PZ Cussons

PROGRESS & AGILITY

PZ CUSSONS NIGERIA PLC
ANNUAL REPORT & ACCOUNTS 2020

Progress & Agility

Throughout its history, PZ Cussons has successfully evolved and adapted to constantly changing consumer, market and economic environments. This culture of agility and managing change effectively continues to serve our business well during the COVID-19 pandemic as demand for our Personal Care, Home Care and Electricals products experienced significant volatility.

Creating sustainable value for all our stakeholders sits at the heart of everything we do. Our rapid response to the COVID-19 pandemic cemented already strong relationships with key customers, but also facilitated a step up in charitable donations to help the most vulnerable across Nigeria who were most affected.

Last year, we announced our new strategy to return the business to sustainable, profitable growth; which articulated three success factors: Focus, Scale and Accelerate. This year we have made progress, by increasing marketing support behind our Focus Brands and simplifying our activities.

We have also made significant progress on our Good4Business journey especially in our plastic reduction initiatives, and environmental footprint.

OUR PURPOSE

Enhancing everyday life, creating moments of delight

OUR AMBITION

To grow our business while staying true to our authentic family spirit.

Focusing on our consumers and local markets better than anyone else so we can respond quickly.

Because we want to leave a legacy for the next generation that we can all be proud of.

OUR PLAN

Building on our competitive advantage, we will accelerate our growth by focusing on a few key categories, brands, and geographies, further simplify our business, and scale the ideas with the best potential in order to accelerate our growth. We will streamline our operations, control our costs, focus on a few core brands in Personal Care and Home Care, and continue to invest in our partnership with Haier as these initiatives have the potential for disproportionate growth in the long term as the economy recovers.

Strategic report

Governance

Financial Statements

Other Information

Our business at a glance

WHO WE ARE AND WHAT WE DO

PZ Cussons is part of the group of companies controlled by PZ Cussons Plc, a FTSE listed dynamic consumer products group. Together, we have created some of the our markets best-loved and most trusted brands in the personal and Homecare Categories. Our brand Portfolio includes trusted brands like Premier, Morning Fresh, Cussons Baby, Imperial Leather, Carex, Canoe, Zip, Venus, Joy, Robb and Stella.

OUR CORE BRANDS

Our focus will be on the following core brands in Nigeria:

Associated brand:

OUR CATEGORIES

We operate the following categories:

Personal Care

Home Care

Food & Nutrition

Electricals

See page 10

WHERE WE OPERATE

We operate across Nigeria and export some of our brands to Ghana, Benin, Niger Republic, Sudan, Chad and the Congo

GOOD4BUSINESS

Sustainability principles are integrated across all aspects of our business:

- Business governance and ethics
- Environment
- Sourcing
- Community and Charity through the PZ Cussons Nigeria Foundation which receives an annual donation from the Group but directs its charitable activities at arm's length.

See page 18

Board of directors and other Corporate information

Directors -

Mr. Gbenga Oyebode, MFR
Chairman, Non-Executive Director
(Appointed 11 December 2020)

Chief Kolawole Jamodu, CFR
Chairman, Non-Executive Director
(Retired 11 December 2020)

Mr. Panagiotis Katsis (Greek)
Managing Director/
Chief Executive Officer
(Appointed 01 July 2020)

Mr. C. Giannopoulos (Greek)
Managing Director/
Chief Executive Officer
(Retired 30 June 2020)

Mr. L. Batagarawa
Non-Executive Director
(Retired 11 December 2020)

Mr. P. Usoro, SAN
Non-Executive Director

Mrs. E. Ebi
Independent Non-Executive Director

Mallam D. Muhammad
Independent Non-Executive Director

Ms. Joyce F. Coker
Executive Director

Mr. G. Sotiropoulos (Greek)
Executive Director

Mr. Zuber Momoniat (South African)
Executive Director/Chief Financial
Officer (Appointed 01 April 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 Ezeokwelume

Registered Office

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

www.pzcussons.com.ng

Registration Number

RC 693

Registrars

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

Independent Auditors

Deloitte & Touché
Civic Towers, Ozumba Mbadiwe
Victoria Island
Lagos

Financial highlights

Reported results

Revenue
N66,992m
(2019: N74,336m)
% change: -10%

Operating (Loss)/Profit
(N7,068m)
(2019: N2,273m)
% change: -411%

Basic and diluted earnings per share
(1.74) Kobo
(2019: 0.25 Kobo per share)
% change: -797%

