goma                  | - | Executive Director (Retired 30 September, 2019)                         |

### Company Secretary / Legal Adviser

Mrs. Jacqueline Ezeokwelum

### Registered Office

45/47 Town Planning Way  
 Ilupeju Industrial Estate  
 P.M.B. 21132  
 Ikeja

### Registration Number

RC 693

### Registrars

First Registrars and Investors Service Limited  
 Plot 2, Abebe Village Road  
 Iganmu Complex  
 P.M.B. 12692  
 Lagos.

### Independent Auditors

Deloitte & Touche (Chartered Accountants)  
 Civic Towers,  
 Plot GA1, Ozumba Mbadiwe Avenue  
 Victoria Island, Lagos, Nigeria

**Financial highlights**

|   | <b>The Group</b> |             | <b>%</b>      |
|---|------------------|-------------|---------------|
| <i>In thousands of naira</i>                          | <b>2020</b>      | <b>2019</b> | <b>Change</b> |
| Revenue   | 66,992,561       | 74,336,468  | (10)          |
| Operating Profit                                      | (7,068,747)      | 2,273,012   | (411)         |
| (Loss)/Profit before taxation                         | (7,984,735)      | 1,942,447   | (511)         |
| Taxation  | 745,176          | (786,596)   | (195)         |
| (Loss)/Profit after tax                               | (7,239,559)      | 1,155,851   | (726)         |
| Non-controlling interest                              | (318,268)        | 144,431     | (320)         |
| Loss attributable to equity holders of parent company | (6,921,291)      | 1,011,420   | (784)         |
| <b>At year end:</b>                                   |                  |             |               |
| Share capital   | 1,985,238        | 1,985,238   | (0)           |
| Total equity  | 34,559,953       | 45,752,288  | (24)          |
| <b>Data per 50k share</b>                             |                  |             |               |
| Based on 3,970,477,045 ordinary shares of 50k each:   |                  |             |               |
| Basic and diluted earnings per share (Naira)          | (1.74)           | 0.25        | (797)         |
| Number of employees                                   | 1,302            | 1,392       | (6)           |
| <b>Stock exchange quotations in Naira (Company):</b>  | 5.50             | 8.10        | (32)          |
| <b>As at 31 May</b>                                   |                  |             |               |



## Report of the Directors

### Accounts and Results

The Board of Directors of PZ Cussons Nigeria Plc is pleased to present to members the consolidated and separate statements of financial Position as at 31 May 2020 together with the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity, cashflows for the year ended on that date and notes to the financial statements including a summary of significant accounting policies.

### Operating Result

The following is the summary of the group's operating result as at 31 May 2020

|  | 2020<br>N'000 | 2019<br>N'000 | Change % |
|--|---------------|---------------|----------|
| Revenue  | 66,992,561    | 74,336,468    | (10)     |
| Operating (loss)/profit  | (7,068,747)   | 2,273,012     | (411)    |
| (Loss)/profit before taxation                                  | (7,984,735)   | 1,942,447     | (511)    |
| Taxation   | 745,176       | (786,596)     | (195)    |
| (Loss)/profit for the year                                     | (7,239,559)   | 1,155,851     | (726)    |
| Non-controlling interest                                       | (318,268)     | 144,431       | (320)    |
| (Loss)/profit attributable to equity holders of parent company | (6,921,291)   | 1,011,420     | (784)    |

### Principal Activities

The principal activities of the Group continued to be the manufacturing, marketing, sale and distribution of a wide range of consumer products and home appliances which are leading brand names throughout the country in detergent, soap, cosmetics, refrigerators and air-conditioners. The Group also distributes the products of Nutricima Limited, Harefield Industrial Nigeria Limited and PZ Wilmar Food Limited.

### Directors and their interest

The directors who served during the year and their interest in the shares of the Group as recorded in the register of members for the purpose of Section 275 of the Companies and Allied Matters Act and in compliance with the Listing Requirements of the Nigerian Stock Exchange are as follows:

| Directors                  | 2020      | 2019      |
|----------------------------|-----------|-----------|
| Chief Kolawole Jamodu, CFR | 3,566,880 | 3,566,880 |
| Mr. L. Batagarawa          | 20,706    | 20,706    |
| Mrs. E. Ebi                | Nil       | Nil       |
| Ms. J.F Coker              | 3,889     | 3,889     |
| Mr. D. Muhammad            | Nil       | Nil       |
| Mr. P. Usoro               | 1,000,000 | 1,000,000 |
| Mr. George Sotiropoulos    | Nil       | Nil       |
| Mr. Panagiotis Katsis      | Nil       | Nil       |
| Mr. Zuber Momoniat         | Nil       | Nil       |

There were no changes to the above holdings as at 27th August 2020.

### Interest in contracts

In accordance with Section 277 of the Companies and Allied Matters Act, Mr Paul Usoro, SAN hereby notifies the Group that he is a Partner in the law firm of Paul Usoro & Co which renders legal advisory services to the Group. No other Director has notified the Group of any declarable interest in any contract in which he/she was involved with the Group during the year.

### Directors for re-election

In accordance with Article 90 of the Group's Articles of Association and Section 259 (1) of the companies and Allied matters Act, one third of the number of Directors, based on the length of stay in the office must retire at the Annual General Meeting. They may offer themselves for re-election. Accordingly, Mr. Paul Usoro, Mallam Dahiru Muhammad and Ms. Joyce F. Coker will be retiring at the meeting, and, being eligible, they have offered themselves for re-election.

## Report of the Directors (cont'd)

### Records of Directors Attendance

In compliance with Section 258 (2) of the Companies and Allied Matters Act the Record of Directors' Attendance at Board Meetings in 2019/2020 financial year will be made available at the Annual General Meeting for inspection by members.

### Meetings of the Board of Directors

As a rule, the Board of Directors meets at least quarterly and additional meetings are convened as required. Also, as allowed by the Group's Articles of Association, material decisions are sometimes taken between meetings by way of written resolutions.

At every quarterly meeting, the directors are provided with comprehensive reports of the activities of the various business units as well as important corporate events. They are also briefed on all business developments between meetings. The Board met four times during the 2020 financial year.

The meetings were presided over by the Chairman. In all cases, written notices of meetings, the meeting agenda as well as the reports for consideration were circulated well ahead of the meetings. The minutes of the meetings were appropriately recorded and circulated.

### Attendance at Meetings

The Board has a formal schedule of meetings each year and met Seven (7) times in the course of the year under review. The record of attendance of the Directors at the meetings is set below:

|                         | 8/27/2019 | 9/26/2019 | 10/29/2019 | 10/29/2019 | 1/23/2020 | 6/4/2020 | 4/24/2020 |
|-------------------------|-----------|-----------|------------|------------|-----------|----------|-----------|
| Chief Kolawole Jamodu   | ü         | ü         | Ü          | ü          | ü         | ü        | ü         |
| Mr. C. Giannopoulos     | ü         | ü         | Ü          | ü          | ü         | ü        | ü         |
| Mrs. E. Ebi             | ü         | ü         | Ü          | ü          | ü         | ü        | ü         |
| Mallam D. Muhammad      | ü         | ü         | Ü          | ü          | ü         | ü        | AP        |
| Mallam L. Batagarawa    | ü         | ü         | Ü          | ü          | ü         | ü        | ü         |
| Mr. P. Usoro            | AB        | AB        | Ü          | ü          | ü         | ü        | ü         |
| Ms. J. Coker            | ü         | ü         | Ü          | ü          | ü         | ü        | ü         |
| Mr. A. Goma             | ü         | ü         | R          | R          | R         | R        | R         |
| * Mr. P. Barreto        | ü         | ü         | Ü          | ü          | ü         | R        | R         |
| Mr. G. Sotiropoulos     | ü         | ü         | Ü          | ü          | ü         | AP       | ü         |
| * Mr. Z. Momoniat       | NA        | NA        | NA         | NA         | NA        | ü        | ü         |
| * Mr. Panagiotis Katsis | NA        | NA        | NA         | NA         | NA        | NA       | NA        |

ü                      Present  
AB                    Absent  
R                      Resigned  
NA                    Not Appointed

\*Mr. P. Barreto resigned on 31 March 2020.

\*Mr. Z. Momoniat became a member on 01 April 2020.

\*Mr. Panagiotis Katsis became a member on 01 July 2020.

### Major Shareholdings

According to the Register of members as at 31 May 2020, PZ Cussons (Holdings) Limited UK held 2,909,349,788 shares. This represents 73.27% of the paid-up capital of the Group.



**Report of the Directors (cont'd)**

**Analysis of Shareholdings**

| Range                  | No. of Shareholders | Holders %     | Units                | % Units       |
|------------------------|---------------------|---------------|----------------------|---------------|
| 1 - 1000               | 24,871              | 32.86         | 10,611,662           | 0.27          |
| 1001 - 5000            | 23,231              | 30.70         | 57,606,131           | 1.45          |
| 5001 - 10000           | 11,461              | 15.14         | 87,774,113           | 2.21          |
| 10001 - 50000          | 13,947              | 18.43         | 285,654,447          | 7.19          |
| 50001 - 100000         | 1,165               | 1.54          | 81,466,628           | 2.05          |
| 100001 - 500000        | 833                 | 1.10          | 161,402,114          | 4.07          |
| 500001 - 1000000       | 83                  | 0.11          | 57,265,060           | 1.44          |
| 1000001 - 5000000      | 74                  | 0.10          | 149,810,831          | 3.77          |
| 5000001 - 10000000     | 9                   | 0.01          | 60,181,538           | 1.52          |
| 10000001 - 50000000    | 5                   | 0.01          | 109,354,733          | 2.75          |
| 500000001 - 100000000  | 1                   | 0.00          | 82,442,840           | 2.08          |
| 100000001 - 3970477045 | 1                   | 0.00          | 2,826,906,948        | 71.20         |
|                        | <b>75,681</b>       | <b>100.00</b> | <b>3,970,477,045</b> | <b>100.00</b> |

Apart from PZ Cussons (Holdings) Limited, UK, no other shareholder held more than 5% of the paid up capital of the Group as at 31 May 2020.

**Board Committees**

The Board has established Standing Committees whose terms of reference clearly spelt out roles, responsibilities and scope of authorities. To ensure compliance with the Best Practice in Corporate Governance each Committee is chaired by a Non-Executive Director.

**Board Audit and Risk Management Committee**

The Committee is to assist the Board in its oversight of the risk profile, risk management framework and risk review strategy. The Committee is to carry out periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Group's risk profile

The Committee is made up of seven members namely:

|                     |   |          |
|---------------------|---|----------|
| Mr. L. Batagarawa   | - | Chairman |
| Mr. C Giannopoulos  |   |          |
| Mrs. E. Ebi         |   |          |
| Mr. G. Sotiropoulos |   |          |
| Mr. A Goma          | - | Resigned |
| Mr. P. Barreto      |   |          |
| Mr. Z. Momoniat     |   |          |
| Mr. P. Katsis       |   |          |

The Committee met three times during the financial year. The table below summarises members' attendance at the meetings

| Name                | No. of meetings held | No. of meetings attended |
|---------------------|----------------------|--------------------------|
| Mr. L. Batagarawa   | 3                    | 3                        |
| Mr. C Giannopoulos  | 3                    | 3                        |
| Mrs. E. Ebi         | 3                    | 3                        |
| Mr. G. Sotiropoulos | 3                    | 2                        |
| Mr. A Goma          | 3                    | 1                        |
| Mr. P. Barreto      | 3                    | 3                        |
| Mr. Z. Momoniat     | 3                    | Nil                      |
| Mr. P. Katsis       | 3                    | Nil                      |

## Report of the Directors (cont'd)

### Board Audit and Risk Management Committee (cont'd)

The meetings were held on 25 September 2019, 22 January 2020 and 19 March 2020.

- \* Mr. A. Goma resigned 30 September 2020
- \* Mr. G. Sotiropoulos joined the Committee on 22 January 2020
- \* Mr. Z Momoniat became a member on 01 April 2020
- \* Mr. P. Katsis became a member on 01 July 2020

### Governance / People Committee

The committee advises the Board on appointment of directors, corporate governance matters, staff welfare and remuneration, talent management and other strategic employees' relations matters.

The Committee members are:

|                     |          |
|---------------------|----------|
| Mr. P. Usoro, SAN   | Chairman |
| Mr. C. Giannopoulos |          |
| Ms. J.F. Coker      |          |
| Mr D. Muhammad      |          |
| Mr. G. Sotiropoulos |          |
| Mr. P. Katsis       |          |

The Committee met three times during the financial year and the table below shows the attendance at the meetings:

| Name                | No. of meetings held | No. of meetings attended |
|---------------------|----------------------|--------------------------|
| Mr. P. Usoro        | 3                    | 3                        |
| Mr. C. Giannopoulos | 3                    | 3                        |
| Ms. J.F. Coker      | 3                    | 3                        |
| Mallam D. Muhammad  | 3                    | 3                        |
| Mr. G. Sotiropoulos | 3                    | 1                        |
| Mr. P. Katsis       | 3                    | Nil                      |

The meetings were held on 24 September 2020, 22 January 2020 and 24 March 2020.

- \* Mr. G. Sotiropoulos left the Committee on 22 January 2020
- \* Mr. P. Katsis became a member on 01 July 2020

### Statutory Audit Committee

The Committee is established to perform the functions listed in Section 359(6) of the Companies and Allied Matters Act. The Committee consists of six members made of three representatives of the shareholders elected at the previous Annual General Meeting for the tenure of one year and three representatives of the Board of Directors. The meetings of the Committee were attended by the Head of Internal Control and representatives of Deloitte & Touche, the Group's external auditors.

The following directors served on the Committee during the year:

Mr. L. Batagarawa  
 Mrs. E. Ebi  
 Mr. A Goma

## Report of the Directors (cont'd)

### Statutory Audit Committee (cont'd)

The table below summarises the attendance at the Committee meetings during the year: "

| Name               | No. of meetings held | No. of meetings attended |
|--------------------|----------------------|--------------------------|
| Mrs. E. Ebi        | 4                    | 3                        |
| Mr. O.I. Obarinde  | 4                    | 4                        |
| Mr. E.A. Akinduro  | 4                    | 4                        |
| Hon. B. Nwabughogu | 4                    | 4                        |
| Mr. L. Batagarawa  | 4                    | 4                        |
| Mr. P. Barreto     | 4                    | 4                        |
| Mr. A. Goma        | 4                    | 2                        |
| Mr G. Sotiropoulos | 4                    | 2                        |
| Mr. Z. Momoniat    | 4                    | Nil                      |

The meetings were held on 26 August 2019, 25 September 2019, 22 January 2020 and 25 March 2020.

\* Mr. A. Goma resigned 30 September 2020

\* Mr. G. Sotiropoulos joined the Committee on 22 January 2020

\* Mr. Z Momoniat became a member on 01 April 2020

### Board Composition

The Group's Articles of Association provides for a maximum of fifteen directors. At the date of this report, the Board consists of ten Directors: five Non-Executive Directors and five Executive Directors. There is an ongoing board recruitment process for the appointment of a non-executive director as at the time of this Report.

The profile of the Board comprises distinguished individuals with diverse skills and competences in different areas of the Group's business. This continually ensures the realisation of the set corporate objectives.

In line with best practices, the position of the Chairman is distinct from that of the Group Chief Executive Officer.

The Chairman is Chief Kolawole Jamodu, CFR, a Non-Executive Chairman while the Chief Executive Officer during the period was Mr. Christos Giannopoulos (retired). Furthermore, while the Chairman is responsible for the running of the Board, the Chief Executive Officer is responsible for coordinating the running of the business and implementing strategies.

### Independent Directors

In compliance with the Code, Two (2) of the five (5) Non-Executive Directors are independent directors having no significant shareholding interest or any special business relationship with the Group.

### Board Operations

The Board is the ultimate governing body of the Group and it is responsible for its overall supervision and the protection of the interest of shareholders and other stakeholders. It ensures that the Group is appropriately managed to achieve strategic objectives.

The specific issues reserved for the Board include:

The ultimate direction of the Group particularly the conduct and supervision of the business.

- Determination of the Group's organisation
- Risk Management and internal control
- Supervision with respect to compliance with the law
- Corporate Governance matters
- Communication with shareholders
- Review of business performance



## **Report of the Directors (cont'd)**

### **Independent Directors (cont'd)**

The Board has delegated to management the day-to-day running of the business and the Chief Executive Officer, who is the head of the Management Team, is answerable to the Board.

### **Board Appointment and Induction**

Directors are appointed to the Board following a declaration of vacancy at a Board meeting. New Directors are selected through carefully articulated selection guideline that place emphasis on integrity, skills and competences relevant to the Group's goals and aspirations. The Policy confers on the Governance and People Committee the responsibility of identifying individuals with track record of outstanding achievements and potentials for value enhancement. The Committee's recommendation is subjected to further scrutiny by the Board before a decision is taken. The Appointed director is made to undergo an induction programme to equip and familiarize him/her with requisite knowledge and information about the Group and its business. The appointed Director is presented at the next Annual general meeting for election.

Furthermore, a newly appointed director receives a letter of appointment spelling out in details the entitlements, terms of reference of the Board and its Committees and the Key Performance Indicators.

### **Board Evaluation**

The Board has established a system to undertake a formal annual evaluation of its performance, that of its Committees and the individual directors. The Board designed questionnaire for evaluation on areas such as the ability of the Board to fulfil its general supervisory roles, preparation of members for meetings, participation at meetings, quality of proposals made by members at meetings etc. The questionnaire for evaluation for the year ended 31 May 2020 was completed by members and the summary of the results compiled electronically.

Based on the results, the Board, its committees and each individual director recorded very good performance.

### **Internal Control**

The Board maintained a sound system of internal control to safeguard shareholders investments and the Group's assets. The system of internal control provides reasonable assurance against material loss. The responsibilities include oversight functions of internal audit and control, risk assessment and compliance, conformity and contingency planning, and formalisation and improvement of business process.

### **Communication with shareholders**

The Board is committed to an open and consistent communication policy with shareholders and other stakeholders. The guiding principle is that all shareholders should be given equal treatment in equal situations. Thus price sensitive information is published timely in full, simple and transparent format to all shareholders at the same time.

Furthermore all shareholders have equal opportunity at the Annual General Meeting to present questions to the Board and make comments on any aspect of the financial statements.

### **Insider Dealings**

The Group has regulations guiding directors, members of the Audit Committee and other officers of the Group on periods when they, or persons connected to them cannot lawfully effect transactions on the shares of the Group as well as the disclosure requirements when effecting any transaction on the Group's shares.

### **E- Dividend**

The Group consistently encourages its shareholders to embrace the e-dividend and e-bonus introduced in the capital market. This is to enable prompt crediting of shareholders account with dividend and their CSCS account with bonus shares. This will also eliminate the cost of posting dividend warrants and share certificate as well as the risk of being lost in the post.

## **Report of the Directors (cont'd)**

### **Property, plant and equipment**

Movement in property, plant and equipment during the year are shown in Note 4 of the financial statements. In the opinion of the Directors, the market value of the Group's property, plant and equipment is not lower than the value shown in the financial statements.

### **Distributors and Suppliers**

The Group has 6 distribution depots across the country with over 1000 distributors.

The Group also obtains its requirements from both local and overseas suppliers. The principal overseas suppliers are associated companies within the PZ Cussons Group. The transactions are carried out at arm's length.

### **Research and Development**

The Group's Research and Development efforts, supported through licensing and technical services agreement with overseas associated companies in the PZ Cussons Group are designed to ensure a constant programme of product improvement and new product introduction.

### **Employment of disabled persons**

The Group policy provides for due priority to be accorded to disabled persons in recruitment for any available position where their incapacity will not expose them to danger or serious disadvantage. Employees who become disabled in the course of their employment are retained and redeployed wherever possible within the context of the above policy.

### **Health Safety and welfare**

The Group recognises the health and safety of its employees, customers, contractors and other stakeholders as a top priority and form an integral part of its business activities. We are committed to maintaining a safe working place at all times and in all sites, depots and business units across the country so as to avoid accidents and ill health due to work situation. We recognise that health and safety is fundamental to good manufacturing practice. The roll out of our world class manufacturing programme has ensured that our factories are pleasant work places.

### **Gifts and Donations**

During 2020, the group contributed N50,000,000 (2019: N50,000,000) to PZ Foundation. The Foundation commissioned a number of sustainable projects to the benefit of various communities around the country.

In accordance with Section 38(2) of CAMA, the group did not make any donation or gift to any political party, association or for any political purposes in the course of the year.

### **Employee involvement and training**

The Group is committed to keeping employees informed regarding the Group's performance and progress through regular briefings and meetings. Their views are sought wherever practicable on matters which affect them as employees. The Group believes that professional and technical expertise of its managers constitutes a major asset, and investment in developing such skills continues to receive attention.

The Group's skill base has been steadily expanding with the range of training provided for career development within the Group.

### **Statement of Compliance**

We hereby affirm that the SEC Code of Corporate Governance governs the operations of the Group and confirm that to the best of our knowledge we are in compliance with the Code.



**Report of the Directors (cont'd)**

**Complaint Management Policy**

The Complaint Management Policy sets out the broad framework bend to issues which the Group and its Registrars attend to issues and concerns raised by shareholders and provide the opportunity for shareholders to give feedback to the Group. The Group is dedicated to ensuring great standard of services to its shareholders by:

- Creating an efficient process for the management of shareholders' complaints and enquiries
- Ensuring that all matters relating to shareholders are adequately addressed; and
- Making information readily available to shareholders.

**Communication Policy**

Our Group has in place a Communication Policy in accordance with the requirements of the Securities & Exchange Commission.

The Board recognises the need to communicate and disseminate information regarding the operations and management of the Group to all relevant stakeholders (including Shareholders, regulatory authorities, media, analysts and the general public).

**Independent Auditors**

The firm of Deloitte & Touche served as the Independent Auditor during the year under review. In accordance with Section 357(2) of CAMA, Deloitte & Touche have indicated their willingness to continue in office as Independent Auditor of the Group.

**Dated the** 2nd October .....**2020**

**BY ORDER OF THE BOARD**



**Jacqueline Ezeokwelum**

Company Secretary

FRC/2015/NBA/00000020208

Lagos, Nigeria



**Statement of Directors Responsibilities**

The Directors of PZ Cussons Nigeria PLC are responsible for the preparation of the consolidated and separate financial statements that gives a true and fair view of the financial position of the Group and Company as at 31 May 2020, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

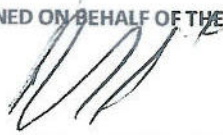
In preparing these financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern;
- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group and Company;
- maintaining adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company, and which enable them to ensure that the financial statements of the Group and Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Group and Company; and
- preventing and detecting fraud and other irregularities.

The Directors have made an assessment of the Group and Company's ability to continue as a going concern and have no reason to believe the Group and Company will not remain a going concern in the year ahead.

The consolidated and separate financial statements of the Group and Company for the year ended 31 May 2020 were approved by the Directors on <sup>2nd October</sup>..... 2020.

**SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:**

  
\_\_\_\_\_  
**Chief Kolawole Jamodu, CFR**  
**Chairman**  
**FRC/2013/ICAN/00000001617**

  
\_\_\_\_\_  
**Mr. Panagiotis Katsis**  
**Chief Executive Officer**  
**FRC/2020/003/00000021969**

**Report of the Audit Committee**

To the members of PZ Cussons Nigeria Plc

In preparing these financial statements, the Directors are responsible for:

- a) Reviewed the scope and planning of the audit requirements and found them adequate
- b) Reviewed the financial statements for the year ended 31 May 2020 and are satisfied with the explanations obtained;
- c) Reviewed the external auditors' management letter for the year ended 31 May 2020 and are satisfied that management is taking appropriate steps to address the issues raised; and
- d) Ascertained that the accounting and reporting policies for the year ended 31 May 2020 are in accordance with legal requirements and agreed ethical practices

The external auditors confirmed having received full cooperation from the Company's management and that the scope of their work was not restricted in any way.

Mrs. E. Ebi

FRC/2014/CISN00000008003

02/10 2020

**Members of the Audit Committee**

Mrs. E. Ebi (Chairman)

Mr. O.I. Obarinde

Mr. E.A. Akinduro

Hon. B. Nwabughogu

Mallam L. Batagarawa

Mr. A. Goma

Mr. G. Sotiropoulos (Greek)

Independent Non-Executive Director

Shareholders' representative

Shareholders' representative

Shareholders' representative

Non-Executive Director

Executive Director (Retired)

Executive Director

## Independent Auditor's Report

### To the Shareholders of PZ Cussons Nigeria Plc

#### Report on the Audit of the Consolidated and Separate Financial Statements

##### Opinion

We have audited the accompanying consolidated and separate financial statements of **PZ Cussons Nigeria Plc** ("the Company") and its subsidiary (together referred to as the group), which comprise the consolidated and separate statements of financial position as at 31 May 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, the notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of PZ Cussons Nigeria Plc as at 31 May 2020 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act and Financial Reporting Council Act, 2011.

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of Consolidated and Separate Financial Statements in Nigeria.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated and separate financial statements of the current period. The matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.



| Key Audit Matter  | How the matter was addressed in the audit   |
|---|---|
| <p><b>Impairment of Export Expansion Grant (EEG) Receivable and Unutilised Negotiable Duty Credit Certificates (NDCC)</b></p> <p>As indicated in Note 6 (Other long-term receivables) and Note 28 (Export expansion grant &lt;EEG&gt; scheme), the group and the company had EEG Receivable of N1.617 billion and N1.598 billion as well as unutilised Negotiable Duty Credit Certificate &lt;NDCC&gt; (now called Export Credit Certificate&lt;ECC&gt;) of N0.297 billion and N0.272 billion respectively as at 31 May 2020.</p> <p>EEG receivable is recognised upon receipt of export proceeds into the country not later than 180 days from the date of related export sales while unutilised NDCC is recognised on issuance of certificates by the Nigerian Export Promotion Council (NEPC) for the settlement of EEG receivable.</p> <p>In the last 6 years, the EEG scheme has not been operating as designed based on the following:</p> <p>Exporters have not been able to submit valid EEG claims to the Nigerian Export Promotion Council (NEPC), the Federal Government of Nigeria (FGN) agency responsible for the administration of EEG Scheme since January 2014 till date.</p> <ul style="list-style-type: none"> <li>• The NEPC stopped issuance of NDCC for settlement of EEG Receivable in January 2014.</li> <li>• Previously issued NDCC in the custody of beneficiaries remained unutilised for more than 6 years due to non-acceptance of the NDCC by the Nigerian Customs Service for settlement of import duties in lieu of cash.</li> <li>• The authority issued a revised guideline on 12 June, 2017. The NDCC has now been replaced with the Export Credit Certificate (ECC) which can be used to settle all federal government taxes such as VAT, WHT, company income tax etc. It can also be used to purchase government bonds and repay government credit facilities, and debts due to the Assets Management Company of Nigeria (AMCON).</li> </ul> <p>Per management assessment, both the EEG and unutilised NDCC are sovereign debts. Hence, management is confident that the balances are majorly recoverable because government is a continuum. However, an impairment charge of N34.3million was recognised with respect to the EEG receivable in the consolidated statement of profit or loss during the course of the year as that portion of the EEG was determined to be irrecoverable</p> <p>Management applied significant judgement in relation to retention of EEG Receivable and unutilised NDCC and this forms the basis of our focus on the balances.</p> <p>This is considered a key audit matter in both the consolidated and separate financial statements.</p> | <ul style="list-style-type: none"> <li>• We obtained an understanding of the group's accounting policy on EEG receivable and unutilised NDCC and evaluated it for compliance with the requirements of International Accounting Standard (IAS 20) – Government Grant, and the Nigerian Export Promotion Council (NEPC) Act.</li> <li>• We tested the carrying value of EEG Receivables and unutilised NDCC for compliance with the company's accounting policy. In particular, we examined relevant support documents to substantiate that proceeds of related export sales, supporting the carrying value of EEG receivables, were repatriated within 180 days of sales. In addition, we performed procedures to ascertain that the group has met the following criteria EEG receivables: <ul style="list-style-type: none"> <li>- the Group is registered with NEPC</li> <li>- the Group has annual export sales proceeds in excess of N5 million; and</li> <li>- the group exports only made in Nigeria goods.</li> </ul> </li> <li>• We evaluated the impact of the revised guideline issued on 12 June, 2017 by NEPC on EEG and the request for submission of the NDCC for onward conversion to government sovereign bonds. Also, we reviewed correspondences with NEPC confirming that the NDCC (now ECC) certificates have now been submitted to the NEPC.</li> </ul> <p>The judgement and assumptions made by the directors for the assets impairment test were found to be appropriate.</p> |

## Other Information

The directors are responsible for the other information. The other information comprises the directors' Report, Audit Committee's Report, Chairman's statement, statement of directors responsibilities, corporate information and financial highlights, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## **Responsibilities of the Directors for the Consolidated and Separate Financial Statements**

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so

## **Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee and the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public from such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with the Companies and Allied Matters Act we expressly state that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) The Group have kept proper books of account, so far as appears from our examination of those books.
- iii) The Group and Company's financial position, statements of profit or loss and other comprehensive income are in agreement with the books of account and returns.



Hassan Lawal, FCA - FRC/2013/ICAN/000000001382  
For: Deloitte & Touche  
Chartered Accountants  
Lagos, Nigeria  
02 October 2020



**Consolidated and separate statement of profit or loss and other comprehensive income**

| <i>In thousands of naira</i>                              | <b>Note</b> | <b>Group</b>       |                   | <b>Company</b>     |                   |
|---|-------------|--------------------|-------------------|--------------------|-------------------|
|   |             | <b>2020</b>        | <b>2019</b>       | <b>2020</b>        | <b>2019</b>       |
| Revenue   | 21b         | 66,992,561         | 74,336,468        | 38,939,223         | 47,200,919        |
| Cost of sales   | 20a         | (58,370,711)       | (57,235,233)      | (34,404,445)       | (34,997,013)      |
| <b>Gross profit</b>                                       |             | <b>8,621,850</b>   | <b>17,101,235</b> | <b>4,534,778</b>   | <b>12,203,906</b> |
| Selling and distribution expenses                         | 20a         | (10,213,698)       | (10,695,229)      | (6,398,454)        | (7,406,105)       |
| Administrative expenses                                   | 20a         | (5,476,899)        | (4,132,994)       | (4,661,517)        | (3,769,694)       |
| <b>Operating (loss)/ profit</b>                           |             | <b>(7,068,747)</b> | <b>2,273,012</b>  | <b>(6,525,193)</b> | <b>1,028,107</b>  |
| Exchange loss   | 20b         | (945,860)          | (444,277)         | (248,873)          | (381,673)         |
| Other income  | 21a         | 179,135            | 122,742           | 319,761            | 263,313           |
| Interest income   | 29          | 304,971            | 294,997           | 338,419            | 393,512           |
| Interest cost   | 29          | (454,234)          | (304,027)         | (276,515)          | (175,868)         |
| <b>(Loss)/profit before tax</b>                           |             | <b>(7,984,735)</b> | <b>1,942,447</b>  | <b>(6,392,401)</b> | <b>1,127,391</b>  |
| Income tax expense  | 15          | 745,176            | (786,596)         | 425,406            | (549,036)         |
| <b>(Loss)/profit for the year</b>                         |             | <b>(7,239,559)</b> | <b>1,155,851</b>  | <b>(5,966,995)</b> | <b>578,355</b>    |
| <b>Other comprehensive income</b>                         |             |                    |                   |                    |                   |
| <b>Total comprehensive (expense)/ income for the year</b> |             | <b>(7,239,559)</b> | <b>1,155,851</b>  | <b>(5,966,995)</b> | <b>578,355</b>    |
| Equity holders of the parent company                      |             | (6,921,291)        | 1,011,420         | (5,966,995)        | 578,355           |
| Non-controlling interest                                  |             | (318,268)          | 144,431           | -                  | -                 |
|   |             | <b>(7,239,559)</b> | <b>1,155,851</b>  | <b>(5,966,995)</b> | <b>578,355</b>    |
| <b>(Loss)/basic earnings per share (kobo)</b>             | 23          | <b>(1.74)</b>      | <b>0.25</b>       | <b>(1.50)</b>      | <b>0.15</b>       |

The accompanying notes on pages 10 to 73 form an integral part of these financial statements.





**PZ CUSSONS NIGERIA PLC**  
Annual report and consolidated financial statements  
31 May 2020

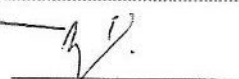
**Consolidated and separate statement of financial position**  
**As at 31 May 2020**


| In thousands of naira                                   | Note | Group             |                   | Company           |                   |
|---|------|-------------------|-------------------|-------------------|-------------------|
|   |      | 2020              | 2019              | 2020              | 2019              |
| <b>Assets</b>   |      |                   |                   |                   |                   |
| <b>Non-current assets</b>                               |      |                   |                   |                   |                   |
| Property, plant and equipment                           | 4a   | 26,190,242        | 27,340,861        | 24,628,863        | 25,858,961        |
| Right-of-use assets                                     | 4b   | 275,042           | -                 | 209,724           | -                 |
| Intangible assets                                       | 4c   | 741,732           | 847,694           | 741,732           | 847,694           |
| Investment in subsidiary                                | 5    | -                 | -                 | 504,406           | 504,406           |
| Other long term receivables                             | 6    | 1,914,526         | 1,990,470         | 1,870,028         | 1,945,433         |
| <b>Total non-current assets</b>                         |      | <b>29,121,542</b> | <b>30,179,025</b> | <b>27,954,753</b> | <b>29,156,494</b> |
| <b>Current assets</b>                                   |      |                   |                   |                   |                   |
| Inventories   | 7    | 26,258,699        | 28,599,056        | 15,654,747        | 19,168,436        |
| Trade and other receivables                             | 8    | 8,016,571         | 13,281,886        | 4,087,173         | 8,028,500         |
| Loan receivables  | 9    | 2,049,000         | 1,883,900         | 2,049,000         | 3,464,576         |
| Other assets  | 10   | 1,010,312         | 1,270,003         | 849,486           | 920,003           |
| Deposits for imports                                    | 11   | 1,202,075         | 2,204,023         | 318,369           | 1,590,536         |
| Cash and cash equivalents                               | 12   | 10,792,938        | 2,518,847         | 8,573,322         | 1,987,131         |
| <b>Total current assets</b>                             |      | <b>49,329,595</b> | <b>49,757,715</b> | <b>31,532,097</b> | <b>35,159,182</b> |
| <b>Total assets</b>                                     |      | <b>78,451,137</b> | <b>79,936,740</b> | <b>59,486,850</b> | <b>64,315,676</b> |
| <b>Equity and liabilities</b>                           |      |                   |                   |                   |                   |
| <b>Equity</b>   |      |                   |                   |                   |                   |
| Share capital   | 13   | 1,985,238         | 1,985,238         | 1,985,238         | 1,985,238         |
| Share premium   |      | 6,878,269         | 6,878,269         | 6,878,269         | 6,878,269         |
| Retained earnings                                       |      | 22,923,165        | 33,797,232        | 15,033,304        | 24,953,075        |
| Equity attributable to equity holders of parent company |      | 31,786,672        | 42,660,739        | 23,896,811        | 33,816,582        |
| Non-controlling interest                                |      | 2,773,281         | 3,091,549         | -                 | -                 |
| <b>Total Equity</b>                                     |      | <b>34,559,953</b> | <b>45,752,288</b> | <b>23,896,811</b> | <b>33,816,582</b> |
| <b>Liabilities</b>                                      |      |                   |                   |                   |                   |
| <b>Non-current liabilities</b>                          |      |                   |                   |                   |                   |
| Deferred income   | 14   | 61,047            | -                 | 6,605             | -                 |
| Deferred taxation                                       | 16   | 5,368,688         | 3,214,813         | 6,852,605         | 4,221,430         |
| Warranty provisions                                     | 17   | 245,418           | 76,320            | -                 | -                 |
| Lease Liability   | 4b   | 119,847           | -                 | 91,887            | -                 |
| <b>Total non-current liabilities</b>                    |      | <b>5,795,000</b>  | <b>3,291,133</b>  | <b>6,951,097</b>  | <b>4,221,430</b>  |
| <b>Current liabilities</b>                              |      |                   |                   |                   |                   |
| Trade and other payables                                | 18   | 37,200,556        | 29,343,428        | 28,037,464        | 25,835,801        |
| Loan payables   | 19   | -                 | 1,173,870         | -                 | 248,870           |
| Deferred income   | 14   | 20,827            | -                 | 20,827            | -                 |
| Current taxation payable                                | 15   | 620,176           | 192,993           | 462,814           | 192,993           |
| Warranty provisions                                     | 17   | 99,430            | 183,028           | -                 | -                 |
| Lease Liability   | 4b   | 155,195           | -                 | 117,837           | -                 |
| <b>Total current liabilities</b>                        |      | <b>38,096,184</b> | <b>30,893,319</b> | <b>28,638,942</b> | <b>26,277,664</b> |
| <b>Total liabilities</b>                                |      | <b>43,891,184</b> | <b>34,184,452</b> | <b>35,590,039</b> | <b>30,499,094</b> |
| <b>Total equity and liabilities</b>                     |      | <b>78,451,137</b> | <b>79,936,740</b> | <b>59,486,850</b> | <b>64,315,676</b> |

These financial statements were approved by the Board of Directors on 2nd October 2020 and signed on its behalf by:

  
Chief Kolawole Jamodu, CFR  
Chairman  
FRC/2013/ICAN/00000001617

  
Mr. Panagiotis Katsis  
Chief Executive Officer  
FRC/2020/003/00000021969

  
Mr. Zuber Momoni  
Chief Financial Officer  
FRC/2018/IODN/00000018772

  
Mr. Evans Eghosa Enabulele  
Head, Financial Reporting & Accounting  
FRC/2017/ICAN/000000017

The accompanying notes on pages 10 to 73 form an integral part of these financial statements.



**Consolidated statement of changes in equity**

|   |       | Group<br>Attributable to owners |                  |                      |                                 |                 |
|---|-------|---------------------------------|------------------|----------------------|---------------------------------|-----------------|
| <i>In thousands of naira</i>                                |       |                                 |                  |                      |                                 |                 |
|   | Note  | Share<br>capital                | Share<br>premium | Retained<br>earnings | Non-<br>controlling<br>interest | Total<br>equity |
| Balance at 1 June 2019                                      |       | 1,985,238                       | 6,878,269        | 33,797,232           | 3,091,549                       | 45,752,288      |
| Adjustment on initial application of IFRIC 23               | 16.2  | -                               | -                | (3,517,328)          | -                               | (3,517,328)     |
| Adjusted balance at 1 June 2019                             |       | 1,985,238                       | 6,878,269        | 30,279,904           | 3,091,549                       | 42,234,960      |
| Comprehensive income for the year                           |       |                                 |                  |                      |                                 |                 |
| Loss for the year   |       | -                               | -                | (6,921,291)          | (318,268)                       | (7,239,559)     |
| Total comprehensive income for the year                     |       | -                               | -                | (6,921,291)          | (318,268)                       | (7,239,559)     |
| Transactions with owners                                    |       |                                 |                  |                      |                                 |                 |
| Final dividend paid relating to year ended 31 May 2019      | 18.1a | -                               | -                | (595,572)            | -                               | (595,572)       |
| Unclaimed dividend forfeited                                | 18.1b | -                               | -                | 160,124              | -                               | 160,124         |
| Total transactions with owners, recorded directly in equity |       | -                               | -                | (435,448)            | -                               | (435,448)       |
| Balance at 31 May 2020                                      |       | 1,985,238                       | 6,878,269        | 22,923,165           | 2,773,281                       | 34,559,953      |
| Balance at 1 June 2018                                      |       | 1,985,238                       | 6,878,269        | 33,297,964           | 2,947,118                       | 45,108,589      |
| Comprehensive income for the year                           |       |                                 |                  |                      |                                 |                 |
| Profit for the year   |       | -                               | -                | 1,011,420            | 144,431                         | 1,155,851       |
| Total comprehensive income for the year                     |       | -                               | -                | 1,011,420            | 144,431                         | 1,155,851       |
| Transactions with owners, recorded directly in equity       |       |                                 |                  |                      |                                 |                 |
| Final dividend paid relating to year ended 31 May 2018      | 18.1a | -                               | -                | (595,572)            | -                               | (595,572)       |
| Unclaimed dividend forfeited                                | 18.1b | -                               | -                | 83,420               | -                               | 83,420          |
| Total transactions with owners, recorded directly in equity |       | -                               | -                | (512,152)            | -                               | (512,152)       |
| Balance at 31 May 2019                                      |       | 1,985,238                       | 6,878,269        | 33,797,232           | 3,091,549                       | 45,752,288      |

The accompanying notes on pages 10 to 73 form an integral part of these financial statements.

**Separate statement of changes in equity**

| <i>In thousands of naira</i>                                       | Note  | Company<br>Attributable to owners |                  |                      | Total<br>equity    |
|--|-------|-----------------------------------|------------------|----------------------|--------------------|
|  |       | Share<br>capital                  | Share<br>premium | Retained<br>earnings |                    |
| <b>Balance at 1 June 2019</b>                                      |       | <u>1,985,238</u>                  | <u>6,878,269</u> | <u>24,953,075</u>    | <u>33,816,582</u>  |
| Adjustment on initial application of IFRIC 23                      | 16.2  | -                                 | -                | (3,517,328)          | (3,517,328)        |
| <b>Adjusted balance at 1 June 2019</b>                             |       | <u>1,985,238</u>                  | <u>6,878,269</u> | <u>21,435,747</u>    | <u>30,299,254</u>  |
| <b>Comprehensive income for the year</b>                           |       |                                   |                  |                      |                    |
| Profit for the year  |       | -                                 | -                | (5,966,995)          | (5,966,995)        |
| <b>Total comprehensive income for the year</b>                     |       | <u>-</u>                          | <u>-</u>         | <u>(5,966,995)</u>   | <u>(5,966,995)</u> |
| <b>Transactions with owners</b>                                    |       |                                   |                  |                      |                    |
| Final dividend paid relating to year ended 31 May 2019             | 18.1a | -                                 | -                | (595,572)            | (595,572)          |
| Unclaimed dividend forfeited                                       | 18.1b | -                                 | -                | 160,124              | 160,124            |
| <b>Total transactions with owners, recorded directly in equity</b> |       | <u>-</u>                          | <u>-</u>         | <u>(435,448)</u>     | <u>(435,448)</u>   |
| <b>Balance at 31 May 2020</b>                                      |       | <u>1,985,238</u>                  | <u>6,878,269</u> | <u>15,033,304</u>    | <u>23,896,811</u>  |
| <b>Balance at 1 June 2018</b>                                      |       | <u>1,985,238</u>                  | <u>6,878,269</u> | <u>24,886,872</u>    | <u>33,750,379</u>  |
| <b>Comprehensive income for the year</b>                           |       |                                   |                  |                      |                    |
| Profit for the year  |       | -                                 | -                | 578,355              | 578,355            |
| <b>Total comprehensive income for the year</b>                     |       | <u>-</u>                          | <u>-</u>         | <u>578,355</u>       | <u>578,355</u>     |
| <b>Transactions with owners, recorded directly in equity</b>       |       |                                   |                  |                      |                    |
| Final dividend paid relating to year ended 31 May 2018             | 18.1a | -                                 | -                | (595,572)            | (595,572)          |
| Unclaimed dividend forfeited                                       | 18.1b | -                                 | -                | 83,420               | 83,420             |
| <b>Total transactions with owners, recorded directly in equity</b> |       | <u>-</u>                          | <u>-</u>         | <u>(512,152)</u>     | <u>(512,152)</u>   |
| <b>Balance at 31 May 2019</b>                                      |       | <u>1,985,238</u>                  | <u>6,878,269</u> | <u>24,953,075</u>    | <u>33,816,582</u>  |

The accompanying notes on pages 10 to 73 form an integral part of these financial statements.

**Consolidated and separate statement of cash flows**

| <i>In thousands of naira</i>                                  | Note  | Group              |                     | Company            |                     |
|---|-------|--------------------|---------------------|--------------------|---------------------|
|   |       | 2020               | 2019                | 2020               | 2019                |
| <b>Cash flow from operating activities</b>                    |       |                    |                     |                    |                     |
| (Loss)/Profit before tax                                      |       | (7,984,735)        | 1,942,447           | (6,392,401)        | 1,127,391           |
| <b>Adjustments for:</b>                                       |       |                    |                     |                    |                     |
| Depreciation - property, plant & equipment                    | 4a    | 2,690,254          | 2,543,853           | 2,496,349          | 2,348,655           |
| Depreciation - right-of-use assets                            | 4b    | 190,362            | -                   | 147,856            | -                   |
| Amortization  | 4c    | 105,962            | 105,962             | 105,962            | 105,962             |
| Profit on disposal of fixed assets                            | 21a   | (1,500)            | -                   | (1,500)            | -                   |
| Unclaimed dividend forfeited                                  | 18.1b | -                  | 83,420              | -                  | 83,420              |
| Interest expense  | 29    | 454,234            | 304,027             | 276,515            | 175,868             |
| Interest income   | 29    | (304,971)          | (294,997)           | (338,419)          | (393,512)           |
|   |       | <b>(4,850,394)</b> | <b>4,684,712</b>    | <b>(3,705,638)</b> | <b>3,447,784</b>    |
| <b>Change in:</b>   |       |                    |                     |                    |                     |
| Inventories   |       | 2,340,357          | (2,559,510)         | 3,513,689          | 1,206,033           |
| Trade and other receivables                                   |       | 5,265,315          | (1,805,095)         | 3,941,327          | 1,080,055           |
| Other assets  |       | 259,691            | 247,512             | 70,517             | 551,909             |
| Trade and other payables                                      |       | 8,069,917          | (10,765,487)        | 2,274,140          | (10,476,570)        |
| Deposit for imports   |       | 1,001,948          | 132,763             | 1,272,167          | 177,351             |
| <b>Cash generated from operating activities</b>               |       | <b>12,086,834</b>  | <b>(10,065,105)</b> | <b>7,366,202</b>   | <b>(4,013,438)</b>  |
| Income tax paid   | 15    | (441)              | (156,442)           | (441)              | (156,442)           |
| <b>Net cash generated/(used in) from operating activities</b> |       | <b>12,086,393</b>  | <b>(10,221,547)</b> | <b>7,365,761</b>   | <b>(4,169,880)</b>  |
| <b>Cash flow from investing activities</b>                    |       |                    |                     |                    |                     |
| Interest income   | 29    | 304,971            | 294,997             | 338,419            | 393,512             |
| Loan receivables  | 9     | (165,100)          | (399,761)           | 1,415,576          | (2,448,576)         |
| Proceeds from sale of property, plant and equipment           | 21a   | 1,500              | -                   | 1,500              | -                   |
| Acquisition of property, plant and equipment                  | 4a    | (1,539,635)        | (1,454,385)         | (1,266,251)        | (1,325,421)         |
| <b>Net cash used in investing activities</b>                  |       | <b>(1,398,264)</b> | <b>(1,559,149)</b>  | <b>489,244</b>     | <b>(3,380,485)</b>  |
| <b>Cash flow from financing activities</b>                    |       |                    |                     |                    |                     |
| Dividends paid  | 18.1a | (595,572)          | (595,572)           | (595,572)          | (595,572)           |
| Interest expense paid   | 29    | (454,234)          | (304,027)           | (276,515)          | (175,868)           |
| Lease payment   | 4b    | (190,362)          | -                   | (147,856)          | -                   |
| Loan payables   | 19    | (1,173,870)        | 1,173,870           | (248,870)          | (1,851,230)         |
| <b>Net cash used in financing activities</b>                  |       | <b>(2,414,038)</b> | <b>274,271</b>      | <b>(1,268,813)</b> | <b>(2,622,670)</b>  |
| <b>Net increase in cash and cash equivalents</b>              |       | <b>8,274,091</b>   | <b>(11,506,425)</b> | <b>6,586,191</b>   | <b>(10,173,035)</b> |
| Cash and cash equivalents at 1 June                           | 12    | 2,518,847          | 14,025,271          | 1,987,131          | 12,160,166          |
| <b>Cash and cash equivalents at 31 May 2020</b>               |       | <b>10,792,938</b>  | <b>2,518,847</b>    | <b>8,573,322</b>   | <b>1,987,131</b>    |

The accompanying notes on pages 10 to 73 form an integral part of these financial statements.



**Notes to the consolidated and separate financial statements**

**1 General information**

**The Group**

PZ Cussons Nigeria Plc is a Company incorporated in Nigeria on 4 December 1948 under the name of P.B. Nicholas and Company Limited. The name was changed to Alagbon Industries Limited in 1953 and to Associated Industries Limited in 1960. The Company became a public Company in 1972 and was granted a listing on the Nigerian Stock Exchange. The name was changed to Paterson Zochonis Industries Limited on 24 November 1976 and in compliance with the Companies and Allied Matters Act, it changed its name to Paterson Zochonis Industries Plc on 22 November 1990. On 21 September, 2006, the Company adopted its present name of PZ Cussons Nigeria Plc.

The principal activities of the group are the manufacture, distribution and sale of a wide range of consumer products and home appliances through owned depots. These products are leading brand names throughout the country in detergent, soap, cosmetics, refrigerators, freezers and air-conditioners. The group also distributes products of Nutricima Limited, Harefield Industrial Nigeria Limited and PZ Wilmar Food Limited.

The address of the registered office is 45/47 Town Planning Way, Ilupeju, Lagos.

These consolidated and separate financial statements are presented in Nigerian Naira which is the functional currency of the primary economic environment in which the Group operates. The financial statements have been rounded to the nearest thousands.

These consolidated and separate financial statements comprises that of the group and the stand alone financial statements of the parent Company.

**2 Summary of significant accounting policies of the Group and Company**

**2.1 Statement of compliance**

The Group and Company's financial statements for the year ended 31 May, 2020 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"), and interpretations International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together "IFRS") that are effective during the year ended 31 May, 2020 and requirements of the Companies and Allied Matters Act (CAMA) 2004 of Nigeria and the Financial Reporting Council (FRC) Act of Nigeria.

**2.2 Basis of preparation and measurement**

The preparation of consolidated and separate financial statements in conformity with generally accepted accounting principles under IFRS requires the directors to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Disclosed in Note 2.25 are areas where significant judgement and estimate has been applied in the preparation of these financial statements.

The consolidated and separate financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**Notes to the consolidated and separate financial statements**

**2.2 Basis of preparation and measurement (cont'd)**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these Consolidated and Separate Financial Statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

**2.1.1 Going concern**

The consolidated and separate financial statements have been prepared on a going concern basis. Nothing has come to the attention of the directors that cast doubt about the ability of the Group and Company to continue as a going concern.

**2.1.2 Application of new and revised International Financial Reporting Standards**

**New and amended standards adopted by the group and company**

The Group has applied the following standards and amendments for the first time for the annual reporting year commencing 1 June 2019:

- IFRS 16: Leases
- Amendments to IAS 28: Long-term interest in associates and joint ventures
- IFRIC 23 Uncertainty over income tax treatments
- IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, curtailment or settlement

**(i) IFRS 16: Leases**

In the current year, the Group, for the first time, has applied IFRS 16 'Leases' (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. The date of initial application of IFRS 16 for the Group is 1 June 2019.

The Group has adopted IFRS 16 retrospectively from 1 June 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening Balance Sheet on 1 June 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

The Group is not party to any leases where it acts as a lessor, but the Group does have a number of motor vehicle leases.

Details of the Group's accounting policies under IFRS 16 are set out in Note 2.7, followed by a description of the impact of adopting IFRS 16. Significant judgements applied in the adoption of IFRS 16 included determining the lease term for those leases with termination or extension options, and determining an incremental borrowing rate where the rate implicit in a lease could not be readily determined.



**Notes to the consolidated and separate financial statements**

**2.1.2 Application of new and revised International Financial Reporting Standards (cont'd)**

**New and amended standards adopted by the group and company (cont'd)**

**(ii) Amendments to IAS 28: Long-term interest in associates and joint ventures**

The amendment clarifies that IFRS 9 including its impairment requirements, applies to long-term interests. Furthermore, applying IFRS 9 to long term interest, an entity does not take account adjustments to their carrying amounts required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment impairment of impairment in accordance with IAS 28). The application of the amendments does not have any impact on the Group's consolidated and separate financial statements.

**(iii) IFRIC 23: Uncertainty over income tax treatments**

The group has adopted IFRIC 23 which clarifies the application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
  - assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

**Transition**

On initial application of IFRIC 23, an entity shall apply this Interpretation either:

- a. retrospectively applying IAS 8, if that is possible without the use of hindsight; or
- b. retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application. If an entity selects this transition approach, it shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the Interpretation as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate). The date of initial application is the beginning of the annual reporting period in which an entity first applies this Interpretation.

In the normal course of business, the group engages in transactions with several parties within and outside the group and in accounting for these transactions, uncertainty over income tax treatment could arise with respect to income taxes, deferred taxation, transfer pricing and other statutory tax obligations.

The group considers the effect of the uncertainty in determining its taxable profit/(loss), tax bases, unused tax losses, unused tax credits or tax rates.

In terms of applying IFRIC 23, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:

- a. the most likely amount — the single most likely amount in a range of possible outcomes. The most likely amount may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value.
- b. the expected value — the sum of the probability-weighted amounts in a range of possible outcomes. The expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value.

**Notes to the consolidated and separate financial statements**

**2.1.2 Application of new and revised International Financial Reporting Standards (cont'd)**

**New and amended standards adopted by the group and company (cont'd)**

**(iii) IFRIC 23: Uncertainty over income tax treatments (cont'd)**

If an uncertain tax treatment affects current tax and deferred tax (for example, if it affects both taxable profit used to determine current tax and tax bases used to determine deferred tax), an entity shall make consistent judgements and estimates for both current tax and deferred tax.

The Group used the "most likely" method for calculating the provision as there is insufficient evidence available to use an expected value approach. The uncertain tax treatment where made into current tax and deferred tax in line with applicable standards.

The Group has adopted IFRIC 23 for the first time and have elected to recognize the cumulative effect of adopting the standard by adjusting the opening retained earnings without restating the comparative information in line with the transition requirements (See Note 16.2).

**(iv) IFRS 9: Prepayment Features with Negative Compensation**

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment has no impact on the group's consolidated and separate financial statements.

**(v) Amendments to IAS 19: Plan Amendment, curtailment or settlement**

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (or asset) as re-measured under IAS 19 with the discount rate used in the re-measurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (or asset)).

These amendments have no impact on the group's accounts.



**Notes to the consolidated and separate financial statements**

**2.1.2 Application of new and revised International Financial Reporting Standards (cont'd)**

**New and amended standards adopted by the group and company (cont'd)**

- (vi) **Annual Improvements to IFRS Standards 2015–2017 Cycle**  
These improvements include:

**IFRS 11: Joint Arrangements**

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation. All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted. The directors of the group do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

**IFRS 3: Business Combinations**

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation. The amendments have no impact on the financial statements.

**IAS 12: Income Taxes**

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. The directors of the group do not anticipate that the application of the amendments in the future will have an impact on the group's financial statements.

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

**IAS 23: Borrowing Cost**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The directors of the group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.



**Notes to the consolidated and separate financial statements**

**2.1.2 Application of new and revised International Financial Reporting Standards (cont'd)**

**New and amended standards adopted by the group and company (cont'd)**

**New accounting standards issued but not yet effective**

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective.

**(vii) IFRS 17: Insurance contracts**

The new standard establishes the principle for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance contracts

The standard outlines a General Model, which is modified for insurance contracts with direct participation features described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' option and guarantees.

The implementation of the Standard is unlikely to bring significant changes entity's processes, systems and financial statements as the Group does not hold insurance contracts.

The standard is effective for annual reporting periods beginning on or after 1 January 2023 with early application permitted as long as IFRS 9 and IFRS 15 are also applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The directors of the Group do not anticipate that the application of the Standard in the future will have an impact on the Group's financial statements.

**(viii) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture.

Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

**Notes to the consolidated and separate financial statements**

**2.1.2 Application of new and revised International Financial Reporting Standards (cont'd)**

**New and amended standards adopted by the group and company (cont'd)**

**New accounting standards issued but not yet effective (cont'd)**

**(ix) Amendments to IFRS 3: Definition of a business**

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted. The amendments could have material impact should such transactions occur in the future.

**(x) Amendments to IAS 1 and IAS 8: Definition of material**

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition."

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted. The directors do not anticipate this to have material impact on the financial statements.

**2.3 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.



**Notes to the consolidated and separate financial statements**

**2.3 Basis of consolidation (cont'd)**

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition by acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Notes to the consolidated and separate financial statements**

**2.4 Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss.



**Notes to the consolidated and separate financial statements**

**2.4 Business combinations (cont'd)**

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

**2.5 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management which comprises the five Executive Directors.

An operating segment is a distinguishable component of the Company that earns revenue and incurs expenditure from providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), and which is subject to risks and returns that are different from those of other segments.

The primary format for segment reporting is based on business segments. The business segments are determined by management based on the Company's internal reporting structure.

**2.6 Revenue recognition**

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

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

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

**2.6.1 Sale of goods**

For sales of consumer goods to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

**Notes to the consolidated and separate financial statements**

**2.6.1 Sale of goods (cont'd)**

Under the Group's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales.

The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

For sales of electronic equipment to the wholesale market, revenue is recognised by the Group at a point in time in line with the policy outlined above for the sale of consumer goods. There exists the same 30 day right of return and accordingly a refund liability and a right to returned goods asset are recognised in relation to electronic equipment expected to be returned.

**2.6.2 Tradex**

Tradex consists primarily of customer pricing allowances and promotional allowances, are governed by agreements with our trade customers. Accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience. These accruals are reported within trade and other payables.

The Group provides for amounts payable to trade customers for promotional activity. Where a promotional activity spans across the year end, an accrual is reflected in the Group accounts based on our expectation of consumer uptake during the promotional period and the extent to which temporary promotional activity has occurred.

**2.6.3 Dividend income**

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). Dividends which remained unclaimed for a period exceeding twelve (12) years from the date of declaration and which are no longer actionable by shareholders in accordance with Section 385 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 are written back to retained earnings.

**2.7 Leases**

The Group's leasing activities and its accounting policies are covered under IFRS 16 Leases.

The nature of the Group's leasing activities is mainly motor vehicle, which are prepaid for at inception. Rental contracts are typically made for fixed periods of 3 years but may have extension options as described in (i) below:

**i. Extension and termination options**

Extension and termination options are included in a number of motor vehicle leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Until the FY20 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.



**Notes to the consolidated and separate financial statements**

**2.7 Leases (cont'd)**

**i. Extension and termination options (cont'd)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated and separate statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is measured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is measured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the period presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group has leases that include purchase options or transfer ownership of the underlying asset.

**Notes to the consolidated and separate financial statements**

**2.7 Leases (cont'd)**

The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other operating expenses" in the consolidated and separate statement of profit/(loss) and other comprehensive income.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the consolidated and separate statement of profit/loss and other comprehensive income.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

**ii. Approach to transition**

The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. In respect of those leases the Group previously treated as operating leases, the Group has elected to measure its right-of-use assets arising from property leases using the approach set out in IFRS 16.C8(b)(ii). Under IFRS 16, the right-of-use assets are calculated as if the Standard applied at lease commencement, but discounted using the borrowing rate at the date of initial application.

Other leases previously treated as operating leases have been measured following the approach in IFRS 16.C8(b)(ii), whereby right-of-use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including unamortised lease incentives.

**iii. Practical expedients adopted on transition**

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered into or modified before 1 June 2019.

As part of the Group's adoption of IFRS 16 and application of the modified retrospective approach to transition, the Group also elected to use the following practical expedients:

- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics; right-of-use assets have been adjusted by the carrying amount of onerous lease provisions at 31 May 2019 instead of performing impairment reviews under IAS 36.
- reliance on the previous identification of a lease (under IAS 17) for all contracts that existed on 1 June 2019; exclusion of indirect costs from the measurement of the right-of-use asset at 1 June 2019.
- the accounting for operating leases with a remaining term of less than 12 months as at 1 June 2019 as short-term leases; and
- the use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.



**Notes to the consolidated and separate financial statements**

**2.7 Leases (cont'd)**

**iv. Impact on lessee accounting**

**Former operating leases**

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Applying IFRS 16, for all leases (except as noted above), the Group now recognises right-of-use assets and lease liabilities in the consolidated and separate statement of financial position, initially measured at the present value of the future lease payments as described above.

Lease incentives (e.g. rent free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, 'right-of-use assets are tested for impairment in accordance with IAS 36 'Impairment of Assets'. This replaces the previous requirement to recognise a provision for onerous lease contracts.

Under IFRS 16 the Group recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated and separate statement of profit/loss and other comprehensive income, whereas under IAS 17 operating leases previously gave rise to a straight-line expense in other operating expenses.

Under IFRS 16 the Group separates the total amount of cash paid for leases that are on-balance sheet into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated and separate statement of cash flow. Under IAS 17 operating lease payments were presented as operating cash outflows.

**2.8 Foreign currencies**

**Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and separate financial statements are presented in 'Nigerian Naira' (N).

**Transactions and balances**

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the income statement within finance income or cost. All other foreign exchange gains and losses are presented separately in the income statement where material.

**Notes to the consolidated and separate financial statements**

**2.9 Finance income and expense**

Finance income and expense are recognised in the income statement in the period in which they are earned or incurred.

Interest income and expense are recognised using the effective interest method.

**2.10 Employee benefits**

**2.10.1 Short-term employee benefit - Gratuity scheme**

PZ Cussons Nigeria Plc gratuity scheme is a short-term employee benefit that is computed based on the agreement between PZ Cussons Nigeria Plc and Staff of PZ Cussons Nigeria Plc dated 31 December 2006.

The scheme expense is computed on a monthly basis based on the length of service of the employee and the gross pay of the employee for the year under consideration. The scheme is funded directly using the Group's cash flow and expensed to the income statement appropriately.

The PZ Cussons Nigerian Plc gratuity scheme runs from January to December of each year and it is paid in the month of February of the subsequent year. The gratuity scheme obligation at the end of each year relates to gratuity award for January to May that are due to be paid to staff but unpaid as at year end.

The scheme is only applicable for staff engaged before 1 January 2007 hence, all staff employed subsequently are not covered by the scheme.

**2.10.2 Defined contribution scheme**

The group operates a defined contribution plan. The defined contribution plan pays a fixed contribution into a separate entity. Hence, the group has no legal or constructive obligation to pay further contribution if the fund does not hold sufficient asset to pay all the employees the benefits relating to employees' service in the current and prior period.

The contributions are recognised as employee benefit expenses when they are due. The group has no further payment obligation once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available. The group and employees each contribute 15% and 10% respectively in accordance with the Pension Reform Act (PRA 2014) as amended.

**2.10.3 Incentive and bonus scheme**

The group recognises a liability and expense for incentive and bonus scheme based on the formula that takes into consideration the group's objectives (net sales, operating contribution and net working capital).

The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**2.11 Current and Deferred tax**

The tax for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

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



## Notes to the consolidated and separate financial statements

## 2.11 Current and Deferred tax (cont'd)

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

**Deferred tax**

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

**Current tax and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised 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.

**Notes to the consolidated and separate financial statements**

**2.12 Property, plant and equipment**

All property, plant and equipment are initially recognised at cost and subsequently stated at historical cost less accumulated depreciation and impairment losses.

Land and buildings comprise mainly of buildings for factories and offices.

Historical cost includes purchase costs, expenditure that is directly attributable to the acquisition of the items and the estimate of the cost of decommissioning (dismantling, removing the asset and restoring the site).

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 or the group 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 income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives as follows:

|                                      |   |                |                       |
|--------------------------------------|---|----------------|-----------------------|
| Leasehold land and buildings         | - | Over 50 years  | 2%                    |
|                                      | - | Under 50 years | Over the lease period |
| Plant and Machinery                  |   |                | 4% -8%                |
| Motor Vehicles                       |   |                | 25%                   |
| Furniture, fittings and IT equipment |   |                | 20% -33.3%            |
| Capital work in progress             |   |                | Nil                   |

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

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

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

Capital work in progress represents assets under construction. Accordingly, they are not depreciated until they are completed and available for use.

The annual rates of depreciation are consistent with those of prior year.

Property, plant and equipment that are subject to depreciation 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. Property, plant and equipment that suffer impairment are reviewed for possible reversal of the impairment at each balance sheet date.

**2.13 Warranty**

Provision for products warranty is made at the time of revenue recognition and reflects the estimated costs of replacement and free-of-charge services that will be incurred by the group with respect to the products. Initial recognition is based on historical experience. Adequacy of provision is accessed on a monthly basis; and any resultant adjustment is reflected in the income statement of the period.



**Notes to the consolidated and separate financial statements**

**2.14 Non-financial assets**

Assets that are subject to 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 costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**2.15 Financial instruments**

Financial assets and financial liabilities are recognised in the Group's consolidated and separate statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**2.15.1 Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification of financial assets**

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below):

**Notes to the consolidated and separate financial statements**

**2.15.1 Financial assets (cont'd)**

**Classification of financial assets (cont'd)**

**(i) Amortised cost and effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit impaired financial assets, the Group recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

**(ii) Debt instruments classified as at FVTOCI**

The corporate bonds held by the Group are classified as at FVTOCI. Fair value is determined in the manner described in Note 2.1. The corporate bonds are initially measured at fair value plus transaction costs.

Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.



**Notes to the consolidated and separate financial statements**

**2.15.1 Financial assets (cont'd)**

**Classification of financial assets (cont'd)**

**(iii) Equity instruments designated as at FVTOCI**

On initial recognition, the Group may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item (Note 29) in profit or loss.

The Group does not have and neither have they designated any investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

**iv) Financial assets at FVTPL**

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Group accounting policies (Note 2.1).

**Notes to the consolidated and separate financial statements**

**2.15.1 Financial assets (cont'd)**

**Cash and cash equivalents**

The Group considers all highly liquid unrestricted investments with less than three months maturity from the date of acquisition to be cash equivalents. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**Foreign exchange gains and losses**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

**Impairment of financial assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

**Definition of default**

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



**Notes to the consolidated and separate financial statements**

**2.15.1 Financial assets (cont'd)**

**Write-off policy**

The Group 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 unless in case where there is sufficient security. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**Derecognition of financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

**2.15.2 Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

**Other financial liabilities**

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**Trade payables**

Trade payables are not interest bearing and are stated at fair value and subsequently measured at amortised cost.

**Notes to the consolidated and separate financial statements**

**2.15.2 Financial liabilities (cont'd)**

**Loans and borrowings**

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of direct issue costs, and are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

**Foreign exchange gains and losses**

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

**Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

**2.15.3 Offsetting Financial instrument**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**2.16 Inventories**

Inventories are stated at the lower of cost and estimated net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bring them to their existing location and condition. Cost is calculated based on standard costs with material price and usage variances apportioned using the Periodic Unit Pricing method. The basis of costing is as follows:

|  |  |
|--|--|
| Raw materials, non-returnable packaging materials and consumable spare parts | - purpose cost on a weighted average basis including transportation and applicable clearing charges.                                   |
| Finished products and products-in-process                                    | - weighted average cost of direct materials, labour costs and a proportion of production overheads based on normal operating capacity. |
| Inventory-in-transit   | - purchase cost incurred to date   |

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and selling expenses. Inventory values are adjusted for obsolete, slow-moving or defective items.



**Notes to the consolidated and separate financial statements**

**2.17 Provisions**

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, and it is probable that the group will be required to settle that obligation and the amount has been reliably estimated. Provisions for restructuring costs are recognised when the company has a detailed formal plan for the restructuring that has been communicated to affected parties. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (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.

**2.18 Dividend distribution**

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. In respect of interim dividends these are recognised once paid. Dividends which remained unclaimed for a period exceeding twelve (12) years from the date of declaration and which are no longer actionable by shareholders in accordance with Section 385 of Companies and Allied Matters Act of Nigeria are written back to retained earnings.

**2.19 Recognition and measurement of investments in subsidiary in separate financial statements of company**

Investments in subsidiaries are carried at cost less accumulated impairment losses in the company's statement of financial position. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

**2.20 Deposit for letters of credit**

Deposits for letters of credit represent naira deposits for foreign currencies purchased for funding of letters of credit and forwards as well as futures, all related to imported raw materials, spare parts and machinery

Deposit for letters of credit is initially recognised at fair value and subsequently recognised at fair value less impairment losses.

**2.21 Intangible asset**

Software acquired is recognized at acquisition cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditures are capitalised only when it increases the future economic benefits of the related software. Software maintenance costs are recognized as expenses in the income statement as they are incurred. Amortisation is recognized in income statement on a straight-line basis over the estimated useful life of the software, from the first day of the first full financial year the software is put into use.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Software are amortised over a period of 10 years in line with the estimated live of the intangible asset.

**Notes to the consolidated and separate financial statements**

**2.21.1 Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**2.21.2 Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

**2.22 Earnings per share (EPS)**

The Group/Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.



**Notes to the consolidated and separate financial statements**

**2.23 Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The fair value of the government loan at below market rate of interest is estimated as the present value of all future cash flows discounted using the prevailing market rate(s) of interest for a similar instrument with a similar credit rating. The benefit of the government grant is measured as the difference between the fair value of the loan and the proceeds received.