Statutory results

Operating (Loss)/Profit
(N7,068m)
(2019: N2,273m)
% change: -411%

(Loss)/Profit before taxation
(N7,984m)
(2019: N1,942m)
% change: -511%

Final dividend per share*
10 Kobo
(2019: N15 Kobo per share)
% change: -33.3%

Net assets**
N34,560m
(2019: N45,752m)
% change: -24%

* Final Dividend of 10 Kobo per share for 2020 is subject to approval by the shareholders at the AGM
** Net assets is total assets less total liabilities

Notice of meeting

Notice is hereby given that the 72nd Annual General Meeting of PZ Cussons Nigeria Plc will be held at the Command Centre, 45/47 Town Planning Way, Ilupeju, Lagos Nigeria on Friday 29 January 2021 at 11.00 am for the following purposes:

Ordinary Business

1. To lay before members the Report of the Directors, Financial Statements for the year ended 31 May 2020, the Report of the Auditors and the Audit Committee thereon.
2. To declare a dividend.
3. To elect/re-elect Directors.
4. To authorise the Directors to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.

Special Business

6. To approve the remuneration of the Directors.
7. To consider and pass the following resolution as an ordinary resolution of the Company:

"That the general mandate given to the Company to enter into recurrent transactions with related parties for the Company's day-to-day operations, including the procurement of goods and services, on normal commercial terms, in compliance with the NSE Rules Governing Transactions with Related Parties or Interested Persons, be and is hereby renewed."

Dated this 11th day of December 2020
By Order of the Board

Jacqueline Ezeokwelume
Company Secretary/Legal Adviser

FRC/2015/NBA/00000020208

PZ Cussons Nigeria PLC
45/47, Town Planning Way
Ilupeju Industrial Estate
Lagos

www.pzcussons.com.ng

NOTES

Attendance by Proxy

1. In view of the COVID-19 pandemic, attendance at the Annual General Meeting ("AGM") shall only be by proxy. A shareholder of the Company entitled to attend and vote at the AGM is advised to select from the under-listed proposed proxies, to attend and vote in his stead:

a. Mr. Gbenga Oyebode, MFR
b. Mr. Panagiotis Katsis
c. Mr. Paul Usoro, SAN
d. Mrs. Elizabeth Ebi
e. Chief Isaac Obarinde
f. Honourable Bright Nwabughogu
g. Mr. Eric Akinduro
h. Mr. Patrick Ajudua
i. Sir Sunday Nwosu

2. The Proxy Form is attached to this AGM notice for your use. All instruments of proxy must be deposited at the registered office of the Company at 45/47, Town Planning Way, Ilupeju, Lagos, Nigeria, or submitted via email to info@firstregistrarsnigeria.com, or deposited at the office of the Registrars, First Registrars & Investors Services Limited, No. 2 Abebe Village Road, Iganmu, Lagos, Nigeria not later than 48 hours before the time fixed for the meeting.

3. It is a requirement of the law under the Stamp Duties Act, CAP S8, Laws of the Federation of Nigeria 2004 that any instrument that is intended to be used by or on behalf of any person entitled to vote at any meeting of shareholders must be duly stamped by the Commissioner of Stamp Duties.

Note that the payment of stamp duties for all instruments of proxy shall be at the Company's expense.

4. In the case of Joint Shareholders, the signature of any one of them will suffice, but the names of all Joint Shareholders must be stated.

5. If the Shareholder is a Corporation, the Proxy form must be under the Common Seal or under the hand of the same officer or attorney duly authorized by the Corporation to act on its behalf.

Closure of Register

i) Qualification
Members whose names appear in the Register of Members at the close of business on 19th October 2020 shall be qualified to receive dividends.

ii) Closure of Register
The Register of Members and Transfer Books of the Company will be closed from Monday, 11th January 2021 to Friday, 15th January 2021 (both dates inclusive) for the purpose of preparing an up-to-date Register of Members.

iii) Payment of Dividend
If the dividend of ten (10) Kobo per share recommended by Directors is approved by members at the Annual 72nd General Meeting, the dividend payments will be made on Monday, 1st February 2021 to Members whose names appear in the Register of Members at the close of business on 19th October 2020.

Nominations for the Audit Committee
The Audit Committee consists of three Shareholders and three Directors. In accordance with section 359 (5) of the Companies and Allied Matters Act, CAP C20, any member may nominate a Shareholder as a member of the Committee by giving notice in writing of such nomination to reach the Company Secretary at least 21 days before the Annual General Meeting.