Export Expansion Grant ("the grant") from the government is recognised at fair value where there is a reasonable assurance that the grant will be received and the group has complied with all attached conditions. The grant is recognised as a reduction to cost of sales with a corresponding recognition of receivable from government. The following are the conditions precedent:

- The Company must be registered at Corporate Affairs Commission (CAC) and Nigerian Export Promotion Council (NEPC).
- The Company must have a minimum annual export turnover of N5 million and evidence of repatriation of proceeds of exports.
- The Company shall submit its baseline data which includes audited Financial Statement and information on operational capacity to NEPC.
- The Company shall be a manufacturer, producer or merchant of products of Nigerian origin for the export market (i.e. the products must be made in Nigeria).
- Qualifying export transaction must have the proceeds fully repatriated within 180 days, calculated from the date of export and as approved by the EEG Implementation Committee.

**Notes to the consolidated and separate financial statements**

**2.24 Related parties**

Related parties include the holding company and other group entities. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Group are also considered to be related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

**2.25 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described above, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Group's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

**2.25.1 Export Expansion Grant Receivable and Negotiable Duty Credit Certificates**

Export Expansion Grant Receivable and Negotiable Duty Credit Certificates represents benefits from Federal Government of Nigeria in the form of rebates on locally manufactured goods exported by the Company. The related balances as indicated in Notes 6 and 27 have been outstanding for more than one year. Notwithstanding, no impairment charge is recognised. The group assesses the balances and concluded that no impairment charge is required on the basis that they are sovereign debts.

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

**2.25.2 Useful lives of Property, Plant and Equipment (PPE)**

Property, Plant and Equipment are depreciated over their useful lives. The group estimates the useful lives of PPE based on the period over which the assets are expected to be available for use. The estimation of the useful lives of PPE are based on technical evaluations carried out by those staff with knowledge of the machines and experience with similar assets. Estimates could change if expectations differ due to physical wear and tear and technical or commercial obsolescence. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the plant and machinery would increase expenses and decrease the value of non-current assets.

**2.25.3 Warranty provisions**

Provision for products warranty is made at the time of revenue recognition and they are reviewed and adjusted periodically to reflect actual and anticipated experience. The estimation of provision at each period end requires involvement of staff with product knowledge and the estimate could change if there are changes in factors considered during the formulation of the required provision.



**Notes to the consolidated and separate financial statements**

**2.25.4 Provision for expected credit losses (ECL) of trade receivables**

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group 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 manufacturing 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 Group'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 Group's trade receivables and contract assets is disclosed in the financial statements.

**2.26 Contingencies**

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

**3 Financial risk management**

The Group and company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange rates, credit risk, liquidity risk and interest rates.

The Group's treasury function reports to the Board at least annually with reference to the application of the Group Treasury Policy. The policy addresses issues of liquidity, funding and investment as well as interest rate, currency and commodity risks.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and limits continually by means of reliable and up-to-date systems. The Group modifies and enhances its risk management policies and systems to reflect changes in markets and products. The Audit & Risk Committee, under authority delegated by the Board, formulates the high-level Group risk management policy, monitors risk and receives reports that allow it to review the effectiveness of the Group's risk management policies.

The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to both Senior Management and the Audit Committee.

Notes to the consolidated and separate financial statements

3.1 Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. It arises principally from trading activities with customers. The group has dedicated standards, policies and procedures to control and monitor all such risks. Although the group is potentially exposed to credit loss in the event of non-performance by counterparties holding the group's cash and cash equivalents, such credit risk is controlled through credit rating and equity price reviews of the counterparties and by limiting the total amount of exposure to any one party. Equity price reviews of counterparties is done through the monitoring of the share price of the counterparties on the floor of the stock exchange.

The credit risk of customers is assessed at subsidiary and group level, taking into account their financial positions, past experiences and other factors. Individual customer credit limits are imposed based on these factors. Customers are initially brought on board on a cash basis for a period of six months. At the expiration of the six months cash trading period, customers are free to apply for credit.

The group does not believe it is exposed to any material concentrations of credit risk.

All of the group's financial assets are carried at amortised cost. The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets in the statement of financial position.

The table below analyses the company's and group's financial assets into relevant maturity groupings as at the reporting date.

Company

31 May 2020

| Financial assets:<br><i>In thousands of naira</i> | Neither<br>past due<br>nor<br>impaired | Up to 90<br>days | 91 - 180<br>days | Over 180<br>days | Total             |
|---|--|------------------|------------------|------------------|-------------------|
| Cash and bank (Note 12)                           | 8,573,322                              | -                | -                | -                | 8,573,322         |
| Trade receivables (Note 8)                        | 1,430,415                              | 538,102          | 21,492           | -                | 1,990,009         |
| Due from subsidiary (Note 28.2)                   | 82,400                                 | -                | -                | -                | 82,400            |
| Due from related party companies (Note 28.2)      | 1,048,280                              | -                | -                | -                | 1,048,280         |
| Loan receivables (Note 9)                         | 2,049,000                              | -                | -                | -                | 2,049,000         |
| Export expansion grants receivable (Note 27)      | -                                      | -                | -                | 1,598,115        | 1,598,115         |
| Negotiable duty credit certificates (Note 27)     | -                                      | -                | -                | 271,913          | 271,913           |
| Other receivables (Note 8)                        | 704,104                                | -                | -                | -                | 704,104           |
| <b>Total</b>                                      | <b>13,887,561</b>                      | <b>538,102</b>   | <b>21,492</b>    | <b>1,870,028</b> | <b>16,317,183</b> |

31 May 2019

| Financial assets:<br><i>In thousands of naira</i> | Neither<br>past due<br>nor<br>impaired | Up to 90<br>days | 91 - 180<br>days | Over 180<br>day  | Total             |
|---|--|------------------|------------------|------------------|-------------------|
| Cash and bank (Note 12)                           | 1,987,131                              | -                | -                | -                | 1,987,131         |
| Trade receivables (Note 8)                        | 3,411,842                              | 1,323,898        | 47,389           | -                | 4,783,129         |
| Due from subsidiary (Note 28.2)                   | 1,584,419                              | -                | -                | -                | 1,584,419         |
| Due from related party companies (Note 28.2)      | 524,993                                | -                | -                | -                | 524,993           |
| Loan receivables (Note 9)                         | 3,464,576                              | -                | -                | -                | 3,464,576         |
| Export expansion grants receivable (Note 27)      | -                                      | -                | -                | 1,643,659        | 1,643,659         |
| Negotiable duty credit certificates (Note 27)     | -                                      | -                | -                | 271,913          | 271,913           |
| Other receivables (Note 8)                        | 696,885                                | -                | -                | -                | 696,885           |
| <b>Total</b>                                      | <b>11,669,846</b>                      | <b>1,323,898</b> | <b>47,389</b>    | <b>1,915,572</b> | <b>14,956,705</b> |



Notes to the consolidated and separate financial statements

3.1 Credit risk (cont'd)

Group

31 May 2020

|   | Neither<br>past due<br>nor<br>impaired | Up to 90<br>days | 91 - 180<br>days | Over 180<br>days | Total             |
|---|--|------------------|------------------|------------------|-------------------|
| <b>Financial assets:</b>                      |  |                  |                  |                  |                   |
| <i>In thousands of naira</i>                  |  |                  |                  |                  |                   |
| Cash and bank (Note 12)                       | 10,792,938                             | -                | -                | -                | 10,792,938        |
| Trade receivables (Note 8)                    | 3,008,057                              | 2,507,244        | 23,275           | -                | 5,538,576         |
| Due from related party companies (Note 28.2)  | 1,048,280                              | -                | -                | -                | 1,048,280         |
| Loan receivables (Note 9)                     | 2,049,000                              | -                | -                | -                | 2,049,000         |
| Export expansion grants receivable (Note 27)  | -                                      | -                | -                | 1,617,035        | 1,617,035         |
| Negotiable duty credit certificates (Note 27) | -                                      | -                | -                | 297,491          | 297,491           |
| Other receivables (Note 8)                    | 972,943                                | -                | -                | -                | 972,943           |
| <b>Total</b>                                  | <b>17,871,218</b>                      | <b>2,507,244</b> | <b>23,275</b>    | <b>1,914,256</b> | <b>22,316,263</b> |

31 May 2019

|   | Neither<br>past due<br>nor<br>impaired | Up to 90<br>days | 91 - 180<br>days | Over 180<br>days | Total             |
|---|--|------------------|------------------|------------------|-------------------|
| <b>Financial assets:</b>                      |  |                  |                  |                  |                   |
| <i>In thousands of naira</i>                  |  |                  |                  |                  |                   |
| Cash and bank (Note 12)                       | 2,518,847                              | -                | -                | -                | 2,518,847         |
| Trade receivables (Note 8)                    | 6,759,354                              | 2,751,535        | 101,993          | -                | 9,612,882         |
| Due from subsidiary (Note 28.2)               | 2,105,669                              | -                | -                | -                | 2,105,669         |
| Due from related party companies (note 28.2)  | -                                      | -                | -                | -                | 1,663,118         |
| Loan receivables (Note 9)                     | 1,883,900                              | -                | -                | -                | 1,883,900         |
| Export expansion grants receivable (Note 27)  | -                                      | -                | -                | 1,663,118        | 1,663,118         |
| Negotiable duty credit certificates (Note 27) | -                                      | -                | -                | 297,491          | 297,491           |
| Other receivables (Note 8)                    | 1,011,227                              | -                | -                | -                | 1,011,227         |
| <b>Total</b>                                  | <b>14,278,997</b>                      | <b>2,751,535</b> | <b>101,993</b>   | <b>1,960,609</b> | <b>19,093,134</b> |

Allowance for impairment as disclosed in Note 8.1 relates to specific provision for trade receivables that are doubtful of recovery.

Allowance for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

An analysis of the international long term credit ratings by Standard & Poor's of counterparties where cash and cash equivalents are held is as follows:

|                              | <b>Company</b>    |                  |
|------------------------------|-------------------|------------------|
|                              | 2020              | 2019             |
| <i>In thousands of naira</i> |                   |                  |
| Credit rating                |                   |                  |
| <b>B</b>                     | <b>8,573,322</b>  | <b>1,987,131</b> |
|                              |                   |                  |
|                              | <b>Group</b>      |                  |
|                              | 2020              | 2019             |
| <i>In thousands of naira</i> |                   |                  |
| Credit rating                |                   |                  |
| <b>B</b>                     | <b>10,792,938</b> | <b>2,518,847</b> |

**B:** The obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments on the obligation.

**Notes to the consolidated and separate financial statements**

**3.2 Liquidity risk**

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due.

There is a central treasury that coordinates cash flows management and funding activities. Cash surplus to immediate requirements is placed in interest yielding short term deposit accounts in banks with good credit rating.

The group enjoys favorable 90 days of credit from its suppliers as against 30 days of credit it gives to its customers. Thus, the group is always at an advantage position to meet its obligations because funding is quickly available from credits extended to its customers than the timing it requires to settle its obligations.

Included in the group's trade and other payables as at the 31 May 2020 and 31 May 2019 are balances due to related parties of N27.7 billion and N18.9 billion respectively while that of the company is N20.9 billion and N17.5 billion respectively.

The table below analyses the group's financial liabilities into relevant maturity groupings as at the reporting date

**Company**

**31 May 2020**

*In thousands of naira*

| Financial liabilities:  | Up to 90<br>days | Up to 180<br>days | Total      |
|---|------------------|-------------------|------------|
| Trade and other payables - excluding sundry creditors (Note 18) | 18,195,708       | 8,828,665         | 27,024,374 |

**31 May 2019**

| Financial liabilities:  | Up to 90<br>days | Up to 180<br>days | Total      |
|---|------------------|-------------------|------------|
| Trade and other payables - excluding sundry creditors (Note 18) | 13,912,621       | 10,630,127        | 24,542,748 |

**Group**

**31 May 2020**

*In thousands of naira*

| Financial liabilities:  | Up to 90<br>days | Up to 180<br>days | Total      |
|---|------------------|-------------------|------------|
| Trade and other payables - excluding sundry creditors (Note 18) | 29,861,384       | 6,095,405         | 35,956,789 |

**31 May 2019**

| Financial liabilities:  | Up to 91 -<br>180 days | Over 180<br>days | Total      |
|---|------------------------|------------------|------------|
| Trade and other payables - excluding sundry creditors (Note 18) | 22,460,044             | 5,298,365        | 27,758,409 |



Notes to the consolidated and separate financial statements

**3.3 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risks as it holds variable interest bearing financial liabilities as at year end.

The following table details the sensitivity to a 1% (2019: 1%) increase or decrease in interest rates.

*In thousands of naira*

|   | Group            |                | Company       |                |
|---|------------------|----------------|---------------|----------------|
|   | 2020             | 2019           | 2020          | 2019           |
| Interest earned from related parties (Note 29)            | 304,971          | 294,997        | 338,419       | 393,512        |
| Interest paid to related parties (Note 29)                | (454,234)        | (304,027)      | (276,515)     | (175,868)      |
| <b>Net Interest earned from/(paid to) related parties</b> | <b>(149,263)</b> | <b>(9,030)</b> | <b>61,904</b> | <b>217,644</b> |
| <br>Average interest rate for the year (%)                | <br>11.8         | <br>13.0       | <br>11.8      | <br>13.0       |
|   | Group            |                | Company       |                |
|   | 2020             | 2019           | 2020          | 2019           |
| Impact of 1% increase in average interest rate            | (13,846)         | 6,262          | 4,388         | 20,554         |
| Impact of 1% decrease in average interest rate            | 13,846           | (6,262)        | (4,388)       | (20,554)       |
| Impact of 2% increase in average interest rate            | (27,693)         | 12,524         | 8,776         | 41,107         |
| Impact of 2% decrease in average interest rate            | 27,693           | (12,524)       | (8,776)       | (41,107)       |

**3.4 Market risk**

Market risk is the risk that movements in market rates, including foreign exchange rates, interest rates, equity and commodity prices will affect the fair value or future cash flows of a financial instrument. The management of market risk is undertaken using risk limits approved by the operating unit finance directors under delegated authority.

**3.5 Foreign exchange risk**

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. Subsidiary undertakings must ensure that all transactional exposures arising from commitments in a currency other than their functional currency are identified and monitored. The group manages foreign exchange risk through foreign exchange forward contracts. The group is primarily exposed to the US dollar. A 15% increase/decrease in foreign exchange rate at the reporting dates would have increased/decreased profit or loss and total equity by the following amounts. This analysis is based on foreign currency exchange rate variances that the group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

|   | Group Liabilities |                 | Company Liabilities |                 |
|---|-------------------|-----------------|---------------------|-----------------|
|   | 2020              | 2019            | 2020                | 2019            |
| <b>Foreign Currency (\$'000)</b>              | <b>(49,815)</b>   | <b>(39,720)</b> | <b>(20,436)</b>     | <b>(18,568)</b> |
|   | Assets            |                 | Assets              |                 |
|   | 2020              | 2019            | 2020                | 2019            |
| <b>Foreign Currency (\$'000)</b>              | <b>3,609</b>      | <b>2,063</b>    | <b>3,359</b>        | <b>2,063</b>    |
| Closing foreign exchange rates (Naira/Dollar) | 389.00            | 360.40          | 389.00              | 360.40          |
| Average foreign exchange rates (Naira/Dollar) | 367.86            | 356.82          | 367.86              | 356.82          |

Notes to the consolidated and separate financial statements

**3.5 Foreign exchange risk (cont'd)**

Sensitivity analysis is due to possible changes in foreign currency balances on intercompany payables, cash and bank and trade receivables

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

|                              | Group       |             | Company   |           |
|------------------------------|-------------|-------------|-----------|-----------|
|                              | 2020        | 2019        | 2020      | 2019      |
| <i>In thousands of naira</i> |             |             |           |           |
| US dollar - 15% increase     | (2,696,074) | (2,035,705) | (996,389) | (892,232) |
| US dollar - 15% increase     | (2,696,074) | (2,035,705) | (996,389) | (892,232) |

The foreign exchange risk is mainly from related parties payable and receivable balances with foreign related parties.

**3.6 Fair value of financial assets and liabilities**

All the group's financial assets and liabilities are measured at amortised cost and due to the short term nature of these financial instruments, the fair value reasonably approximates the carrying value in the statement of financial position.

**3.7 Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2019.

The capital structure of the Group consists of Net debt (bank overdrafts, intercompany loans, less cash and bank balances) and the equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

**Gearing ratio**

The gearing ratio at the year-end is as follows:

|                                 | Group               |                    | Company            |                    |
|---------------------------------|---------------------|--------------------|--------------------|--------------------|
|                                 | 2020                | 2019               | 2020               | 2019               |
| <i>In thousands of naira</i>    |                     |                    |                    |                    |
| Debt                            | -                   | 1,173,870          | -                  | 248,870            |
| Cash and bank (see Note 12)     | (10,792,938)        | (2,518,847)        | (8,573,322)        | (1,987,131)        |
| <b>Net debt</b>                 | <b>(10,792,938)</b> | <b>(1,344,977)</b> | <b>(8,573,322)</b> | <b>(1,738,261)</b> |
| Equity                          | 31,786,672          | 42,660,739         | 23,896,811         | 33,816,582         |
| <b>Net debt to equity ratio</b> | <b>-34%</b>         | <b>-3%</b>         | <b>-36%</b>        | <b>-5%</b>         |

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Capital requirements are generally imposed by the majority shareholder, PZ Cussons (Holdings) Limited, U.K.



Notes to the consolidated and separate financial statements

4a Property, plant and equipment

Group - 2020

| <i>In thousands of naira</i> | Leasehold<br>Land and<br>Buildings | Plant and<br>machineries | Furniture,<br>Fittings and<br>IT<br>equipment | Motor<br>vehicles | Capital Work<br>in Progress<br>(WIP) | Total             |
|------------------------------|------------------------------------|--------------------------|---|-------------------|--------------------------------------|-------------------|
| <b>Cost</b>                  |                                    |                          |   |                   |                                      |                   |
| At 1 June, 2019              | 19,542,829                         | 24,841,301               | 3,408,183                                     | 569,010           | 1,257,060                            | 49,618,383        |
| Additions                    | -                                  | -                        | -   | -                 | 1,539,635                            | 1,539,635         |
| Reclassification             | 152,075                            | 439,818                  | 152,814                                       | -                 | (744,707)                            | -                 |
| Disposal                     | -                                  | -                        | -   | (4,450)           | -                                    | (4,450)           |
| <b>At 31 May, 2020</b>       | <b>19,694,904</b>                  | <b>25,281,119</b>        | <b>3,560,997</b>                              | <b>564,560</b>    | <b>2,051,988</b>                     | <b>51,153,568</b> |
| <b>Depreciation</b>          |                                    |                          |   |                   |                                      |                   |
| At 1 June, 2019              | 3,840,414                          | 15,341,101               | 2,526,997                                     | 569,010           | -                                    | 22,277,522        |
| Depreciation for the year    | 361,058                            | 1,920,609                | 408,587                                       | -                 | -                                    | 2,690,254         |
| Disposals                    | -                                  | -                        | -   | (4,450)           | -                                    | (4,450)           |
| <b>At 31 May, 2020</b>       | <b>4,201,472</b>                   | <b>17,261,710</b>        | <b>2,935,584</b>                              | <b>564,560</b>    | <b>-</b>                             | <b>24,963,326</b> |
| <b>Cost</b>                  |                                    |                          |   |                   |                                      |                   |
| At 1 June, 2018              | 19,493,538                         | 22,773,437               | 3,218,554                                     | 569,010           | 2,109,459                            | 48,163,998        |
| Additions                    | -                                  | -                        | -   | -                 | 1,454,385                            | 1,454,385         |
| Reclassification             | 49,291                             | 2,067,864                | 189,629                                       | -                 | (2,306,784)                          | -                 |
| <b>At 31 May, 2019</b>       | <b>19,542,829</b>                  | <b>24,841,301</b>        | <b>3,408,183</b>                              | <b>569,010</b>    | <b>1,257,060</b>                     | <b>49,618,383</b> |
| <b>Depreciation</b>          |                                    |                          |   |                   |                                      |                   |
| At 1 June, 2018              | 3,479,648                          | 13,556,901               | 2,130,280                                     | 566,840           | -                                    | 19,733,669        |
| Depreciation for the year    | 360,766                            | 1,784,200                | 396,717                                       | 2,170             | -                                    | 2,543,853         |
| <b>At 31 May, 2019</b>       | <b>3,840,414</b>                   | <b>15,341,101</b>        | <b>2,526,997</b>                              | <b>569,010</b>    | <b>-</b>                             | <b>22,277,522</b> |
| <b>Carrying amounts</b>      |                                    |                          |   |                   |                                      |                   |
| At 31 May 2020               | 15,493,432                         | 8,019,409                | 625,413                                       | -                 | 2,051,988                            | 26,190,242        |
| At 31 May 2019               | 15,702,415                         | 9,500,200                | 881,186                                       | -                 | 1,257,060                            | 27,340,861        |

Depreciation expense of N1.9 billion (2019: N1.81billion) has been charged in 'cost of sales', N.45 billion (2019: N0.44billion) in selling and distribution expenses' and N.38 billion (2019: NGN0.37 billion) in administrative expenses.

Construction work in progress as at 31 May 2020 mainly comprise of new factory lines and plant enhancements.

There was no capitalised borrowing cost during the years ended 31 May 2020 and 31 May 2019.

There were no assets pledged as security for borrowing during the year (2019: nil).

Notes to the consolidated and separate financial statements

4a Property, plant and equipment

Company – 2020

(a) The movement on these accounts was as follows:

| <i>In thousands of naira</i> | Leasehold<br>Land and<br>Buildings | Plant and<br>machineries | Furniture,<br>Fittings<br>and IT<br>equipment | Motor<br>vehicles | Capital<br>Work in<br>Progress<br>(WIP) | Total             |
|------------------------------|------------------------------------|--------------------------|---|-------------------|---|-------------------|
| <b>Cost</b>                  |                                    |                          |   |                   |   |                   |
| At 1 June, 2019              | 19,025,340                         | 23,181,966               | 3,150,283                                     | 485,561           | 1,156,339                               | 46,999,489        |
| Additions                    | -                                  | -                        | -   | -                 | 1,266,251                               | 1,266,251         |
| Reclassification             | -                                  | 447,461                  | 144,038                                       | -                 | (591,499)                               | -                 |
| Disposal                     | -                                  | -                        | -   | (4,450)           | -                                       | (4,450)           |
| <b>At 31 May, 2020</b>       | <b>19,025,340</b>                  | <b>23,629,427</b>        | <b>3,294,321</b>                              | <b>481,111</b>    | <b>1,831,091</b>                        | <b>48,261,290</b> |
| <b>Depreciation</b>          |                                    |                          |   |                   |   |                   |
| At 1 June, 2019              | 3,796,490                          | 14,548,629               | 2,309,848                                     | 485,561           | -                                       | 21,140,528        |
| Depreciation for the year    | 350,687                            | 1,753,890                | 391,772                                       | -                 | -                                       | 2,496,349         |
| Disposals                    | -                                  | -                        | -   | (4,450)           | -                                       | (4,450)           |
| <b>At 31 May, 2020</b>       | <b>4,147,177</b>                   | <b>16,302,519</b>        | <b>2,701,620</b>                              | <b>481,111</b>    | <b>-</b>                                | <b>23,632,427</b> |
| <b>Cost</b>                  |                                    |                          |   |                   |   |                   |
| At 1 June, 2018              | 18,977,049                         | 21,162,768               | 2,995,347                                     | 485,561           | 2,053,343                               | 45,674,068        |
| Additions                    | -                                  | -                        | -   | -                 | 1,325,421                               | 1,325,421         |
| Reclassification             | 48,291                             | 2,019,198                | 154,936                                       | -                 | (2,222,425)                             | -                 |
| <b>At 31 May, 2019</b>       | <b>19,025,340</b>                  | <b>23,181,966</b>        | <b>3,150,283</b>                              | <b>485,561</b>    | <b>1,156,339</b>                        | <b>46,999,489</b> |
| <b>Depreciation</b>          |                                    |                          |   |                   |   |                   |
| At 1 June, 2018              | 3,446,093                          | 12,935,530               | 1,924,689                                     | 485,561           | -                                       | 18,791,873        |
| Depreciation for the year    | 350,397                            | 1,613,099                | 385,159                                       | -                 | -                                       | 2,348,655         |
| <b>At 31 May, 2019</b>       | <b>3,796,490</b>                   | <b>14,548,629</b>        | <b>2,309,848</b>                              | <b>485,561</b>    | <b>-</b>                                | <b>21,140,528</b> |
| <b>Carrying amounts</b>      |                                    |                          |   |                   |   |                   |
| <b>At 31 May 2020</b>        | <b>14,878,163</b>                  | <b>7,326,908</b>         | <b>592,701</b>                                | <b>-</b>          | <b>1,831,091</b>                        | <b>24,628,863</b> |
| <b>At 31 May 2019</b>        | <b>15,228,850</b>                  | <b>8,633,337</b>         | <b>840,435</b>                                | <b>-</b>          | <b>1,156,339</b>                        | <b>25,858,961</b> |

Depreciation expense of N1.74 billion (2019: N1.64 billion) has been charged in 'cost of sales', N0.39 billion (2019: N0.37 billion) in 'selling and distribution expenses' and N0.36 billion (2019: N0.34 billion) in 'administrative expenses'.

Construction work in progress as at 31 May 2020 mainly comprise of new factory lines and plant enhancements.

There was no capitalised borrowing cost during the years ended 31 May 2020 and 31 May 2019.

There were no assets pledged as security for borrowing during the period (2019: nil).



**Notes to the consolidated and separate financial statements**

**4b Leases**

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities.

The Group has chosen to use the table below to set out the adjustments recognised at the date of initial application of IFRS 16.

**Movement in right-of-use assets:**

*In thousands of naira*

|                                 | <u>Group</u>          | <u>Company</u>        |
|---------------------------------|-----------------------|-----------------------|
|                                 | <u>2020</u>           | <u>2020</u>           |
| <b>Cost</b>                     |                       |                       |
| At 1 June 2019                  | 322,485               | 254,680               |
| Additions                       | 142,919               | 102,900               |
| <b>At 31 May 2020</b>           | <u><b>465,404</b></u> | <u><b>357,580</b></u> |
| <b>Accumulated Depreciation</b> |                       |                       |
| At 1 June 2019                  | -                     | -                     |
| Charge for the year             | 190,362               | 147,856               |
| <b>At 31 May 2020</b>           | <u><b>190,362</b></u> | <u><b>147,856</b></u> |
| <b>Carrying Amount</b>          |                       |                       |
| <b>At 31 May 2020</b>           | <u><b>275,042</b></u> | <u><b>209,724</b></u> |
| <b>Lease Liability</b>          |                       |                       |
| At 1 June 2019                  | 322,485               | 254,680               |
| Additions                       | 142,919               | 102,900               |
| Lease Payment                   | (190,362)             | (147,856)             |
| <b>At 31 May 2020</b>           | <u><b>275,042</b></u> | <u><b>209,724</b></u> |

The Company leases motor vehicles. The leases of motor vehicle is for mainly 3 years with an option to renew.

|             | <u>Group</u>          | <u>Company</u>        |
|-------------|-----------------------|-----------------------|
|             | <u>2020</u>           | <u>2020</u>           |
| Non-Current | 119,847               | 91,887                |
| Current     | 155,195               | 117,837               |
|             | <u><b>275,042</b></u> | <u><b>209,724</b></u> |

**4c Intangible Assets**

|                                 | <u>Group</u>            |                         | <u>Company</u>          |                         |
|---------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <i>In thousands of naira</i>    | <u>2020</u>             | <u>2019</u>             | <u>2020</u>             | <u>2019</u>             |
| <b>Cost</b>                     |                         |                         |                         |                         |
| At 1 June                       | 1,059,618               | 1,059,618               | 1,059,618               | 1,059,618               |
| Additions                       | -                       | -                       | -                       | -                       |
| <b>At 31 May</b>                | <u><b>1,059,618</b></u> | <u><b>1,059,618</b></u> | <u><b>1,059,618</b></u> | <u><b>1,059,618</b></u> |
| <b>Accumulated amortisation</b> |                         |                         |                         |                         |
| At 1 June                       | (211,924)               | (105,962)               | (211,924)               | (105,962)               |
| Charge for the year             | (105,962)               | (105,962)               | (105,962)               | (105,962)               |
| <b>At 31 May</b>                | <u><b>(317,886)</b></u> | <u><b>(211,924)</b></u> | <u><b>(317,886)</b></u> | <u><b>(211,924)</b></u> |
| <b>Carrying amount</b>          |                         |                         |                         |                         |
| <b>At 31 May</b>                | <u><b>741,732</b></u>   | <u><b>847,694</b></u>   | <u><b>741,732</b></u>   | <u><b>847,694</b></u>   |

All intangible assets are non-current. All intangible assets of the Group have finite useful life and are amortised over 10 years in line with its accounting policy. The intangible assets represent cost of Enterprise Resource programme package (SAP) deployed.

Notes to the consolidated and separate financial statements

5 Investment in Subsidiary

In thousands of naira  
At 31 May

|  | Investment amount | Country of incorporation and place of business | Nature of business                                   | Company                 |                                       |
|--|-------------------|--|--|-------------------------|---------------------------------------|
|  |                   |  |  | 2020<br>504,406         | 2019<br>504,406                       |
|  |                   |  |  | Nature of business<br>% | Proportion of shares held by NCI<br>% |
| HPZ Limited  | 504,406           | Nigeria  | Household electrical appliances Nigeria manufacturer | 74.99                   | 25.01                                 |
| <b>HPZ Limited</b>   |                   |  |  | <b>2020</b>             | <b>2019</b>                           |
| <i>In thousands of naira</i>   |                   |  |  |                         |                                       |
| Current assets   |                   |  |  | 22,250,146              | 22,369,124                            |
| Non-current assets   |                   |  |  | 3,030,001               | 2,533,553                             |
| Current liabilities  |                   |  |  | (14,228,921)            | (12,455,165)                          |
| Non-current liabilities  |                   |  |  | -                       | (76,320)                              |
| Equity attributable to owners of the Company                             |                   |  |  | (8,472,169)             | (9,277,159)                           |
| Non-controlling interests  |                   |  |  | (2,825,560)             | (3,094,033)                           |
| Revenue  |                   |  |  | 28,053,338              | 27,135,549                            |
| Expenses   |                   |  |  | (29,389,681)            | (26,558,053)                          |
| <b>(Loss)/Profit for the year</b>  |                   |  |  | <b>(1,336,343)</b>      | <b>577,496</b>                        |
| Profit attributable to owners of the Company                             |                   |  |  | (1,002,124)             | 433,064                               |
| Profit attributable to the non-controlling interests                     |                   |  |  | (334,219)               | 144,432                               |
| <b>(Loss)/Profit for the year</b>  |                   |  |  | <b>(1,336,343)</b>      | <b>577,496</b>                        |
| Other comprehensive income attributable to owners of the Company         |                   |  |  | -                       | -                                     |
| Other comprehensive income attributable to the non-controlling interests |                   |  |  | -                       | -                                     |
| <b>Other comprehensive income for the year</b>                           |                   |  |  | <b>-</b>                | <b>-</b>                              |
| Total comprehensive income attributable to owners of the Company         |                   |  |  | (1,002,124)             | 433,064                               |
| Total comprehensive income attributable to the non-controlling interests |                   |  |  | (334,219)               | 144,432                               |
| <b>Total comprehensive income for the year</b>                           |                   |  |  | <b>(1,336,343)</b>      | <b>577,496</b>                        |
| Net cash inflow/outflow from operating activities                        |                   |  |  | 4,720,633               | (977,752)                             |
| Net cash inflow/outflow from investing activities                        |                   |  |  | (1,887,508)             | (227,479)                             |
| Net cash inflow/outflow from financing activities                        |                   |  |  | (1,145,224)             | (128,159)                             |
| <b>Net cash outflow</b>  |                   |  |  | <b>1,687,901</b>        | <b>(1,333,390)</b>                    |

The amounts disclosed above do not reflect the elimination of intragroup transactions.

6 Other long-term receivables

Non-current other receivable of N1.91billion (2019: N1.99 billion) relates to: prepayments over 12 months, exports rebates receivable and Negotiable Duty Credit Certificates (now called "export credit certificates") due from the Government in respect of exports sales made in the past. These were reclassified from current assets to other long-term receivables.

| <i>In thousands of naira</i>  | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2020             | 2019             | 2020             | 2019             |
| Prepayments over 1 year   | -                | 29,861           | -                | 29,861           |
| Export Rebates receivables & Export credit certificates (ECC) (Note 27) | 1,914,526        | 1,960,609        | 1,870,028        | 1,915,572        |
| <b>Total</b>  | <b>1,914,526</b> | <b>1,990,470</b> | <b>1,870,028</b> | <b>1,945,433</b> |

7 Inventories

| <i>In thousands of naira</i>        | Group             |                   | Company           |                   |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | 2020              | 2019              | 2020              | 2019              |
| Raw materials                       | 8,629,003         | 9,085,772         | 5,656,281         | 9,027,018         |
| Finished goods and goods for resale | 7,811,192         | 11,361,457        | 5,745,076         | 6,097,145         |
| Engineering spares and other stocks | 2,785,674         | 2,918,618         | 2,536,303         | 2,766,878         |
| Goods in transit                    | 7,032,830         | 5,233,209         | 1,717,087         | 1,277,395         |
| <b>Total</b>                        | <b>26,258,699</b> | <b>28,599,056</b> | <b>15,654,747</b> | <b>19,168,436</b> |

During the year ended 31 May 2020, N53.7m (2019: N383m) was charged to income statement for obsolete and damaged inventories identified. Also recognised as expense in the financial statements are engineering spares used for production of N534.3m (2019: N597.6m).



**Notes to the consolidated and separate financial statements**

**8 Trade and other receivables**

Receivables due within one year:

| <i>In thousands of Naira</i>                             | <b>Group</b>     |                   | <b>Company</b>   |                  |
|--|------------------|-------------------|------------------|------------------|
|  | <b>2020</b>      | <b>2019</b>       | <b>2020</b>      | <b>2019</b>      |
| Trade receivables  | 6,908,872        | 10,845,936        | 3,099,446        | 5,654,404        |
| Allowance for impairment of trade receivables (Note 8.1) | (1,370,296)      | (1,233,054)       | (1,109,437)      | (871,275)        |
| <b>Net trade receivables</b>                             | <b>5,538,576</b> | <b>9,612,882</b>  | <b>1,990,009</b> | <b>4,783,129</b> |
| Due from subsidiary (Note 28.2)                          | -                | -                 | 82,440           | 1,584,419        |
| Due from related party companies (Note 28.2)             | 1,048,280        | 2,105,669         | 1,048,280        | 524,993          |
| WHT credit note receivable                               | 456,772          | 552,108           | 262,340          | 439,074          |
| Other receivables  | 972,943          | 1,011,227         | 704,104          | 696,885          |
| <b>Total</b>   | <b>8,016,571</b> | <b>13,281,886</b> | <b>4,087,173</b> | <b>8,028,500</b> |

**Trade receivables**

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group has recognised a loss allowance of 100% against all receivables over 180 days past due, because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting year. The Group writes off a trade receivable 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 when the trade receivables are over two years past due, except where there is adequate security. None of the trade receivables that have been written off are subject to enforcement activities. Trade receivables are considered to be past due when they exceed the credit period granted.

There are no other customers which represent more than 10% of the total balance of trade receivables of the Group after impairment. The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

The Group did not recognise impairment on amount due from related party, because there are no conditions existing that reflects a future default in recovering amount due.

Notes to the consolidated and separate financial statements

8.1 Allowance for impairment of trade receivables

| 31 May 2020<br><i>In thousands of Naira</i>      | Trade receivables - days past due |                  |                  |                |                |             | Total            |
|--|-----------------------------------|------------------|------------------|----------------|----------------|-------------|------------------|
|  | Not Due                           | 1-30             | 31-60            | 61-90          | 91-180         | > 180       |                  |
| Expected credit loss rate                        | 0%                                | 0%               | 0%               | 0%             | 50%            | 100%        |                  |
| Estimated total gross carrying amount at default | 3,008,057                         | 949,256          | 1,169,472        | 388,516        | 46,549         | 1,347,022   | 6,908,872        |
| Lifetime ECL                                     | -                                 | -                | -                | -              | (23,274)       | (1,347,022) | (1,370,296)      |
|  | <b>3,008,057</b>                  | <b>949,256</b>   | <b>1,169,472</b> | <b>388,516</b> | <b>23,275</b>  | <b>-</b>    | <b>5,538,576</b> |
| 31 May 2019                                      | Trade receivables - days past due |                  |                  |                |                |             | Total            |
|  | Not Due                           | 1-30             | 31-60            | 61-90          | 91-180         | > 180       |                  |
| Expected credit loss rate                        | 0%                                | 0%               | 0%               | 0%             | 50%            | 100%        |                  |
| Estimated total gross carrying amount at default | 6,759,354                         | 1,880,417        | 488,934          | 382,184        | 203,986        | 1,131,061   | 10,845,936       |
| Lifetime ECL                                     | -                                 | -                | -                | -              | (101,993)      | (1,131,061) | (1,233,054)      |
|  | <b>6,759,354</b>                  | <b>1,880,417</b> | <b>488,934</b>   | <b>382,184</b> | <b>101,993</b> | <b>-</b>    | <b>9,612,882</b> |
| Company  | Trade receivables - days past due |                  |                  |                |                |             | Total            |
|  | Not Due                           | 1-30             | 31-60            | 61-90          | 91-180         | > 180       |                  |
| Expected credit loss rate                        | 0%                                | 0%               | 0%               | 0%             | 50%            | 100%        |                  |
| Estimated total gross carrying amount at default | 1,430,415                         | 248,395          | 219,832          | 69,875         | 42,984         | 1,087,945   | 3,099,446        |
| Lifetime ECL                                     | -                                 | -                | -                | -              | (21,492)       | (1,087,945) | (1,109,437)      |
|  | <b>1,430,415</b>                  | <b>248,395</b>   | <b>219,832</b>   | <b>69,875</b>  | <b>21,492</b>  | <b>-</b>    | <b>1,990,009</b> |
| 31 May 2019                                      | Trade receivables - days past due |                  |                  |                |                |             | Total            |
|  | Not Due                           | 1-30             | 31-60            | 61-90          | 91-180         | > 180       |                  |
| Expected credit loss rate                        | 0%                                | 0%               | 0%               | 0%             | 50%            | 100%        |                  |
| Estimated total gross carrying amount at default | 3,411,842                         | 1,100,050        | 145,217          | 78,631         | 94,778         | 823,886     | 5,654,404        |
| Lifetime ECL                                     | -                                 | -                | -                | -              | (47,389)       | (823,886)   | (871,275)        |
|  | <b>3,411,842</b>                  | <b>1,100,050</b> | <b>145,217</b>   | <b>78,631</b>  | <b>47,389</b>  | <b>-</b>    | <b>4,783,129</b> |

The Company's exposure to credit and market risks related to trade and other receivables are disclosed in Note 3.1.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

| <i>In thousands of Naira</i>         | Group              | Company            |
|--------------------------------------|--------------------|--------------------|
| <b>Balance as at 1 June 2019</b>     |                    |                    |
| Provision for expected credit losses | (1,233,054)        | (871,275)          |
| Changes in credit risk parameters    | (137,242)          | (113,907)          |
|                                      | -                  | (124,255)          |
| <b>Balance at 31 May 2020</b>        | <b>(1,370,296)</b> | <b>(1,109,437)</b> |

8.2 Trade receivables impaired (ageing)

| <i>In thousands of Naira</i>                            | Group            |                  | Company          |                |
|---|------------------|------------------|------------------|----------------|
|   | 2020             | 2019             | 2020             | 2019           |
| <b>Trade receivables impaired (ageing)</b>              |                  |                  |                  |                |
| The ageing of impaired trade receivables is as follows: |                  |                  |                  |                |
| Current to 180 days                                     | 101,993          | 101,993          | 47,389           | 47,389         |
| Over 180 days   | 1,268,303        | 1,131,061        | 1,062,048        | 823,886        |
| <b>Total</b>  | <b>1,370,296</b> | <b>1,233,054</b> | <b>1,109,437</b> | <b>871,275</b> |

The impairment loss as at 31 May 2020 relates to several customers that are not expected to be able to pay their outstanding balances, mainly due to economic circumstances. The Company believes that the unimpaired amounts that are past due are still collectible, based on historical payment behavior and extensive analysis of the underlying customers' credit ratings. The impairment loss is included in administrative expenses.

Based on historical default rates, the Company believes that, apart from the above, no additional impairment allowance is necessary in respect of trade receivables past due. As at the date of the approval of the financial statements.

All trade receivables are denominated in Nigerian Naira.

The credit risk of distributors is assessed at subsidiary and group level, taking into account their financial positions, past experiences and other factors. Individual distributor credit limits are imposed based on these factors.

Distributors are initially brought on board on a cash basis for a period of six months. At the expiration of the six months cash trading period, distributors are free to apply for credit.



Notes to the consolidated and separate financial statements

**9 Loan receivables**

*In thousands of Naira*  
Cash advance (Note 28.2)

| Group            |                  | Company          |                  |
|------------------|------------------|------------------|------------------|
| 2020             | 2019             | 2020             | 2019             |
| 2,049,000        | 1,883,900        | 2,049,000        | 3,464,576        |
| <b>2,049,000</b> | <b>1,883,900</b> | <b>2,049,000</b> | <b>3,464,576</b> |

Loan receivable relates to cash advance made to related party

**10 Other assets**

*In thousands of Naira*

|                          | Group            |                  | Company        |                |
|--------------------------|------------------|------------------|----------------|----------------|
|                          | 2020             | 2019             | 2020           | 2019           |
| Prepayments              | 69,129           | 123,663          | 69,129         | 123,663        |
| Advances to Distributors | 95,436           | -                | -              | -              |
| Advances to suppliers    | 845,747          | 1,146,340        | 780,357        | 796,340        |
| <b>Total</b>             | <b>1,010,312</b> | <b>1,270,003</b> | <b>849,486</b> | <b>920,003</b> |

The advances to Distributors represent amount given to HPZ distributors for the development of showrooms across the country to promote our home electrical appliances brands. Also, advances have been made to suppliers to secure supply lines in the course of business.

**11 Deposit for imports**

*In thousands of Naira*

|                               | Group            |                  | Company        |                  |
|-------------------------------|------------------|------------------|----------------|------------------|
|                               | 2020             | 2019             | 2020           | 2019             |
| Deliverable forwards          | 668,100          | -                | 266,045        | -                |
| Deposit for letters of credit | 533,975          | 2,204,023        | 52,324         | 1,590,536        |
| <b>Total</b>                  | <b>1,202,075</b> | <b>2,204,023</b> | <b>318,369</b> | <b>1,590,536</b> |

Deliverable forwards and deposit for letters of credit represents committed cash no longer available for another purpose other than that for which it has been designated for. They represent naira deposits for foreign currencies purchased for funding of letters of credit and forwards; all related to settlement of invoices emanating from importation of raw materials, spare parts and machinery.

**12 Cash and cash equivalents**

*In thousands of Naira*

|                     | Group             |                  | Company          |                  |
|---------------------|-------------------|------------------|------------------|------------------|
|                     | 2020              | 2019             | 2020             | 2019             |
| Cash in hand        | 35,586            | 36,214           | 35,586           | 36,214           |
| Cash at bank        | 10,341,568        | 2,482,633        | 8,121,952        | 1,950,917        |
| Short term deposits | 415,784           | -                | 415,784          | -                |
| <b>Total</b>        | <b>10,792,938</b> | <b>2,518,847</b> | <b>8,573,322</b> | <b>1,987,131</b> |

Short term deposits relates to fixed interest bearing deposits of the group in various banks.

Notes to the consolidated and separate financial statements

**13 Share capital**

|  | 2020                |              | 2019                |              |
|--|---------------------|--------------|---------------------|--------------|
|  | Number in thousands | Amount N'000 | Number in thousands | Amount N'000 |
| <b>Authorised:</b>                         |                     |              |                     |              |
| Ordinary shares of 50k each                | 4,000,000           | 2,000,000    | 4,000,000           | 2,000,000    |
| <b>Allotted, called up and fully paid:</b> |                     |              |                     |              |
| Ordinary shares of 50k each                | 3,970,477           | 1,985,238    | 3,970,477           | 1,985,238    |

**14 Deferred Income**

|                        | Group         |          | Company       |          |
|------------------------|---------------|----------|---------------|----------|
|                        | 2020          | 2019     | 2020          | 2019     |
| Advance from customers | 54,442        | -        | -             | -        |
| Rent in advance        | 27,432        | -        | 27,432        | -        |
|                        | <b>81,874</b> | <b>-</b> | <b>27,432</b> | <b>-</b> |

Deferred income payables relates to income received from customers for which goods are yet to be supplied and rent received from third parties on PZ Cussons warehouses.