Unclaimed Dividend Warrants and Share Certificates
Shareholders are hereby informed that several dividend warrants and share certificates remain unclaimed. Some dividend warrants have not been presented to the bank for payment or to the Registrar for revalidation. A list of such members has been circulated with the Annual Report. Affected members are advised to contact the Registrars.

E-dividend/Bonus
Pursuant to the directive of the Securities and Exchange Commission, members are hereby advised to open bank accounts, stock broking accounts and CSCS accounts for the purpose of the payment of e-dividend/bonus. Relevant forms are attached to this Annual Report for completion to furnish the particulars of these accounts to the Registrar.

Rights of Shareholders to Ask Questions
Pursuant to Rule 19.12(c) of The Nigerian Stock Exchange Rulebook 2015, shareholders have the right to ask questions not only at the Meeting, but also in writing prior to the Meeting and such questions shall be submitted to the Company Secretary not later than two weeks before the date of the Meeting.

COVID-19 and Challenges of Convening a Physical Meeting

1. As a result of the COVID-19 Regulations issued by the President of the Federal Republic of Nigeria and the directives of the Lagos State Government banning gatherings of more than 50 persons whether held in public or privately, as well as the social distancing rules prescribed by the Nigeria Centre for Disease Control, the directors are conscious of and very concerned about the wellbeing and lives of all the shareholders of the Company.

2. This is evidenced in the decision to hold this AGM in a manner that does not compromise the safety of lives of the Company's stakeholders or contravene the rules and regulations issued by the Federal and Lagos State Governments for the promotion of public health and safety of all.

3. The meeting will be presided over by the Chairman of the Board of Directors (the "Board") and the members of the Board who are resident in Lagos have committed to attend. Given the continued restrictions on public gatherings, the Board has resolved to deploy technology to enable shareholders of the Company attend and observe remotely the proceedings at the meeting. Accordingly, each shareholder will be able to either phone-in via a toll-free line or observe the proceedings through an internet webcast known as Microsoft Teams. The Board of Directors hereby advise Shareholders to explore these virtual (electronic) means of attending the meeting that have been put in place by the Company in strict compliance with extant COVID-19 regulations.

4. To avoid compromise in the integrity of the system to be deployed, the Board of Directors have directed that robust details of these arrangements (dial in details and specific phone numbers) be provided to Shareholders individually. The Company's Registrars will ensure that the details are sent to the telephone numbers and email addresses of individual Shareholders which are recorded in the Register of Members.

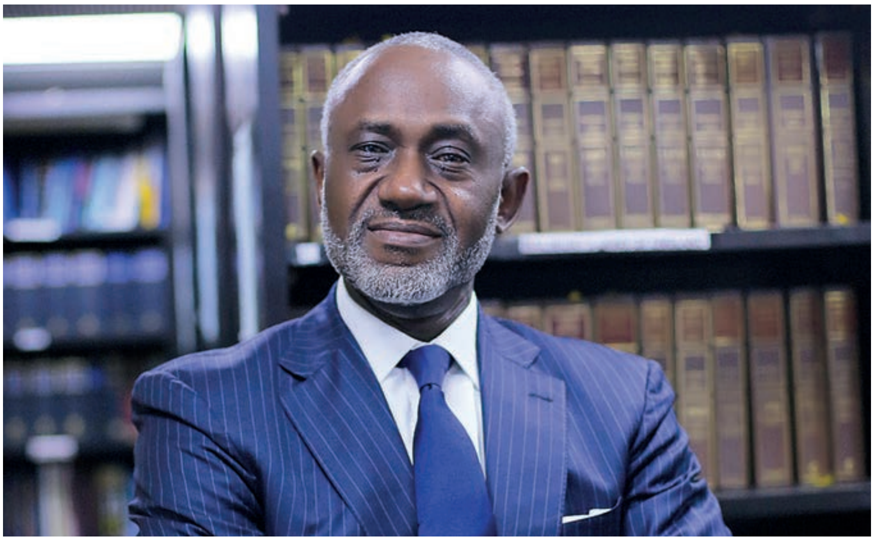
5. The Board of Directors therefore encourage Shareholders to complete the Proxy Forms attached to the Notice of the AGM to ensure that their votes count. The Board further enjoins Shareholders to embrace virtual participation in the AGM. In this wise, a shortlist of individuals who will serve as proxies has been provided (and specified in these Notes). Shareholders are advised to entrust their votes in the care of the appointed Proxies. Each Shareholder is required to tick the relevant box on their Proxy Form to guide the decision of their proxy on whether to vote for or against the proposed resolutions on the agenda. Such proxy forms will be accepted for use in conjunction with the Annual General Meeting.