**Deferred Income**

*In thousands of naira*

Non- Current

Current

|              | Group         |          | Company       |          |
|--------------|---------------|----------|---------------|----------|
|              | 2020          | 2019     | 2020          | 2019     |
| Non- Current | 61,047        | -        | 6,605         | -        |
| Current      | 20,827        | -        | 20,827        | -        |
|              | <b>81,874</b> | <b>-</b> | <b>27,432</b> | <b>-</b> |

**15 Taxation**

*In thousands of naira*

**Income tax expense:**

Company income tax in respect of current year

Education tax in respect of current year

Reversal of over-provision of prior year tax

Effect on initial application of IFRIC 23 - current year (Note 16.2)

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020           | 2019           | 2020           | 2019           |
| Company income tax in respect of current year                        | 384,035        |                |                |                |
| Education tax in respect of current year                             | 351,191        | 178,671        | 201,185        | 178,671        |
| Reversal of over-provision of prior year tax                         | 32,844         | 14,322         | 25,488         | 14,322         |
| Effect on initial application of IFRIC 23 - current year (Note 16.2) | -              | (199,377)      | -              | (199,377)      |
|  | 14,241         | -              | 14,241         | -              |
| <b>Total current tax</b>   | <b>398,276</b> | <b>(6,384)</b> | <b>240,914</b> | <b>(6,384)</b> |

**Deferred tax:**

Current year charge to income statement

(Over)/Under provision in prior year

Effect on initial application of IFRIC 23 - current year (Note 16.2)

|  | 2020               | 2019           | 2020             | 2019           |
|--|--------------------|----------------|------------------|----------------|
| Current year charge to income statement                              | (1,375,146)        | 835,445        | (898,493)        | 508,151        |
| (Over)/Under provision in prior year                                 | 18,081             | (42,465)       | 18,560           | 47,269         |
| Effect on initial application of IFRIC 23 - current year (Note 16.2) | 213,613            | -              | 213,613          | -              |
| <b>Total deferred tax (Note 16)</b>                                  | <b>(1,143,452)</b> | <b>792,980</b> | <b>(666,320)</b> | <b>555,420</b> |
| <b>Income tax expense</b>  | <b>(745,176)</b>   | <b>786,596</b> | <b>(425,406)</b> | <b>549,036</b> |



Notes to the consolidated and separate financial statements

15 Taxation (cont'd)

**Effective tax reconciliation**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:

| <i>In thousands of naira</i>  | Group              |                  | Company            |                  |
|---|--------------------|------------------|--------------------|------------------|
|   | 2020               | 2019             | 2020               | 2019             |
| <b>Profit before tax</b>  | <b>(7,984,735)</b> | <b>1,942,447</b> | <b>(6,392,401)</b> | <b>1,127,391</b> |
| Income tax using the domestic corporation tax rate of 30% (2019: 30%) | (2,395,421)        | 582,734          | (1,917,720)        | 338,217          |
| <b>Tax effects of:</b>  |                    |                  |                    |                  |
| Non-deductible expenses   | 1,020,275          | 431,381          | 1,019,227          | 348,605          |
| Tertiary education tax  | 32,844             | 14,322           | 25,488             | 14,322           |
| Minimum tax   | 351,191            |                  | 201,185            |                  |
| Prior year tax adjustments recognised in current year                 | 18,081             | (241,841)        | 18,560             | (152,108)        |
| Effect on initial application of IFRIC 23 - current year (Note 16.2)  | 227,854            | -                | 227,854            | -                |
| <b>Total income tax expense in income statement</b>                   | <b>(745,176)</b>   | <b>786,596</b>   | <b>(425,406)</b>   | <b>549,036</b>   |

The current tax charge has been computed at the applicable rate of 30% (31 May 2019: 30%) plus education levy of 2% (31 May 2019: 2%) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes. Non-deductible expenses include items such as legal fees, donations, public relations expenses and certain provisions which are not allowed as a deduction by the tax authorities. Tax exempt income for the company is mainly made up of dividend income and other items not subject to tax while tax exempt income for the group is mainly made up of profit of a subsidiary currently under pioneer status. The impact of the franked investment income recognised in the company has been eliminated in the group.

15a The movement in the current income taxation payable is as follows:

| <i>In thousands of naira</i>   | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2020           | 2019           | 2020           | 2019           |
| At 1 June  | 192,993        | 457,818        | 192,993        | 457,818        |
| Effect on initial application of IFRIC 23 - prior year (Note 16.2)   | 219,833        | -              | 219,833        | -              |
| Effect on initial application of IFRIC 23 - current year (Note 16.2) | 14,241         | -              | 14,241         | -              |
| Tax charge for the year  | 384,035        | (6,384)        | 226,673        | (6,384)        |
| WHT utilised during the year   | (178,671)      | (101,999)      | (178,671)      | (101,999)      |
| ECC utilised during year   | (11,814)       | -              | (11,814)       | -              |
| Tax paid during the year   | (441)          | (156,442)      | (441)          | (156,442)      |
| <b>At 31 May</b>   | <b>620,176</b> | <b>192,993</b> | <b>462,814</b> | <b>192,993</b> |

At the statement of financial position date, the group and the company have no unused tax losses available for offset against future profits.

Notes to the consolidated and separate financial statements

16 Deferred taxation

In thousands of naira

The analysis of deferred tax liabilities is as follows:

Deferred tax liability to be recovered after more than 12 months

|  | Group       |           | Company   |           |
|--|-------------|-----------|-----------|-----------|
|  | 2020        | 2019      | 2020      | 2019      |
| Deferred tax liability to be recovered after more than 12 months     | 5,368,688   | 3,214,813 | 6,852,605 | 4,221,430 |
| The movement in deferred tax liability is as follows:                |             |           |           |           |
| As at 1 June   |             |           |           |           |
| Charged/(credited) to income statement (Note 15)                     | 3,214,813   | 2,421,833 | 4,221,430 | 3,666,010 |
| Effect on initial application of IFRIC 23 - prior year (Note 16.2)   | (1,357,233) | 792,980   | (879,933) | 555,420   |
| Effect on initial application of IFRIC 23 - current year (Note 16.2) | 3,297,495   | -         | 3,297,495 | -         |
| As at 31 May   | 213,613     | -         | 213,613   | -         |
|  | 5,368,688   | 3,214,813 | 6,852,605 | 4,221,430 |

The movement in deferred tax liability is as follows:

|  | Group                         |            |             | Company                       |            |           |
|--|-------------------------------|------------|-------------|-------------------------------|------------|-----------|
|  | Property, plant and equipment | Provisions | Total       | Property, plant and equipment | Provisions | Total     |
| In thousands of naira  |                               |            |             |                               |            |           |
| At 1 June 2018   | (445,633)                     | 2,867,466  | 2,421,833   | 2,561,206                     | 1,104,804  | 3,666,010 |
| (Credited)/Charged To Income Statement (Note 15)                     | 792,980                       | -          | 792,980     | 555,420                       | -          | 555,420   |
| At 31 May 2019   | 347,347                       | 2,867,466  | 3,214,813   | 3,116,626                     | 1,104,804  | 4,221,430 |
| (Credited)/charged to income statement (Note 15)                     | (879,933)                     | (477,300)  | (1,357,233) | (879,933)                     | -          | (879,933) |
| Effect on initial application of IFRIC 23 - prior year (Note 16.2)   | -                             | 3,297,495  | 3,297,495   | -                             | 3,297,495  | 3,297,495 |
| Effect on initial application of IFRIC 23 - current year (Note 16.2) | -                             | 213,613    | 213,613     | -                             | 213,613    | 213,613   |
| At 31 May 2020   | (532,586)                     | 5,901,274  | 5,368,688   | 2,236,693                     | 4,615,912  | 6,852,605 |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

In thousands of naira

Deferred tax liabilities

Deferred tax assets

Net deferred tax liabilities

| Group       |             |
|-------------|-------------|
| 2020        | 2019        |
| 6,852,605   | 4,221,430   |
| (1,483,917) | (1,006,617) |
| 5,368,688   | 3,214,813   |

16.2 Effect on initial application of IFRIC 23

The company has applied IFRIC 23 (Uncertainty over income tax treatment) retrospectively on adoption, and has chosen to recognize the effect of initially applying IFRIC 23 as an adjustment to the opening balance of the retained earnings at the date of the initial application (i.e. 01 June 2019) without restating its comparative figures.

The Uncertain tax position arose on accounting for transactions undertaken with a related party. The Group continues to believe that it has made adequate provision for the liabilities likely to arise from periods which are open and not yet agreed by tax authorities. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with relevant tax authorities. In assessing these income tax uncertainties, management is required to make judgements in the determination of the unit of account, and the evaluation of the circumstances, facts and other relevant information in respect of the tax position taken together with estimates of amounts that may be required to be paid in ultimate settlement with the tax authorities. With the adoption of IFRIC 23, the Group has therefore made prior year and current year adjustments in its accounts with respect to uncertain tax positions. The impact on transition as well as the current year impact is summarized below:

|                       | On Transition<br>1-Jun-19 | Year Ended<br>31-May-20 | At Year End<br>31-May-20 |
|-----------------------|---------------------------|-------------------------|--------------------------|
| In thousands of naira |                           |                         |                          |
| Income tax payable    | 219,833                   | 14,241                  | 234,074                  |
| Deferred tax payable  | 3,297,495                 | 213,613                 | 3,511,108                |
| Retained earnings     | 3,517,328                 | 227,854                 | 3,745,182                |

17 Warranty provisions

In thousands of naira

At 1 June

Charged to the income statement

Utilised in the year

At 31 May

|   | Group     |           | Company |      |
|---|-----------|-----------|---------|------|
|   | 2020      | 2019      | 2020    | 2019 |
| At 1 June   | 259,348   | 187,896   | -       | -    |
| Charged to the income statement                     | 344,848   | 183,028   | -       | -    |
| Utilised in the year                                | (259,348) | (111,576) | -       | -    |
| At 31 May   | 344,848   | 259,348   | -       | -    |
| The ageing of the warranty provision is as follows: |           |           |         |      |
| Within 12 months                                    | 99,430    | 183,028   | -       | -    |
| Greater than 12 months                              | 245,418   | 76,320    | -       | -    |
| Total   | 344,848   | 259,348   | -       | -    |

The warranty provision represents management's best estimate of the Group's liability under 12-month warranties granted on electrical products, based on past experience and industry averages for defective products.

The group generally offers 1 - 3 year warranties for its electrical products and components. Directors estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends. Factors that could impact the estimated claim information include the success of the group's product and quality initiatives, as well as spare parts and labour costs.



**Notes to the consolidated and separate financial statements**

**18 Trade and other payables**

| <i>In thousands of naira</i>    | <b>Group</b>      |                   | <b>Company</b>    |                   |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                 | <b>2020</b>       | <b>2019</b>       | <b>2020</b>       | <b>2019</b>       |
| Trade payables                  | 1,977,658         | 3,546,519         | 1,740,423         | 2,640,268         |
| Unclaimed Dividend (Note 18.1)  | 1,860,703         | 1,966,545         | 1,860,703         | 1,966,545         |
| Accruals                        | 4,096,190         | 3,176,166         | 2,398,200         | 2,343,155         |
| Amount owed to subsidiary       | -                 | -                 | 4,452,649         | 6,186,173         |
| Amounts owed to related parties | 27,883,726        | 18,913,525        | 16,455,286        | 11,272,353        |
| Gratuity accruals               | 138,512           | 155,654           | 117,112           | 134,254           |
| Sundry Creditors                | 1,243,767         | 1,585,019         | 1,013,091         | 1,293,053         |
| <b>Total</b>                    | <b>37,200,556</b> | <b>29,343,428</b> | <b>28,037,464</b> | <b>25,835,801</b> |

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 90 days. No interest is charged by the Group's suppliers on all its outstanding balances. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 3.2. The Directors consider the carrying amount of trade and other payables to approximate their fair value.

Included in the amounts reported as accruals relates to customer rebates of about N907m (2019: N548m); Duty and clearing costs amount to N1,418m (2019: N942m).

Transactions which relates to amount owed to related parties are disclosed in Note 28.

**18.1 Unclaimed Dividend**

**18.1a** The following dividends were declared by the Group during the year:

| <i>In thousands of naira</i>  | <b>Group</b> |             | <b>Company</b> |             |
|---|--------------|-------------|----------------|-------------|
|   | <b>2020</b>  | <b>2019</b> | <b>2020</b>    | <b>2019</b> |
| Declared in 2020, 10 kobo (2019: 15 kobo) per qualifying ordinary share | 397,048      | 595,572     | 397,048        | 595,572     |

This represents the dividend proposed for the preceding year but declared in the current year.

After the end of the reporting period, a dividend of N397.05 million representing 10 kobo per qualifying ordinary share (2019: 15 kobo) was proposed by the directors (2019: N595.57 million). The dividends have not been provided for and there are no income tax consequences until the dividend is declared.

**18.1b Movement in Unclaimed Dividend**

| <i>In thousands of naira</i>   | <b>Group</b>     |                  | <b>Company</b>   |                  |
|--|------------------|------------------|------------------|------------------|
|  | <b>2020</b>      | <b>2019</b>      | <b>2020</b>      | <b>2019</b>      |
| Balance at 1 June  | 1,966,545        | 2,120,565        | 1,966,545        | 2,120,565        |
| Dividend declared with respect to prior year                             | 595,572          | 595,572          | 595,572          | 595,572          |
| Payments during the year to First Registrars                             | (595,572)        | (595,572)        | (595,572)        | (595,572)        |
| Unpaid dividend received (see (ii) below)                                | 54,282           | 61,205           | 54,282           | 61,205           |
| Refund of overdrawn dividend payments (see (iii) below)                  | -                | (131,805)        | -                | (131,805)        |
| Statute barred dividend transferred to retained earnings (see (i) below) | (160,124)        | (83,420)         | (160,124)        | (83,420)         |
| <b>Balance at 31 May</b>   | <b>1,860,703</b> | <b>1,966,545</b> | <b>1,860,703</b> | <b>1,966,545</b> |

Notes to the consolidated and separate financial statements

**18 Trade and other payables (cont'd)**

**18.1 Unclaimed Dividend (cont'd)**

The balance as at year end is included in trade and other payables (Note 18)

- (i) Unclaimed dividends received and transferred to retained earnings (statute barred dividends) represent dividends which have remained unclaimed for over twelve (12) years and are therefore no longer recoverable or actionable by the shareholders in accordance with section 385 of the Companies and Allied Matters Act, Cap. C20, Laws of the Federal Republic of Nigeria, 2004
- (ii) In accordance with the Securities and Exchange Commission (SEC) circular published in 2015, all Capital Market Registrars are to return unclaimed dividends which have been in their custody for fifteen (15) months and above to the paying companies. The Group received N54.2 million from First Registrars Limited during the year (2019: N61.2million).
- (iii) This refers to dividend payments made by First Registrars on behalf of PZ Cussons Nigeria Plc now refunded.

**19 Loan Payables**

*In thousands of naira*

Cash advance

| Group |           | Company |         |
|-------|-----------|---------|---------|
| 2020  | 2019      | 2020    | 2019    |
| -     | 1,173,870 | -       | 248,870 |
| -     | 1,173,870 | -       | 248,870 |

**20a Expense by nature**

*In thousands of naira*

Changes in inventories of finished goods and work in progress

Personnel expenses (Note 24.4)

Fuel and gas

Depreciation (Note 4a)

Depreciation - Right-of-use (Note 4b)

Amortization charge - Intangible assets ( Note 4c)

Auditors remuneration

Directors emoluments (Note 24.1)

Rent and rates

Insurance

Freight/carriage cost

Security

PZ Foundation donation

Global shared services support

Vehicle repairs and maintenance

Technical Know, R&D support, Trade mark & Management fees (Note 26)

Advertising and market promotions

Allowance for doubtful receivables (Note 8.1)

Vehicle leasing

General and other expenses

| Group                             |                   | Company           |                   |
|-----------------------------------|-------------------|-------------------|-------------------|
| 2020                              | 2019              | 2020              | 2019              |
| 49,463,744                        | 49,666,107        | 26,593,016        | 27,549,975        |
| 7,648,317                         | 7,797,499         | 5,894,044         | 6,122,806         |
| 1,537,659                         | 1,622,102         | 1,510,978         | 1,584,690         |
| 2,690,254                         | 2,543,853         | 2,496,349         | 2,348,655         |
| 190,362                           | -                 | 147,856           | -                 |
| 105,962                           | 105,962           | 105,962           | 105,962           |
| 123,238                           | 50,945            | 92,769            | 37,987            |
| 217,961                           | 235,903           | 217,961           | 235,903           |
| 102,010                           | 201,848           | 91,593            | 212,648           |
| 356,390                           | 423,763           | 346,665           | 416,704           |
| 2,513,657                         | 3,255,843         | 1,360,855         | 2,148,741         |
| 315,967                           | 338,734           | 314,399           | 336,578           |
| 50,000                            | 50,000            | 50,000            | 50,000            |
| 2,197,681                         | -                 | 1,482,625         | -                 |
| 685,292                           | 183,814           | 561,601           | 147,645           |
| 2,851,936                         | 3,035,091         | 2,851,936         | 3,035,091         |
| 1,559,012                         | 1,514,636         | 875,232           | 871,701           |
| 137,242                           | 106,210           | 113,907           | 98,974            |
| -                                 | 626,571           | -                 | 505,699           |
| 1,314,624                         | 304,575           | 356,668           | 363,053           |
| <b>74,061,308</b>                 | <b>72,063,456</b> | <b>45,464,416</b> | <b>46,172,812</b> |
| Cost of sales                     | 58,370,711        | 57,235,233        | 34,404,445        |
| Selling and distribution expenses | 10,213,698        | 10,695,229        | 6,398,454         |
| Administrative expenses           | 5,476,899         | 4,132,994         | 4,661,517         |
| <b>74,061,308</b>                 | <b>72,063,456</b> | <b>45,464,416</b> | <b>46,172,812</b> |



**Notes to the consolidated and separate financial statements**

**20b Exchange loss**

*In thousands of naira*

| Group                 |         | Company |         |
|-----------------------|---------|---------|---------|
| 2020                  | 2019    | 2020    | 2019    |
| Foreign exchange loss | 945,860 | 444,277 | 248,873 |
|                       |         |         | 381,673 |

**21a Other income**

*In thousands of naira*

|                                    | Group          |                | Company        |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | 2020           | 2019           | 2020           | 2019           |
| Scrap sales and rental income      | 177,635        | 122,742        | 318,261        | 263,313        |
| Profit on disposal of fixed assets | 1,500          | -              | 1,500          | -              |
|                                    | <u>179,135</u> | <u>122,742</u> | <u>319,761</u> | <u>263,313</u> |

**21b Revenue**

The Group derives its revenue from contracts with customers for the transfer of goods at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (see Note 22).

The Group analyses its net revenue by the following categories:

| <i>In thousands of naira</i>    | Group             |                   | Company           |                   |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                 | 2020              | 2019              | 2020              | 2019              |
| Home and Personal Care Products | 38,939,223        | 47,200,919        | 38,939,223        | 47,200,919        |
| Durable Electrical appliances   | 28,053,338        | 27,135,549        | -                 | -                 |
| <b>Total</b>                    | <u>66,992,561</u> | <u>74,336,468</u> | <u>38,939,223</u> | <u>47,200,919</u> |

**22 Operating segments**

The Chief operating decision-maker has been identified as the Executive Management which comprises the five Executive Directors.

The Executive Management reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports which include an allocation of central revenue and costs as appropriate.

For reporting purposes, in accordance with IFRS 8 'Operating Segments', the Board aggregates operating segments with similar characteristics and conditions into reporting segments, which form the basis of the reporting in the Annual Report.

The Executive Management considers the business from products perspective, with branded consumer goods and durable electrical appliances being the reporting segments. The Executive Management assesses the performance based on operating profit before any exceptional items.

The principal categories of customers are wholesalers. The Group's reportable segments under IFRS 8 are therefore as follows:

| Segment                         | Description   |
|---------------------------------|---|
| Home and Personal Care Products | This includes the production and sale of Morning Fresh, Zip, Canoe, Premier, Excel, Joy, Stella, Venus, Imperial Leather, Cussons Baby, Original Source, Carex, Robb etc. |
| Durable Electrical appliances   | This includes the production and sale of Haier Thermocool Refrigerators, Freezers, Televisions, Generators, Air conditioners, Washing Machines etc.                       |

**Notes to the consolidated and separate financial statements**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without central administration costs including directors' salaries, finance income, non-operating gains and losses in respect of financial instruments. This is the measure reported to the Group's Executive Management for the purpose of resource allocation and assessment of segment performance.

**22.1 Segment revenues and profits**

The following is an analysis of the Group's revenue and results by reportable segment in 2020:

| As at May 2020<br>In thousands of naira | Home and<br>Personal<br>Care<br>Products | Durable<br>electrical<br>appliances | Eliminations | Total              |
|---|--|-------------------------------------|--------------|--------------------|
| <b>Revenue</b>                          |  |                                     |              |                    |
| Total gross segment revenue             | 38,939,223                               | 28,053,338                          | -            | 66,992,561         |
| Intersegment revenue                    | -  | -                                   | -            | -                  |
| <b>Total Revenue</b>                    | <b>38,939,223</b>                        | <b>28,053,338</b>                   | <b>-</b>     | <b>66,992,561</b>  |
| Segment operating profit                | (6,525,193)                              | (543,554)                           | -            | (7,068,747)        |
| Depreciation (Note 4a)                  | (2,496,349)                              | (193,905)                           | -            | (2,690,254)        |
| Interest income (Note 29)               | 338,419                                  | (33,448)                            | (63,378)     | 304,971            |
| Interest cost (Note 29)                 | (276,515)                                | (177,719)                           | (63,378)     | (454,234)          |
| <b>Profit before taxation</b>           | <b>(6,392,401)</b>                       | <b>(1,592,334)</b>                  | <b>-</b>     | <b>(7,984,735)</b> |
| Taxation (Note 16)                      | 425,406                                  | 319,770                             | -            | 745,176            |
| <b>Profit after taxation</b>            | <b>(5,966,995)</b>                       | <b>(1,272,564)</b>                  | <b>-</b>     | <b>(7,239,559)</b> |

The following is an analysis of the Group's revenue and results by reportable segment in 2019:

| As at May 2019<br>In thousands of naira | Home and<br>Personal<br>Care<br>Products | Durable<br>electrical<br>appliances | Eliminations | Total             |
|---|--|-------------------------------------|--------------|-------------------|
| <b>Revenue</b>                          |  |                                     |              |                   |
| Total gross segment revenue             | 47,200,919                               | 27,135,549                          | -            | 74,336,468        |
| Intersegment revenue                    | -  | -                                   | -            | -                 |
| <b>Total Revenue</b>                    | <b>47,200,919</b>                        | <b>27,135,549</b>                   | <b>-</b>     | <b>74,336,468</b> |
| Segment operating profit                | 1,028,107                                | 1,244,905                           | -            | 2,273,012         |
| Depreciation (Note 4a)                  | (2,348,655)                              | (195,198)                           | -            | (2,543,853)       |
| Interest income (Note 29)               | 393,512                                  | 71,561                              | (170,076)    | 294,997           |
| Interest cost (Note 29)                 | (175,868)                                | (298,235)                           | 170,076      | (304,027)         |
| <b>Profit before taxation</b>           | <b>1,127,391</b>                         | <b>815,056</b>                      | <b>-</b>     | <b>1,942,447</b>  |
| Taxation (Note 16)                      | (549,036)                                | (237,560)                           | -            | (786,596)         |
| <b>Profit after taxation</b>            | <b>578,355</b>                           | <b>577,496</b>                      | <b>-</b>     | <b>1,155,851</b>  |

The Group is domiciled in Nigeria. Segment revenue reported above represents revenue generated from external customers. The result of its revenue from external customers in Nigeria is N65 billion (2019: N73.6 billion) and the total of revenue from external customers from other countries is N2 billion (2019: N0.8 billion) (Note 22.5). There were no intersegment sales in the current year (2019: Nil).



Notes to the consolidated and separate financial statements

22.2 Segment assets

|  | Home and<br>Personal<br>Care<br>Products | Durable<br>electrical<br>appliances | Eliminations | Total             |
|--|--|-------------------------------------|--------------|-------------------|
| <b>As at May 2020</b>                  |  |                                     |              |                   |
| <i>In thousands of naira</i>           |  |                                     |              |                   |
| Property plant and equipment (Note 4a) | 24,628,863                               | 1,561,379                           | -            | 26,190,242        |
| Intangible assets (Note 4c)            | 741,732                                  | -                                   | -            | 741,732           |
| Other long-term receivables            | 1,870,028                                | 44,498                              | -            | 1,914,526         |
| Financial assets (Note 3.1)            | 14,270,421                               | 3,986,980                           | -            | 18,257,401        |
| Inventory (Note 7)                     | 15,654,747                               | 10,603,952                          | -            | 26,258,699        |
| <b>Total segment assets</b>            | <b>57,165,791</b>                        | <b>16,196,809</b>                   | <b>-</b>     | <b>73,362,600</b> |
| Unallocated assets                     | 2,321,058                                | 2,767,479                           | -            | 5,088,537         |
| <b>Consolidated total assets</b>       | <b>59,486,849</b>                        | <b>18,964,288</b>                   | <b>-</b>     | <b>78,451,137</b> |
| <b>As at May 2019</b>                  |  |                                     |              |                   |
| <i>In thousands of naira</i>           |  |                                     |              |                   |
| Property plant and equipment (Note 4a) | 25,858,961                               | 1,481,900                           | -            | 27,340,861        |
| Intangible assets (Note 4c)            | 847,694                                  | -                                   | -            | 847,694           |
| Financial assets (Note 3.1)            | 14,956,705                               | 4,136,429                           | -            | 19,093,134        |
| Inventory (Note 7)                     | 19,168,436                               | 9,430,620                           | -            | 28,599,056        |
| <b>Total segment assets</b>            | <b>60,831,796</b>                        | <b>15,048,949</b>                   | <b>-</b>     | <b>75,880,745</b> |
| Unallocated assets                     | 3,483,880                                | 572,115                             | -            | 4,055,995         |
| <b>Consolidated total assets</b>       | <b>64,315,676</b>                        | <b>15,621,064</b>                   | <b>-</b>     | <b>79,936,740</b> |

The total segment assets located in Nigeria is N73.3 billion (2019: N75.9 billion), and the total of such segment assets located in other countries is Nil (2019: Nil).

For the purposes of monitoring segment performance and allocating resources between segments the Group's Executive Management monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of investments in subsidiaries, other financial assets (except for trade and other receivables) (see Note 8) and tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

22.3 Other segment information

|                                 | Depreciation and<br>amortisation |                  | Additions to non-current<br>assets Company |                  |
|---------------------------------|----------------------------------|------------------|--|------------------|
| <i>In thousands of naira</i>    | 2020                             | 2019             | 2020                                       | 2019             |
| Home and Personal Care Products | 2,602,311                        | 2,454,617        | 1,266,251                                  | 1,325,421        |
| Durable Electrical Appliances   | 193,905                          | 195,198          | 273,384                                    | 128,964          |
|                                 | <b>2,796,216</b>                 | <b>2,649,815</b> | <b>1,539,635</b>                           | <b>1,454,385</b> |

The depreciation and amortisation as well as the additions to non-current assets reported above, were recognised in respect of property, plant and equipment only.

**Notes to the consolidated and separate financial statements**

**22.4 Revenues from major products and services**

The Group's revenues from its major products and services are disclosed in Note 21b.

**22.5 Geographical information**

The Group's revenue from external customers and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

**GROUP**

| <i>In thousands of naira</i>                      | Revenue from external customers |                   | Non-current assets |                   |
|---|---------------------------------|-------------------|--------------------|-------------------|
|   | 2020                            | 2019              | 2020               | 2019              |
| Domestic (within Nigeria)                         | 64,968,565                      | 73,576,973        | 29,121,542         | 30,179,025        |
| Export (outside Nigeria)                          | 2,023,996                       | 759,495           | -                  | -                 |
| <b>Total revenue from contract with customers</b> | <b>66,992,561</b>               | <b>74,336,468</b> | <b>29,121,542</b>  | <b>30,179,025</b> |

**Company**

| <i>In thousands of naira</i>                      | Revenue from external customers |                   | Non-current assets |                   |
|---|---------------------------------|-------------------|--------------------|-------------------|
|   | 2020                            | 2019              | 2020               | 2019              |
| Domestic (within Nigeria)                         | 36,915,227                      | 46,441,424        | 27,954,752         | 29,156,494        |
| Export (outside Nigeria)                          | 2,023,996                       | 759,495           | -                  | -                 |
| <b>Total revenue from contract with customers</b> | <b>38,939,223</b>               | <b>47,200,919</b> | <b>27,954,752</b>  | <b>29,156,494</b> |

In presenting information on the basis of geography, segment revenue is based on the geographical location of the customers and segment assets are based on the geographical location of the assets.

The Company facilitate export sales for a related company - Nutricima Ltd which is also domiciled in Nigeria. Proceeds of such export activities are repatriated back to the country in line government policy guidelines.

**22.6 Information about major customers**

No single external customer either within or outside Nigeria contributed up to 10% of the revenue for the year. Therefore, information on major customers is not presented.

**23 (Loss)/Earnings per share**

(Loss)/Basic earnings per share (EPS) is calculated by dividing the (loss)/profit attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding at the end of the reporting period.

|  | Group       |           | Company     |           |
|--|-------------|-----------|-------------|-----------|
|  | 2020        | 2019      | 2020        | 2019      |
| (Loss)/Profit attributable to equity holders of parent company (N'000) | (6,921,291) | 1,011,420 | (5,966,995) | 578,355   |
| Weighted average number of ordinary shares in issue ('000)             | 3,970,477   | 3,970,477 | 3,970,477   | 3,970,477 |
| (Loss)/basic earnings per share (Naira/share)                          | (1.74)      | 0.25      | (1.50)      | 0.15      |

Diluted EPS is the same as (loss)/basic earnings per share as there are no potential dilutive ordinary shares or transactions.



**Notes to the consolidated and separate financial statements**

**24 Directors and employees emoluments**

**24.1**

*In thousands of naira*

Chairman and director's emoluments:

Chairman

Directors

**Total**

As fees (As per Non-Executive Directors)

Other emoluments (As per Non-Executive Directors)

Emoluments As per Executive Directors

**Total**

|   | <b>Group</b>   |                | <b>Company</b> |                |
|---|----------------|----------------|----------------|----------------|
|   | <b>2020</b>    | <b>2019</b>    | <b>2020</b>    | <b>2019</b>    |
| Chairman  | 9,550          | 9,050          | 9,550          | 9,050          |
| Directors   | 208,411        | 226,853        | 208,411        | 226,853        |
| <b>Total</b>                                      | <b>217,961</b> | <b>235,903</b> | <b>217,961</b> | <b>235,903</b> |
| As fees (As per Non-Executive Directors)          | 7,000          | 7,000          | 7,000          | 7,000          |
| Other emoluments (As per Non-Executive Directors) | 28,550         | 27,050         | 28,550         | 27,050         |
| Emoluments As per Executive Directors             | 182,411        | 201,853        | 182,411        | 201,853        |
| <b>Total</b>                                      | <b>217,961</b> | <b>235,903</b> | <b>217,961</b> | <b>235,903</b> |

Included in emoluments to Executive Directors is pension paid to them during the year.

**24.2** Number of directors excluding the chairman, whose emoluments fell within the following ranges were:

**24.2.1 Executive Directors**

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2020</b>   | <b>2019</b>   | <b>2020</b>    | <b>2019</b>   |
|   | <b>Number</b> | <b>Number</b> | <b>Number</b>  | <b>Number</b> |
| N10,000,000 - N20,000,000                                   | 2             | 2             | 2              | 2             |
| N20,000,001 - N30,000,000                                   | 1             | 1             | 1              | 1             |
| N30,000,001 - N40,000,000                                   | 1             | -             | 1              | -             |
| N80,000,001 - N90,000,000                                   | -             | 1             | -              | 1             |
| N90,000,001 - N100,000,001                                  | 1             | 1             | 1              | 1             |
| N100,000,001 - N125,000,000                                 | -             | -             | -              | -             |
| <b>Directors with salaries and allowances as emoluments</b> | <b>5</b>      | <b>5</b>      | <b>5</b>       | <b>5</b>      |

**24.2.2 Non-Executive Directors**

N1,000,000 - N5,000,000

N5,000,001 - N10,000,000

**Directors with fees and emoluments**

Directors with no emoluments

**Total**

|   |          |          |          |          |
|---|----------|----------|----------|----------|
| N1,000,000 - N5,000,000                   | -        | -        | -        | -        |
| N5,000,001 - N10,000,000                  | 5        | 5        | 5        | 5        |
| <b>Directors with fees and emoluments</b> | <b>5</b> | <b>5</b> | <b>5</b> | <b>5</b> |
| Directors with no emoluments              | -        | -        | -        | -        |
| <b>Total</b>                              | <b>5</b> | <b>5</b> | <b>5</b> | <b>5</b> |

**24.3 Highest paid director received**

*In thousands of naira*

Highest paid director received

|                                | <b>Group</b> |             | <b>Company</b> |             |
|--------------------------------|--------------|-------------|----------------|-------------|
|                                | <b>2020</b>  | <b>2019</b> | <b>2020</b>    | <b>2019</b> |
| Highest paid director received | 94,366       | 96,910      | 94,366         | 96,910      |

Notes to the consolidated and separate financial statements

**24.4 Personnel expenses**

(a) Personnel expenses for the year comprise of the following:

| In thousands of naira                       | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2020             | 2019             | 2020             | 2019             |
| Salaries, wages and other employee expenses | 6,784,445        | 6,917,670        | 5,215,559        | 5,423,486        |
| Pension costs - defined contribution plan   | 555,895          | 552,215          | 425,650          | 426,072          |
| Pension costs - gratuity scheme             | 307,977          | 327,614          | 252,835          | 273,248          |
| <b>Total</b>                                | <b>7,648,317</b> | <b>7,797,499</b> | <b>5,894,044</b> | <b>6,122,806</b> |

Other employee expenses include incentives, medical and other employee benefits.

(b) Number of employees of the Group and Company as at 31 May, whose duties were wholly or mainly discharged in Nigeria, received annual remuneration (excluding pension contributions and certain benefits) in the following ranges:

|                         | Group          |                | Company        |                |
|-------------------------|----------------|----------------|----------------|----------------|
|                         | 2020<br>Number | 2019<br>Number | 2020<br>Number | 2019<br>Number |
| N300,001 - N400,000     | 2              | 31             | 2              | 26             |
| N400,001 - N500,000     | 2              | 39             | 2              | 4              |
| N500,001 - N600,000     | -              | 26             | -              | 4              |
| N600,001 - N700,000     | -              | 58             | -              | 3              |
| N700,001 - N800,000     | -              | 108            | -              | 1              |
| N800,001 - N900,000     | -              | 273            | -              | 3              |
| N900,001 - N1,000,000   | -              | 255            | -              | 4              |
| N1,000,001 - N1,100,000 | -              | 145            | -              | -              |
| N1,100,001 - N1,200,000 | -              | 73             | -              | 1              |
| N1,200,001 - N1,300,000 | -              | 49             | -              | 1              |
| N1,300,001 - N1,400,000 | 1              | 22             | -              | 1              |
| N1,400,001 - N1,500,000 | 6              | 11             | -              | 4              |
| N1,500,001 and above    | 1,291          | 302            | 929            | 957            |
|                         | <b>1,302</b>   | <b>1,392</b>   | <b>933</b>     | <b>1,009</b>   |

(c) The number of full-time persons employed per function as at 31 May was as follows:

|                        | Group          |                | Company        |                |
|------------------------|----------------|----------------|----------------|----------------|
|                        | 2020<br>Number | 2019<br>Number | 2020<br>Number | 2019<br>Number |
| Production             | 792            | 1,016          | 595            | 734            |
| Sales and distribution | 405            | 237            | 248            | 147            |
| Administration         | 105            | 139            | 90             | 128            |
| <b>Total</b>           | <b>1,302</b>   | <b>1,392</b>   | <b>933</b>     | <b>1,009</b>   |



**Notes to the consolidated and separate financial statements**

**25 Contingencies**

**Pending litigation and claims**

The Group is engaged in lawsuits that have arisen in the normal course of business. The contingent liabilities in respect of these pending litigations amounted to N 285.3million as at 31 May 2020 (2019: N166.19 million). In the opinion of the directors, and based on independent legal advice, the Company is not expected to suffer any material loss arising from these claims. Thus no provision has been made in these financial statements.

Also, the Group is engaged in a lawsuit with the federal government that have arisen from alleged ownership of landed properties situated in Ikoyi, Lagos state. The properties in this case is valued at N4.1 billion. In the opinion of the directors, and based on independent legal advice, the Company has title/certificates of occupancy to the affected land, which provides prima facie evidence of ownership, however there is no precedence to estimate the outcome of the matter.

**Financial commitments**

In the normal course of business, the Group uses letters of credit to import materials. The total value of open letters of credit as at 31 May was N16.25 billion (2019: N13.65 billion).

**Capital commitments**

Below represents capital commitments for the acquisition of property, plant and equipment not provided for in the financial statements:

| In thousands of naira         | Group            |                  | Company          |                  |
|-------------------------------|------------------|------------------|------------------|------------------|
|                               | 2020             | 2019             | 2020             | 2019             |
| Authorised and contracted     | 1,325,815        | 1,663,118        | 1,167,596        | 1,643,659        |
| Authorised but not contracted | 235,278          | 297,491          | 149,610          | 271,913          |
| <b>Total</b>                  | <b>1,561,093</b> | <b>1,960,609</b> | <b>1,317,206</b> | <b>1,915,572</b> |

**26 Technical service fee**

The technical agreements, basis and amounts are given below. The amount recognised in these financial statements is inclusive of VAT which is payable to the government. All agreements were made with the approval of the National Office for Technology Acquisition and promotion (NOTAP). The last agreement expired in May 31, 2019. The company have already initiated process for the new 3 year agreement covering June 1, 2019 - May 31, 2022. Also, the company is engaging NOTAP to increase the current ceiling on NOTAP certificate number CR006415 by N2.4bn to enable the company to settle outstanding dues on technical Know-how fees relating 2018 and 2019.

| NOTAP Approved Items     | Bases                                   | Rates | 2020             | 2019             |
|--------------------------|---|-------|------------------|------------------|
| Technical Knowhow        | Net invoice value(NIV) of Group sales   | 3%    | 2,212,922        | 2,284,129        |
| Technical service(R & D) | Net invoice value(NIV) of Company sales | 1%    | 426,009          | 488,154          |
| Trade mark               | Net invoice value(NIV) of Company sales | 0.5%  | 213,005          | 232,455          |
| Management Fee           | Profit before tax (PBT)                 | 4%    | -                | 30,353           |
| <b>Sub total</b>         |   |       | <b>2,851,936</b> | <b>3,035,091</b> |
| IT Recharge              |   |       | 2,197,681        | -                |
| <b>Total</b>             |   |       | <b>5,049,617</b> | <b>3,035,091</b> |

\* NIV - Net invoice sales (Gross sales less trade discount)  
 \* PBT - Profit before tax

**Notes to the consolidated and separate financial statements**

**27 Export Expansion Grant scheme (EEG)**

The Export Expansion Grant ('EEG' or 'the Scheme') is one of the export incentives introduced by the Federal Government of Nigeria through the Export (Incentives and Miscellaneous Provisions) Act No. 18 of 1986 as amended by the Export (Incentives and Miscellaneous Provisions) Act No. 65 of 1992, Cap E19, Laws of the Federation of Nigeria (LFN). It is a post-shipment incentive designed to improve the competitiveness of Nigerian products and commodities and expand the country's volume and value of non-oil exports.

The "Export Expansion Grant scheme (EEG)" is a very vital incentive of the Federal Government of Nigeria required for the stimulation of export oriented activities that will lead to significant growth of the non-oil export sector. Having met the eligibility criteria and registered under the scheme by the Nigerian Export Promotion Council (NEPC), the Group is entitled to a rebate on export sales in as much as the Group can demonstrate that all the conditions precedent have been met.

Export rebate receivable is recognised at the rate of 15% on the related export proceeds. The weighted eligibility criteria has 4 bands: 15%, 10%, 7.5% and 5%. Approval of the rebate is subject to meeting threshold of the following eligibility criteria: local value added, local content, employment (Nigerians), priority sector, export growth and capital investment.

The Grant is recognised as a credit to cost of sales and as a receivable from the Government (Note 6).

The related receivable balances with respect to the EEG scheme are:

| <i>In thousands of naira</i>   | <b>Group</b>            |                         | <b>Company</b>          |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
|  | <b>2020</b>             | <b>2019</b>             | <b>2020</b>             | <b>2019</b>             |
| Export Expansion Grant Receivable (Note 6)                                 | 1,617,034               | 1,663,118               | 1,598,115               | 1,643,659               |
| Negotiable duty credit certificates (NDCC) /<br>Export credit certificates | 297,492                 | 297,492                 | 271,913                 | 271,913                 |
| <b>Total</b>   | <b><u>1,914,526</u></b> | <b><u>1,960,609</u></b> | <b><u>1,870,028</u></b> | <b><u>1,915,572</u></b> |

| <i>In thousands of naira</i>            | <b>Group</b>            |                         | <b>Company</b>          |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
|   | <b>2020</b>             | <b>2019</b>             | <b>2020</b>             | <b>2019</b>             |
| <b>At 1 June</b>                        | 1,663,118               | 1,663,118               | 1,643,659               | 1,643,659               |
| Recent rebates recognised (2016 - 2019) | 1,712,056               | -                       | 1,712,056               | -                       |
| Old rebates impaired (2007 - 2012)      | (1,746,325)             | -                       | (1,745,786)             | -                       |
| Rebates (2017) converted to ECC         | (11,814)                | -                       | (11,814)                | -                       |
| <b>At 31 May</b>                        | <b><u>1,617,035</u></b> | <b><u>1,663,118</u></b> | <b><u>1,598,115</u></b> | <b><u>1,643,659</u></b> |

Negotiable Duty Credit Certificate (NDCC): The NDCC now called Export Credit Certificate (ECC) in line with the revised guidelines for Export Expansion Grant (EEG) scheme can be used to settle all Federal government taxes such as Company Income Tax, VAT, WHT, etc. and the following:

- purchase of Federal Government Bonds,
- settlement of credit facilities by Bank of industry (BOI), Nigerian Export-Import Bank (NEXIM) and Central Bank of Nigeria (CBN) intervention facilities,
- settlement of Asset Management Corporation of Nigeria (AMCON) liabilities



**Notes to the consolidated and separate financial statements**

**27 Export Expansion Grant scheme (EEG) (cont'd)**

Below is the analysis of NDCC unutilized for the year:

*In thousands of naira*

|  | <b>Group</b>   |                | <b>Company</b> |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2020</b>    | <b>2019</b>    | <b>2020</b>    | <b>2019</b>    |
| <b>At 1 June</b>   | 297,491        | 297,491        | 271,913        | 271,913        |
| ECC received from NEPC                                   | 11,814         | -              | 11,814         | -              |
| ECC utilised for settlement of Govt. related liabilities | (11,814)       | -              | (11,814)       | -              |
| <b>At 31 May</b>   | <b>297,491</b> | <b>297,491</b> | <b>271,913</b> | <b>271,913</b> |

With respect to the EEG receivable, below is the ageing analysis:

|                     | <b>EEG≤1 year</b> | <b>1 year≥ EEG ≤ 2years</b> | <b>EEG&gt; 2years</b> | <b>Total</b> |
|---------------------|-------------------|-----------------------------|-----------------------|--------------|
| Group-31 May 2020   |                   |                             | 1,617,035             | 1,617,035    |
| Group-31 May 2019   |                   |                             | 1,663,118             | 1,663,118    |
| Company-31 May 2020 |                   |                             | 1,598,115             | 1,598,115    |
| Company-31 May 2019 |                   |                             | 1,643,659             | 1,643,659    |

A significant component of the NDCC and EEG receivable have been outstanding for more than 1 year, therefore impairment charge have been made because they are regarded as sovereign debts. However, the Government have not communicated or indicated unwillingness to honour the obligations. The outstanding balances have been classified as non-current assets in the consolidated and separate financial statements.

In March 2017, NEPC issued a circular requesting exporters to submit EEG baseline data and then in December 2017, retrieved all the NDCC in hand. With the revised Export Expansion Grant (EEG) scheme, these NDCC and export incentives would be settled via the issuance of promissory notes with tenor of between 5 - 7 years to beneficiaries. In view of these government policy measures, the directors believe that government has shown interest in revitalising the EEG scheme thus, a further boost to the recoverability of both the EEG and unutilised NDCC.

The unutilised NDCC is an instrument with no specific expiry date hence, the recoverability of the instrument is not in doubt.

**28 Related party transactions**

**28.1 Group and company**

The group and company are controlled by PZ Cussons (Holdings) Limited, incorporated in the UK, which owns 73.27% (2019: 73.27%) of the group and company's shares. The remaining 26.73% (2019: 26.73%) of the shares are widely held. The group's parent is PZ Cussons (Holdings) Limited (incorporated in the UK) and its global ultimate parent is PZ Cussons Plc.

All intercompany trading balances are settled in cash. There was no provision for doubtful related party receivables at 31 May 2020 (31 May 2019: Nil) and no charges to the income statement in respect of doubtful related party receivables for the years then ended.

The company controls HPZ Limited in which it has controlling interest. This is detailed in Note 5.