6. The Board of Directors strongly encourage Shareholders to vote in advance of the Annual General Meeting via the use of the Proxy Form to ensure a proper capture of all votes. This is regardless of the plan by a Shareholder to log-in and join the virtual AGM.

7. All Shareholders may on Friday, 29 January 2021, log-in to the Annual General Meeting from its commencement at 11am using the details that will be sent to the telephone numbers and email addresses of all Shareholders. We recommend that Shareholders afford themselves ample time to complete the login process in advance of the commencement of the AGM at 11am to afford them a complete and hitch free viewing. Where any difficulty is encountered, kindly call this technical support number 08034023889.

8. Should you have any questions regarding the contents of this Notice, please contact the PZ Cussons Secretariat at 08039221410 and your queries will be attended to.

Chairman's statement



Distinguished Shareholders,

On behalf of the Board, I welcome you all to the 72nd **Annual General Meeting** of your company. There is no doubt that this was one of the most challenging periods for businesses generally in the country. Our company, PZ Cussons Nigeria PLC, was disrupted especially in the second half of our financial year as a result of the decline in oil prices and the impact of COVID-19. We could not be more proud of the way that all our people responded, and on behalf of the Board, I thank them for their incredible hard work, commitment and dedication.

Review of the Operating Environment

Nigeria's Gross Domestic Product (GDP) increased by 2.5% which was lower than the projected 3% by International Monetary Fund. This was before the outbreak of COVID-19 pandemic coinciding with the second half of our financial year. The impact of this pandemic was monumental on Supply Chain disruptions because of global lockdown and attendant impact on cost of production.

Globally, prices of crude oil slumped. This had big impact on Nigeria's foreign reserves and Naira exchange rate with other basket of currencies especially Dollar and Pound Sterling. In the last quarter of the financial year, Central Bank of Nigeria adjusted the exchange rate in the Official Window from N307/1$ to N360/1$ while the rate at I&E Window was adjusted further from N360/$1 to N380/1$.

Government sustained land border closure that came with twin effect of reducing impact of smuggling on the economy and consequently on our business as well as restricting the sales of our goods across the landlocked neighboring and other West Coast economies serviced through the land borders.

Operating Results and Performance

Revenue and profit were hampered by the continuation of adverse economic conditions which worsened in the final quarter of the financial year as a result of the decline in oil prices and the impact of COVID-19. This led to the closure of the open markets, difficulties in distributing products around the country and a preference by the consumer on food products.

We have seen a contraction in our Home and Personal Care brands resulting in price reductions and discounting and ultimately lower margins. In our Electricals business, we saw a stable revenue performance but a decline in profits due to higher costs arising from logistics.

The factors highlighted above no doubt impacted the performance of our company during the period under review. Consolidated revenue declined by 10% from N74.3 billion in FY2019 to N67billion in FY2020. Revenue in the first 9 months of the year was stable compared to last year but worsened in the last quarter of the financial year as a result of COVID-19 which led to the closure of the open markets. Profit before Tax declined to a loss of N7.2 billion from a profit position of N1.15 billion in 2019. The loss for the year was largely attributable to decline in sales in our Home and Personal Care categories as a result of pricing and promotional pressure of N3.4 billion which accelerated in Q4 as a result of COVID-19 and associated restrictions in the country which led to further sales volume decline. Other factors contributing to the annual loss include additional port clearing charges of N0.7bn, an exchange loss of N1bn arising in Q4 from the devaluation of the Naira from N360/$1 to N380/$1, factory under- recoveries of N1.1 billion due to lower production and the impact of group charges of N2.2bn arising in the year. These charges relate to the costs incurred in running our current SAP system and other IT related services provided. The overall top and bottom line results were disappointing but our focus on liquidity delivered strong net cash position of N10.7 billion. This reflected efforts to prioritize trade receivables and a reduction in stocks generally.

Notwithstanding the results and macro-economic headwinds in the country, the Board and management remain confident of the future of the Company. We will continue with strategies and initiatives to return the Company to profitability and improve shareholder return.

Commercial Review

PZ Consumer: The Fast Moving Consumer Good (FMCG) sector continues to experience intense competitive activities across categories. This was made more challenging by the impact of the COVID-19 crisis, especially the closure of the open markets, and the resulting drop in oil prices. We have seen shifts in the consumption of our Personal Care and Beauty products as consumers' habits have changed in response to COVID-19 pandemic and the associated restrictions on movement and social interactions.