The nature of relationship between related parties within the group are set out below:

**Notes to the consolidated and separate financial statements**

**28 Related party transactions (cont'd)**

| Name                                   | Nature of relationship |
|--|------------------------|
| - PZ Cussons (Holdings) Limited        | Parent company         |
| - HPZ Limited                          | Subsidiary             |
| - PZ Cussons International Limited     | Fellow subsidiary      |
| - Seven Scent Limited                  | Fellow subsidiary      |
| - PZ Cussons Singapore Private Limited | Fellow subsidiary      |
| - PZ Cussons Indonesia                 | Fellow subsidiary      |
| - PZ Cussons (Thailand) Limited        | Fellow subsidiary      |
| - PZ Cussons India Private Limited     | Fellow subsidiary      |
| - Minerva SA Limited, Greece           | Fellow subsidiary      |
| - PZ Cussons Ghana Limited             | Fellow subsidiary      |
| - PZ Cussons East Africa Limited       | Fellow subsidiary      |
| - Nutricima Limited                    | Fellow subsidiary      |
| - Harefield Industrial Nigeria Limited | Fellow subsidiary      |
| - PZ Wilmar Limited                    | Fellow subsidiary      |
| - PZ Wilmar Food Limited               | Fellow subsidiary      |
| - PZ Coolworld Limited                 | Fellow subsidiary      |

**28.2 Transactions with related parties**

**Purchase of goods and services**

| <i>In thousands of naira</i>   | <b>Group</b>      |                   | <b>Company</b>    |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | <b>2020</b>       | <b>2019</b>       | <b>2020</b>       | <b>2019</b>       |
| Purchases of goods from joint ventures and subsidiaries of PZ Cussons (Holdings) Limited (parent company)**: |                   |                   |                   |                   |
| - Seven Scent Limited  | 2,680,726         | 3,679,661         | 2,680,726         | 3,679,661         |
| - PZ Cussons Singapore Private Limited   | 34,522,971        | 32,545,694        | 6,206,297         | 11,312,817        |
| - PZ Cussons Indonesia   | 2,524             | 3,003             | 2,524             | 3,003             |
| - PZ Cussons Thailand  | -                 | 18,145            | -                 | 18,145            |
| - PZ Wilmar Limited  | 2,754,946         | -                 | 2,754,946         | -                 |
|  | <b>39,961,167</b> | <b>36,246,503</b> | <b>11,644,493</b> | <b>15,013,626</b> |



Notes to the consolidated and separate financial statements

28 Related party transactions (cont'd)

| <i>In thousands of naira</i>   | Group             |                   | Company           |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2020              | 2019              | 2020              | 2019              |
| Purchases of goods from joint ventures and subsidiaries of PZ Cussons (Holdings) Limited (parent company)**: |                   |                   |                   |                   |
| - R& D Support - PZ Cussons International Limited  | 426,009           | 488,154           | 426,009           | 488,154           |
| - Technical Knowhow fees - PZ Cussons International Limited  | 2,212,922         | 2,284,129         | 2,212,922         | 2,284,129         |
| - Trade Mark - PZ Cussons International Limited  | 213,005           | 232,455           | 213,005           | 232,455           |
| - Management fees - PZ Cussons International Limited   | -                 | 30,353            | -                 | 30,353            |
|  | <b>2,851,936</b>  | <b>3,035,091</b>  | <b>2,851,936</b>  | <b>3,035,091</b>  |
| Recharge of services from PZ Cussons (Holdings) Limited (parent company)                                     |                   |                   |                   |                   |
| - Global shared services support   | 2,197,681         | -                 | 1,482,625         | -                 |
| <b>Total</b>   | <b>45,010,784</b> | <b>39,281,594</b> | <b>15,979,054</b> | <b>18,048,717</b> |
| <b>Sales of goods</b>  |                   |                   |                   |                   |
| - PZ Cussons Ghana Limited   | 1,882,409         | 759,495           | 1,882,409         | 759,495           |
| - PZ Cussons East Africa Limited, Kenya  | 681               | -                 | 681               | -                 |
|  | <b>1,883,090</b>  | <b>759,495</b>    | <b>1,883,090</b>  | <b>759,495</b>    |
| <b>Recharge of service cost recovery- Distribution fees:</b>   |                   |                   |                   |                   |
| - HPZ Limited (Subsidiary)   | -                 | -                 | 1,993,115         | 2,184,784         |
| - Harefield Industrial Nigeria Limited   | 522,236           | 630,205           | 522,236           | 630,205           |
| - Nutricima Limited  | 357,342           | 793,366           | 357,342           | 793,366           |
| - PZ Coolworld Limited   | 17,781            | 55,838            | 17,781            | 55,838            |
| - PZ Wilmar Limited  | 390               | -                 | 390               | -                 |
| - PZ Wilmar Food Limited   | 12,692            | 13,036            | 12,692            | 13,036            |
| <b>Sub -total A</b>  | <b>910,441</b>    | <b>1,492,445</b>  | <b>2,903,556</b>  | <b>3,677,229</b>  |
| <b>Recharge of local shared services by PZ Cussons Nigeria Plc</b>   |                   |                   |                   |                   |
| - HPZ Limited (Subsidiary)   | -                 | -                 | 1,993,115         | 2,031,697         |
| - Harefield Industrial Nigeria Limited   | 522,236           | 586,047           | 522,236           | 586,047           |
| - Nutricima Limited  | 357,342           | 737,775           | 357,342           | 737,775           |
| - PZ Coolworld Limited   | 17,781            | 51,925            | 17,781            | 51,925            |
| - PZ Wilmar Limited  | 390               | -                 | 390               | -                 |
| - PZ Wilmar Food Limited   | 12,692            | 12,123            | 12,692            | 12,123            |
| <b>Sub -total B</b>  | <b>910,441</b>    | <b>1,387,870</b>  | <b>2,903,556</b>  | <b>3,419,567</b>  |
| <b>Net Recharge/Recovery of service cost (A-B)</b>   | <b>-</b>          | <b>104,575</b>    | <b>-</b>          | <b>257,662</b>    |
| <b>Total</b>   | <b>1,883,090</b>  | <b>864,070</b>    | <b>1,883,090</b>  | <b>1,017,157</b>  |

**Notes to the consolidated and separate financial statements**

**28.2 Transactions with related parties (cont'd)**

**Key management personnel compensation**

Key management have been determined as directors (executive and non-executive) and the chairman. Details of their compensation is as shown in Note 24. No loans were advanced to any key personnel management during the year.

Year-end balances arising from sales/purchases of goods and services

| <i>In thousands of naira</i>  | <b>Group</b>      |                   | <b>Company</b>    |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | <b>2020</b>       | <b>2019</b>       | <b>2020</b>       | <b>2019</b>       |
| Due to:   |                   |                   |                   |                   |
| - <b>Subsidiaries of PZ Cussons Nigeria Plc</b>                                 |                   |                   |                   |                   |
| - HPZ Limited   | -                 | -                 | 4,452,648         | 6,186,173         |
| <b>Sub Total</b>  | <b>-</b>          | <b>-</b>          | <b>4,452,648</b>  | <b>6,186,173</b>  |
| - <b>Joint ventures and subsidiaries of PZ Cussons (Holdings) Limited UK **</b> |                   |                   |                   |                   |
| - PZ Cussons International Limited  | 10,254,754        | 6,198,240         | 9,419,741         | 5,354,567         |
| - Seven Scent Limited   | 2,345,957         | 1,542,978         | 2,345,957         | 1,542,978         |
| - PZ Cussons Singapore Private Limited  | 12,381,805        | 8,380,908         | 1,788,379         | 1,583,409         |
| - PZ Cussons (Holdings) Limited   | 1,872             | 7,890             | 1,872             | 7,890             |
| - PZ Cussons (Thailand) Limited   | -                 | 8,830             | -                 | 8,830             |
| - Nutricima Limited   | 1,612,940         | 2,205,539         | 1,612,940         | 1,330,539         |
| - Harefield Industrial Nigeria Limited  | 1,286,398         | 1,663,094         | 1,286,398         | 1,663,094         |
| - PZ Wilmar Limited   | -                 | 29,916            | -                 | 29,916            |
| - PZ Coolworld Limited  | -                 | 50,000            | -                 | -                 |
| <b>Sub Total</b>  | <b>27,883,726</b> | <b>20,087,395</b> | <b>16,455,287</b> | <b>11,521,223</b> |
| <b>Total</b>  | <b>27,883,726</b> | <b>20,087,395</b> | <b>20,907,935</b> | <b>17,707,396</b> |
| Due from:   |                   |                   |                   |                   |
| - <b>Subsidiaries of PZ Cussons Nigeria Plc</b>                                 |                   |                   |                   |                   |
| - HPZ Limited   | -                 | -                 | 82,440            | 1,584,419         |
| <b>Sub Total</b>  | <b>-</b>          | <b>-</b>          | <b>82,440</b>     | <b>1,584,419</b>  |



Notes to the consolidated and separate financial statements

**28.2 Transactions with related parties (cont'd)**

**- Joint ventures and subsidiaries of PZ Cussons(Holdings) Limited UK \*\***

|   | <b>Group</b>     |                  | <b>Company</b>   |                  |
|---|------------------|------------------|------------------|------------------|
|   | <b>2020</b>      | <b>2019</b>      | <b>2020</b>      | <b>2019</b>      |
| - PZ Cussons International Limited      | -                | -                | -                | -                |
| - PZ Cussons Ghana Limited              | 397,911          | 712,172          | 397,911          | 712,172          |
| - PZ Cussons East Africa Limited, Kenya | 16,830           | 31,444           | 16,830           | 31,444           |
| - Harefield Industrial Nigeria Limited  | 125,035          | 189,900          | 125,035          | 189,900          |
| - PZ Coolworld Limited                  | 2,250,386        | 2,127,960        | 2,250,386        | 2,127,960        |
| - Nutricima Limited                     | 1,449            | -                | 1,449            | -                |
| - PZ Wilmar Limited                     | 305,669          | 928,093          | 305,669          | 928,093          |
| <b>Sub Total</b>                        | <b>3,097,280</b> | <b>3,989,569</b> | <b>3,097,280</b> | <b>3,989,569</b> |
| <b>Total</b>                            | <b>3,097,280</b> | <b>3,989,569</b> | <b>3,179,720</b> | <b>5,573,988</b> |

Balances arising from sales/purchases of goods and services are revolving balances settled within 30 days after the end of the month.

|   | <b>Group</b>     |                  | <b>Company</b>   |                  |
|---|------------------|------------------|------------------|------------------|
| <i>In thousands of naira</i>  | <b>2020</b>      | <b>2019</b>      | <b>2020</b>      | <b>2019</b>      |
| <b>Included within the closing balances above are short- term cash advances due from related parties:</b> |                  |                  |                  |                  |
| - HPZ Limited   | -                | -                | -                | 1,580,676        |
| - Nutricima Limited   | -                | -                | -                | -                |
| - Harefield Industrial Nigeria Limited  | -                | 189,900          | -                | 189,900          |
| - PZ Coolworld Limited  | 2,049,000        | 1,694,000        | 2,049,000        | 1,694,000        |
|   | <b>2,049,000</b> | <b>1,883,900</b> | <b>2,049,000</b> | <b>3,464,576</b> |
| <b>Included within the closing balances above are short-term cash advances due to related parties:</b>    |                  |                  |                  |                  |
| - Nutricima Limited   | -                | -                | -                | 248,870          |
| - Harefield Industrial Nigeria Limited  | -                | 1,123,870        | -                | -                |
| - PZ Coolworld Limited  | -                | 50,000           | -                | -                |
|   |                  | <b>1,173,870</b> | -                | <b>248,870</b>   |

\*\* Joint ventures and subsidiaries of PZ Cussons (Holdings) Limited, UK

The entities categorized as Joint Ventures and subsidiaries of PZ Cussons (Holdings) Limited, UK are:

**Local entities:** Nutricima Limited, Harefield Industrial Nigeria Limited, PZ Coolworld Limited, PZ Wilmar Limited and PZ Wilmar Food Limited.

**Foreign entities:** PZ Cussons International Limited, PZ Cussons Singapore Private Limited, PZ Cussons (Thailand) Limited, PZ Cussons Ghana Limited, PZ Cussons East Africa Limited, PZ Cussons Mesa, PZ Cussons Indonesia , PZ Cussons India Private Limited and Seven Scent Limited.

**Notes to the consolidated and separate financial statements**

**29 Interest on advances from related entities and short-term borrowings from banks**

During the year, the Group and company obtained and gave short-term advances at 13% p.a. from and to related parties. The advances have been fully liquidated at 2020 and 2019 year end and they are not included in the closing balances of the amount due to and the amount due from related parties by the company and the group. These advances were drawn down or disbursed in various amounts and did not run throughout the twelve months duration of the financial years ended 31 May 2020 and 31 May 2019.

The Group and company incurred interest cost of N454 (2019: N304 million) and N276 (2019: N175.9 million) as well as earned N301 million (2019: N295million) and N335 million (2019: 393.5 million) respectively on short-term advances to related parties. All inter-company interest have been eliminated on consolidation. The un-eliminated interest income and interest expense on consolidation relates to interest earned and interest paid on transactions with other related parties (i.e. Nutricima Limited, Harefield Industrial Nigeria Limited, PZ Coolworld Limited, PZ Wilmar Limited and PZ Wilmar Food Limited) outside of the PZ Cussons Nigeria Plc Group.

| In thousands of naira                         | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2020             | 2019             | 2020             | 2019             |
| <b>Interest paid to related companies</b>     |                  |                  |                  |                  |
| Nutricima Limited                             | (349,762)        | (197,954)        | (231,868)        | (126,315)        |
| Harefield Industrial Nigeria Limited          | (46,464)         | -                | (13,657)         | -                |
| PZ Coolworld Limited                          | (1,695)          | -                | -                | -                |
|   | <u>(397,921)</u> | <u>(197,954)</u> | <u>(245,525)</u> | <u>(126,315)</u> |
| <b>Interest paid to banks</b>                 | <u>(56,313)</u>  | <u>(106,073)</u> | <u>(30,990)</u>  | <u>(49,553)</u>  |
| <b>Total interest Cost</b>                    | <u>(454,234)</u> | <u>(304,027)</u> | <u>(276,515)</u> | <u>(175,868)</u> |
| <b>Interest earned from related companies</b> |                  |                  |                  |                  |
| PZ Coolworld Limited                          | 234,072          | 108,247          | 234,072          | 91,991           |
| HPZ Limited                                   | -                | -                | 63,378           | 170,077          |
| Harefield Industrial Nigeria Limited          | -                | 55,769           | -                | 16,103           |
| PZ Wilmar Limited                             | -                | 115,341          | -                | 115,341          |
|   | <u>234,072</u>   | <u>279,357</u>   | <u>297,450</u>   | <u>393,512</u>   |
| <b>Interest earned from banks</b>             | <u>70,899</u>    | <u>15,640</u>    | <u>40,969</u>    | <u>-</u>         |
| <b>Total Interest income</b>                  | <u>304,971</u>   | <u>294,997</u>   | <u>338,419</u>   | <u>393,512</u>   |
| <b>Net finance (cost)/Income</b>              | <u>(149,263)</u> | <u>(9,030)</u>   | <u>61,904</u>    | <u>217,644</u>   |

**30 Dividends**

Amounts recognised as dividends to ordinary shareholders in the year:

Final dividend for the year ended 31 May 2019 was paid during the year ended 31 May 2020 while final dividend for the year ended 31 May 2018 was paid during the year ended 31 May 2019. This is consistent with the group's policy of recognising dividend as a liability in the period it is approved by the shareholders.

As disclosed in Note 18, final dividend in respect of the year ended 31 May 2020 of 10kobo per share amounting to a total dividend of N397,047,700 is subject to the approval of the shareholders at the Annual General Meeting



**Notes to the consolidated and separate financial statements**

**30 Dividends (cont'd)**

of the company for the year then ended. Accordingly, there is no provision for the dividend in these financial statements. This dividend is being funded from distributable reserves.

**31 Events after reporting date**

- 31.1** On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of the its rapid spread across the globe, with about 150 countries affected. Many governments, including the Nigerian government, are taking increasingly stringent measures to contain the spread of the virus. Currently, there is a significant increase in economic uncertainty which is evidenced by increase in exchange rates.

Consequently, for the Company's 31 May 2020 financial statements, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainties of the outcome of current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, result of operations and cash flows in the future.

**31.2 Ikoyi Properties**

Until 12 December 1991, Lagos State was the capital territory of Nigeria; and at that time certain lands was under the control/ownership of a Federal Government of Nigeria. When country's capital was moved to Abuja, the land in question reverted ostensibly to the control of Lagos state in line with the Land Use Act of 1978. The State authority then transferred the lands to various private landowners. Three properties in Ikoyi belonging to PZ Cussons Nigeria Plc falls within this portion of land.

However, in July 2020 subsequent to year end, the Federal government asserted that they never transferred ownership of the land to the state authorities at that time when the capital moved to Abuja and accordingly laid claim to continued ownership. Occupiers of the properties are alleged to be squatters in the originating summons filed at the High Court by Nurudeen & Co. Nigeria Limited (who by an affidavit annexed to the summons claims that they were appointed as Agent of the Federal Government of Nigeria by a letter of instruction from the office of the Attorney General of the Federation dated 24 August 2017 filed an action). The properties of PZ Cussons Nigeria Plc in the affected areas are valued at approximately at N4.1billion.

The Company has title/certificates of occupancy to the affected land, which provides prima facie evidence of ownership, however there is no precedence to estimate the outcome of the matter.

**31.3 Proposed sale of factory premises situated at Ikorodu, Lagos State**

PZ Cussons Nigeria Plc held an extraordinary general meeting on Thursday, 24 September 2020 in respect of proposed sale of factory premises situated within plot 20A Ikorodu Industrial Scheme, Ikorodu, Lagos to Friesland Campina Wamco Nigeria Plc. The proposed sale was approved at the meeting. The portion of the land being sold to Friesland Campina Wamco Nigeria PLC is approximately 67,733.235 square metres.

Except as disclosed above, there are no other significant events after the reporting period which could have a material effect on the financial position of the Company as at 31 May 2020, and its financial performance for the year then ended, that have not been adequately provided for or disclosed in these financial statements

**31.4 Dividend declared with respect year ended 31 May 2020**

A final dividend in respect of the year ended 31 May 2020 of 10 kobo per share amounting to a total dividend of N397,047,700 was declared at the board meeting held on 28 September 2020. No provision for the dividend is recognised in the financial statements for the year then ended because, dividend is recognised as a liability in the period it is approved by shareholders.

**Other national disclosures**



**Value added statement**

|  | Group            |                   | Company          |                  |
|--|------------------|-------------------|------------------|------------------|
|  | 2020             | 2019              | 2020             | 2019             |
| <i>In thousands of naira</i>   | %                | %                 | %                | %                |
| Revenue  | 66,992,561       | 74,336,468        | 38,939,223       | 47,200,919       |
| Other income   | 179,135          | 122,742           | 319,761          | 263,313          |
| Interest income  | 304,971          | 294,997           | 338,419          | 393,512          |
| Brought-in-materials and services:                                   |                  |                   |                  |                  |
| - Imported   | (45,640,739)     | (45,640,739)      | (28,083,395)     | (28,083,395)     |
| - Local  | (18,731,535)     | (16,419,679)      | (8,985,683)      | (9,893,667)      |
| <b>Value added</b>   | <b>3,104,393</b> | <b>12,693,788</b> | <b>2,528,325</b> | <b>9,880,682</b> |
| Applied as follows:  | 100              | 100               | 100              | 100              |
| <b>To pay employees:</b>   |                  |                   |                  |                  |
| - Salaries, wages and other benefits                                 | 7,648,317        | 7,797,499         | 5,894,044        | 6,122,806        |
| <b>To pay government:</b>  |                  |                   |                  |                  |
| - Income and education taxes   | 398,276          | (6,384)           | 240,914          | (6,384)          |
| <b>To pay providers of capital:</b>                                  |                  |                   |                  |                  |
| - Interest cost  | 454,234          | 304,027           | 276,515          | 175,868          |
| <b>Retained for replacement of assets and business growth:</b>       |                  |                   |                  |                  |
| - Deferred taxation  | (1,143,452)      | 792,980           | (666,320)        | 555,420          |
| - Depreciation - property, plant & equipment                         | 2,690,254        | 2,543,853         | 2,496,349        | 2,348,655        |
| - Depreciation - right-of-use assets                                 | 190,362          | -                 | 147,856          | -                |
| - Amortization - intangible assets                                   | 105,962          | 105,962           | 105,962          | 105,962          |
| - Non controlling interest   | (318,268)        | 144,431           |                  |                  |
| - (Loss)/Profit attributable to equity holders of the parent company | (6,921,291)      | 1,011,420         | (5,966,995)      | 578,355          |
|  | <b>3,104,393</b> | <b>12,693,788</b> | <b>2,528,325</b> | <b>9,880,682</b> |

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

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**Five Year Financial Summary  
Group**

| <i>In thousands of naira</i>   | <b>2020</b>       | <b>2019</b>       | <b>2018</b>       | <b>2017</b>       | <b>2016</b>       |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Statement of financial position:</b>                              |                   |                   |                   |                   |                   |
| Non-current assets   | 29,121,542        | 30,179,025        | 31,369,077        | 29,531,602        | 26,504,924        |
| Current assets   | 49,329,595        | 49,757,715        | 57,246,893        | 60,555,923        | 47,925,250        |
| <b>Total asset</b>   | <b>78,451,137</b> | <b>79,936,740</b> | <b>88,615,970</b> | <b>90,087,525</b> | <b>74,430,174</b> |
| Equity attributable to equity holders of parent                      | 31,786,672        | 42,660,739        | 42,161,471        | 42,272,665        | 40,900,644        |
| Non-controlling interest   | 2,773,281         | 3,091,549         | 2,947,118         | 2,865,212         | 2,502,326         |
| Non-current liabilities  | 5,795,000         | 3,291,133         | 2,525,349         | 2,583,604         | 3,931,549         |
| Current liabilities  | 38,096,184        | 30,893,319        | 40,982,032        | 42,366,044        | 27,095,655        |
| <b>Total equity and liabilities</b>                                  | <b>78,451,137</b> | <b>79,936,740</b> | <b>88,615,970</b> | <b>90,087,525</b> | <b>74,430,174</b> |
| <i>In thousands of naira</i>   | <b>2020</b>       | <b>2019</b>       | <b>2018</b>       | <b>2017</b>       | <b>2016</b>       |
| Turnover   | 66,992,561        | 74,336,468        | 80,552,808        | 78,215,660        | 69,527,537        |
| (Loss)/Profit before taxation  | (7,984,735)       | 1,942,447         | 2,313,509         | 4,811,169         | 3,148,196         |
| (Loss)/Profit after taxation (attributable to owners of the company) | (6,921,291)       | 1,011,420         | 1,845,214         | 3,323,711         | 1,863,013         |
| <b>Per 50K Share</b>   |                   |                   |                   |                   |                   |
| (Loss)/Earnings per share (Naira)                                    | (1.74)            | 0.25              | 0.46              | 0.84              | 0.47              |
| Net assets per share (Naira)   | 8.01              | 10.74             | 10.62             | 10.65             | 10.30             |

(Loss)/Basic earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding at the end of the reporting period.

Net assets per share is based on net assets and the number of issued and fully paid ordinary shares at the end of each financial year.

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**Five Year Financial Summary  
Company**

| <i>In thousands of naira</i>   | <b>2020</b>              | <b>2019</b>              | <b>2018</b>              | <b>2017</b>              | <b>2016</b>              |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Statement of financial position:</b>                              |                          |                          |                          |                          |                          |
| Non-current assets   | 27,954,753               | 29,156,494               | 30,255,829               | 28,582,245               | 25,844,128               |
| Current assets   | <u>31,532,097</u>        | <u>35,159,182</u>        | <u>44,320,290</u>        | <u>44,457,365</u>        | <u>32,435,474</u>        |
| <b>Total asset</b>   | <b><u>59,486,850</u></b> | <b><u>64,315,676</u></b> | <b><u>74,576,119</u></b> | <b><u>73,039,610</u></b> | <b><u>58,279,602</u></b> |
| Equity attributable to equity holders of parent                      | 23,896,811               | 33,816,582               | 33,750,379               | 34,076,230               | 33,792,289               |
| Non-controlling interest   | -                        | -                        | -                        | -                        | -                        |
| Non-current liabilities  | 6,951,097                | 4,221,430                | 3,666,010                | 3,960,174                | 4,108,185                |
| Current liabilities  | <u>28,638,942</u>        | <u>26,277,664</u>        | <u>37,159,730</u>        | <u>35,003,206</u>        | <u>20,379,128</u>        |
| <b>Total equity and liabilities</b>                                  | <b><u>59,486,850</u></b> | <b><u>64,315,676</u></b> | <b><u>74,576,119</u></b> | <b><u>73,039,610</u></b> | <b><u>58,279,602</u></b> |
| <i>In thousands of naira</i>   | <b>2020</b>              | <b>2019</b>              | <b>2018</b>              | <b>2017</b>              | <b>2016</b>              |
| Turnover   | 38,939,223               | 47,200,919               | 58,483,029               | 54,761,729               | 45,097,194               |
| (Loss)/Profit before taxation  | (6,392,401)              | 1,127,391                | 1,736,740                | 2,817,164                | 776,880                  |
| (Loss)/Profit after taxation (attributable to owners of the company) | <u>(5,966,995)</u>       | <u>578,355</u>           | <u>1,630,557</u>         | <u>2,235,631</u>         | <u>389,999</u>           |
| <b>Per 50K Share</b>   |                          |                          |                          |                          |                          |
| (Loss)/Earnings per share (Naira)                                    | <u>(1.50)</u>            | <u>0.15</u>              | <u>0.41</u>              | <u>0.56</u>              | <u>0.10</u>              |
| Net assets per share (Naira)   | <u>6.02</u>              | <u>8.52</u>              | <u>8.50</u>              | <u>8.58</u>              | <u>8.51</u>              |

(Loss)/Basic earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding at the end of the reporting period.

Net assets per share is based on net assets and the number of issued and fully paid ordinary shares at the end of each financial year.

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