Our focus brands of Premier, Cussons Baby and Morning Fresh in the Personal and Home Care Categories continue to hold their leadership position in the market. **In these uncertain times, consumers reach for trusted market leading brands offering health and wellbeing solutions. PZ Cussons Nigeria is in a strong position with many of our brands well placed to meet these needs.**

Our Personal Care flagship brand, Premier, retains its leadership position as Nigeria's No1 family soap brand. In a highly competitive Nigerian bar soap market, earlier in the year, our Premier Cool brand was strengthened with improved fragrance and cooling effects and our Premier Classic was relaunched in February 2020 to offer superior 2-in-1 benefits to care and protect your family. Also, to help drive awareness of the importance of handwashing, a *'how to wash your hands with soap'* instructional campaign, aligned with WHO guidelines, was launched.

Morning Fresh has delivered high double digit sales growth this year as result of management's growth initiatives. This year saw the launch of a new environmentally friendly lighter weight pack, and a double tamper-proof seal which protects the integrity of the brand and product.

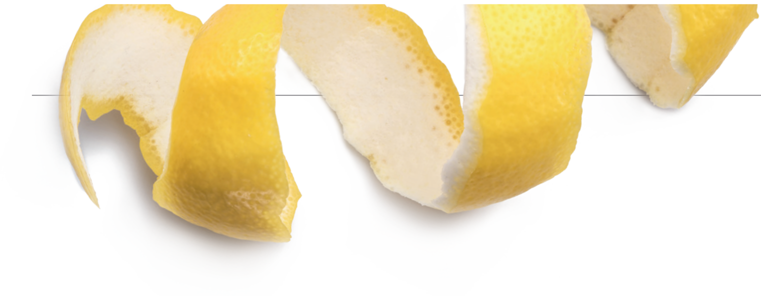
Cussons Baby has maintained and strengthened its leadership position in baby care, with market share over 30%. Tailor-made advertising and consumer promotions supported the Cussons Baby gift pack range. Cussons Baby was adversely impacted by COVID-19 in the final quarter of the financial year as consumers focused on other categories, despite delivering a strong first half set of results.

We will continue to sharpen our focus on consumer needs and behaviours, building stronger brands that will meet those existing and emerging needs. Offering brand and product experiences that stand out, have a clear purpose, and deliver real value will help us keep ahead of the game, and secure ongoing consumer loyalty.

During the financial year, our focus remained on building a World Class Supply Chain despite the challenges posed by the COVID-19 Pandemic. Going forward, we shall continue to drive business processes optimization, distribution network simplification, building reliable manufacturing infrastructure, sourcing strategies and reduction in lead times to increase our speed to market. Building a flexible, agile, world-class supply chain will continue to be our ultimate goal.

Electrical Business. Electricals revenue was overall flat compared to last year, supported by a strong energy saving proposition. In the final months of the financial year, as a result of COVID-19, the closure of many retail points and preference of consumer spending on other categories offset the good performance recorded earlier in the year.

With almost 50 years' experience, Haier Thermocool continues to be the most trusted premium home appliance brand in Nigeria; promising stylish, convenient, affordable and energy saving benefits. The Haier Thermocool GenPal Inverter Air Conditioning is gaining significant momentum in the market and driving the overall growth in the category. We are strengthening our innovation and differentiation agenda by introducing the first ever inverter Chest Freezers in Nigeria offering consumers more value in Energy Savings. We are now positioned for stronger growth and improved profitability in this space.



Our Strategy for Growth

We continue the process of simplifying our business over the course of this financial year to support sustainable growth. We believe this will streamline decision-making and foster collaboration while also reducing overheads. Our simplification efforts have also included rationalizing the number of products and pack sizes that we manufacture at low margins while reducing working capital, driving down inventory levels and improving trade receivables.

Last year, we announced our strategy that focuses our resources on key categories and core Focus Brands that offer the best potential for scale and has the potential to return the Group to sustainable, profitable growth. This year, we have started making progress, and we will continue to revitalize our strategy and respond with agility during these changing times.

Thus, our strategy for growth articulates three key success factors: Focus, Scale and Accelerate; successful application of these principles will be key to our success for growth.

Our People agenda holds firmly on the pillars of Attraction, Engagement and Retention of vibrant and resourceful employees. We continue to develop our people and equip them with necessary capabilities to thrive in tough economic terrains. On behalf of the Board, I would like to thank all employees for their resilience and CANDO! attitude.

Our on-going efforts and investment in information and communication technology, through our global IT transformation agenda, have aided transforming our network estate, to further enhance cyber security, create better collaboration & user accessibility to services irrespective of their physical location and upscale service performance.

Corporate Social Responsibility

Your company continued to make social investment by giving back to the society. We took special interest in the area of promoting science education and infrastructure. PZ Cussons Foundation was established in 2007.

The focus of our charitable initiative is to contribute to infrastructural development in the areas of education, health, potable water supply and economic empowerment. The ultimate objective is to improve quality of life of people living near our operations pan-Nigeria through funding and implementing of projects, which promote the social and economic well-being of local communities. During the financial year under review, the Foundation commissioned the following projects:

- Construction of fully furnished block of classrooms at Hardawa Community in Misau Local Government Area, Bauchi State.
- In Adamawa State, we constructed a solar powered borehole with 22,500 litres storage tank capacity at Gongosi Grazing Reserve. In addition, we provided 2 nos. 20 cubic meters livestock drinking troughs for the pastoral community.
- Donated products towards controlling the spread of COVID-19.

So far, the Foundation executed over 70 projects spread across the six geopolitical zones of Nigeria. The Foundation also undertook the following additional CSR projects:

PZ Cussons Chemistry Challenge. PZ Cussons Chemistry Challenge is a PZ Cussons Foundation CSR initiative introduced to promote the study of chemistry through open competition amongst senior secondary schools. The competition has had 5 successful editions in Lagos State with recorded successes in NECO and WAEC Chemistry pass rates.

For the 6th edition, PZ Cussons decided to make the competition bigger and better by adopting a regional approach. For the first time ever, the competition went pan Nigeria with three examination hubs, one each in Abuja, Lagos and Port Harcourt. It recorded over 13,000 student registrations from across all 36 states of the Federation and Federal Capital Territory. This is the highest number of registrations ever recorded for the competition!

The top three winners of the 6th edition received cash prizes of N1,000,000, N750,000, and N500,000 respectively, laptops and supply of Premier toilet soap. Additional prizes of laboratory equipment were given to each winners' school. Each of the teachers of the top three finalists also received prizes as well as supply of Premier toilet soap.

Global Handwashing Day. Our Premier and Carex brands joined forces with United Purpose, our international development charity funded partner, to support Global Handwashing Day. Your company has been supporting this laudable initiative for 5 years running passing a simple and life-saving message that handwashing with soap saves lives. Over the years, thousands of students have been inspired and empowered to encourage their schoolmates, families and communities to make handwashing a habit.

Partnership with the National Office for Technology Acquisition and Promotion (NOTAP). In addition to the promotion of education in general, the Company is passionate about promotion of science. To this effect, our partnership with NOTAP again witnessed another donation of sophisticated laboratory equipment for the Upgrade of Chemical Laboratory at Abubakar Tafawa Balewa University in Bauchi. Your company and NOTAP are of the conviction that if meaningful break-through in our research centres is to be achieved in scientific inquiries, state-of-the-art facilities and infrastructure comparable to those in renowned international research centres must be provided. So far, four Nigerian Universities and one research centre benefitted from this special programme as we continue to cover every geopolitical zone in Nigeria (MAUTECH in Yola (North East), University of Calabar (South South), National Research Institute for Chemical Technology Zaria (North West), Federal University of Technology Ndupu-Alike, Ebonyi State, (South East), Abubakar Tafawa Balewa University, Bauchi (North East).

Dividend

Fellow shareholders, the Board of Directors is recommending to the shareholders at this AGM, a dividend pay-out of N397,047,700 representing 10 Kobo per share (2019: 15 Kobo per share). If approved, the dividend will be paid to shareholders on Monday, 1st February 2021 after deducting the appropriate withholding tax.

The Board

During the year, Chief Kola Jamodu, CFR retired as the Board Chairman. I was appointed Chairman as his successor. On your behalf, I thank Chief Kola Jamodu, CFR for his services and valuable contributions to the growth of the Company and wish him a healthy and peaceful retirement. In addition, Alhaji Lawal Batagarawa retired from the Board after twelve years. We wish him well in all his future endeavours.

We thank Mr. Christos Giannopoulos, the former Chief Executive Officer, who proceeded on retirement effective 1st July 2020. He was on the Board of your company since 2004. He became Chief Executive Officer in 2009 and served in that capacity until his retirement. We appreciate his enormous contribution. On behalf of the Board and shareholders, we wish him happy retirement.

We also welcome Mr. Panagiotis Katsis - the new Chief Executive Officer - to the Board on behalf of all of you. Mr. Panagiotis Katsis was the Managing Director of HPZ, one of your subsidiaries. He has been in PZ employment since 1998 and served across functions. He is coming to the position with strong background and record of accomplishment in commercial. We believe he is an excellent leader for your Company. On behalf of all of us, I wish him the best in his new assignment.

Conclusion

Our dear shareholders, we will remain optimistic and as resilient as ever to take the challenges head-on and take our rightful place in a highly competitive market.

We will also continue to prepare for the challenges of African Continental Free Trade Area (AfCTA) that will open the regional competitive space. We will continue to engage appropriate Agencies using industry platforms to express our apprehension particularly on the Rule of Origin which can be largely abused and distort level playing field.

We thank our shareholders for standing by us in these trying times; we deeply cherish your understanding of the challenging circumstances. We will continue to crave your indulgence in the onerous task of steering the ship of your company to better performance in the years ahead.

We also appreciate the role our key distributors and wholesalers in strengthening our distribution across the country. Our target remains making our products available to consumers as easily as possible wherever they may be.

We thank our employees for putting extra effort during the restrictions to curb the spread of the pandemic. They adapted to new ways of working by deploying technology to work from home. In addition, we also thank the field staff and people in the factory for continuing to remain resilient in spite of challenges of the COVID-19 pandemic. We will continue to pray for your safety and do our best to keep the work environment even safer.

The Board, Management and Staff at all levels will continue to count on your cooperation, collaboration and commitment in taking your company to a more profitable threshold.

Once again, thank you.

Mr. Gbenga Oyebode, MFR
Chairman

Board of Directors
FRC/2013/NBA/0000000254

Our categories

Consumer brands to remember and enjoy…

PERSONAL CARE

This category is our largest. It includes global brands such as Cussons Baby, Imperial Leather and our flagship brand, Premier on the local front. With our strong heritage in making life better we have remained the indigenous provider of personal care products.

PREMIER

We have continued to maintain our leadership position in the Toilet soap category with Premier and also in the Antiseptic soap category.

Premier Classic has been a household name in Nigeria over the last five (5) decades and continues to the PZ Cussons biggest personal care brand. Proud to say it is Nigeria's number one (1) family soap brand. We will continue to drive the brand's mission of "Nourish and Protect" for the whole family.

In February 2020, we relaunched the Premier Classic brand with a forward thinking reason to believe that "we offer superior 2-in-1 Benefits to naturally care and protect your family while ensuring they feel good and approach each day confident and inching closer to a better tomorrow".

Following consumer feedback after extensive research, we enhanced the product offering by adding natural ingredients that are well known for the family by the addition of an African ingredient - Shea butter to our variant offerings to connect with our African roots and indeed introduce a proudly Nigerian product.

We morphed from Premier Classic to Premier Care Naturals with 3 enhanced existing variants and 2 additional new variants:

- Milk and Honey
- Aloe Vera and Glycerine
- Rosewater and Glycerine
- Shea butter and Glycerine
- Lemon and Glycerine

We have developed an industry leading 'Route to Market' capability and extensive 'Active Distributor' partnership model that has guaranteed our brands are within easy reach of our loyal consumers.

JOY SOAP

The Beauty Category has shown opportunity for growth within the Nigerian market, in ensuring PZ Cussons is positioned to win with consumers. **JOY Soap** a household name within the Beauty segment in Nigeria is playing a huge role in our strategy to expand and win with our personal care portfolio.

In the last 8 months, we have further empowered women to stay beautiful and love their skin by launching JOY soap in 150g SKU, box packaging and two (2) unique variants – Tender variant with milk nutrients & cucumber; and the Exfoliating variant with Avocado & Papaya. Both variants have unique and long lasting fragrances.

The new variants are well accepted by consumers with evidenced testimonies. The Exfoliating variant gently takes off dead skin, dirt, oil and reduces wrinkle lines while the Tender variant moisturises, reduces sunburn and helps with anti-ageing.

In line with our corporate vision of "enhancing the lives of our consumers" we will continue to drive brand distribution in key channels as well as leverage digital and e-commerce to create awareness and drive sales.

CUSSONS BABY

Cussons Baby is one of the leading baby brands in Nigeria. We can confidently boast that we have a robust brand portfolio to cater to a baby's needs from when they are born to when they become toddlers- '**isn't that magic?**'

The baby category is strong on building affinity and establishing an emotional connection with the core target audience - mothers. Cussons Baby continues to achieve this with the sustenance of the Cussons Baby Moments Competition. The competition leverages digital to allow mothers showcase the amazing and amusing moments of their bundles of joy.

Year on year, the Cussons Baby Moments competition has recorded growth in entries, with the 6th edition being the most significant. Entries grew from 4,000 in the prior year to over 10,000 entries! The surge in entries from the last edition goes to prove how much impact the brand has, not just on mothers but on Nigerian families as a whole.

The Cussons Baby range is enriched with natural vitamins and ingredients that nourish, moisturise and protect baby's delicate skin. Our purpose is to make happiest babies and reassured mums. For every baby, there is Cussons Baby! Cussons Baby cares and protects.

CAREX

Carex, our international hand hygiene brand has been keeping millions of families safe and hygienically clean for over 25 years and continues to provide superior protection from bacteria for families across Nigeria. With the outbreak of the COVID-19 pandemic, Carex has stepped up to playing a huge role in our strategy to grow and expand our Personal Hygiene portfolio.

Previously playing only within the handwashing segment, we recently launched Carex hand sanitizer in the Nigerian market in two sizes, 100ml and 400ml.

Carex is uniquely formulated with antibacterial ingredients that kills up to 99.99% of bacteria. It also contains glycerine that gently moisturise, leaving our consumers feeling protected and cared for. Carex is trusted by Nigerian families to keep them safe and protected so they can live life hands on.

Since the start of the pandemic, digital and e-commerce have become a key platform for reaching consumers, Carex has recently launched on digital and e-commerce platforms, enabling the brand drive relevance in the mind of its core target audience.

HOME CARE

With our strong heritage in making life better, we have remained the largest indigenous provider of homecare products in Nigeria. Our brands which have been trusted for generations to cater to the needs of the Nigerian consumer have maintained relevance in a changing environment. The ability to constantly be proactive in a market that is seemingly transient is the winning strategy.

Also with new media and technology, Morning Fresh is constantly engaging and sensitizing her consumers via her digital platforms; currently engaging a followership of over **0.8m** on facebook and **45,000** on Instagram which is the benchmark within its category.

As part of strides to complete the consumers online experience and ensure that awareness and engagement is adequately converted, Morning Fresh has partnered with the **3 biggest online platforms** – Jumia, Konga and Habari to make her products available at every consumer touchpoint and also adapt to the new market realities where e-commerce now plays a strong role.

In the dish wash category, **Morning Fresh** continues to be **Nigeria's No. 1 best selling dish washing liquid** and will continue to blaze the trail in innovation by refreshing itself, as it recently relaunched in an **Eco-friendly pack** (keeping to our plastic promise) with an innovative double protective seal to ensure 100% product quality to the consumers. The new packaging still comes in three variants – Original, Zesty Lemon and Antibacterial - promising consistent delivery on superior grease cutting performance designed to tackle the toughest grease stains with ease giving a squeaky clean effect.

In driving brand loyalty and an increase in buying rate, Morning Fresh launched its successful "**Project Jara**" promotion which aims at rewarding loyal consumers and also recruiting new users into the category.

FABRIC CARE

For the Fabric Care Category, **Canoe** and **Zip** detergents have performed in line with our expectations maintaining our overall share in the soaps and powder category. In driving strong consumer activations, the brands launched its "**Project WAX**" – **Wash and get Xtra** promotion were consumers were rewarded across all regions and channels and this drove strong incrementals for the brands.

Canoe has continued to maintain its leadership position in the colour care segment even with stiffer competition and the constant increase of new players into the category and color segment. It has also sustained its long time partnership and endorsement with **Daviva**, a prominent African fabric and clothing brand that drives trust and believability for the brand.

Our business model

Our people, brands, partnering capabilities and networks combine to deliver competitive advantage and differentiate us in our chosen markets. Our unique business model incorporates our new strategy to help us create shared, sustainable value for all our stakeholders.

OUR KEY INPUTS

Our people
Diverse, skilled, and motivated employees

Our brands
High quality, trusted and well-loved brands

Our supply chain
World class manufacturing facilities and owned distribution facilities in selected geographies where in-house manufacturing is a competitive advantage

Our relationships
Joint venture, business, supply, and innovation partners that enhance our offering and share our values

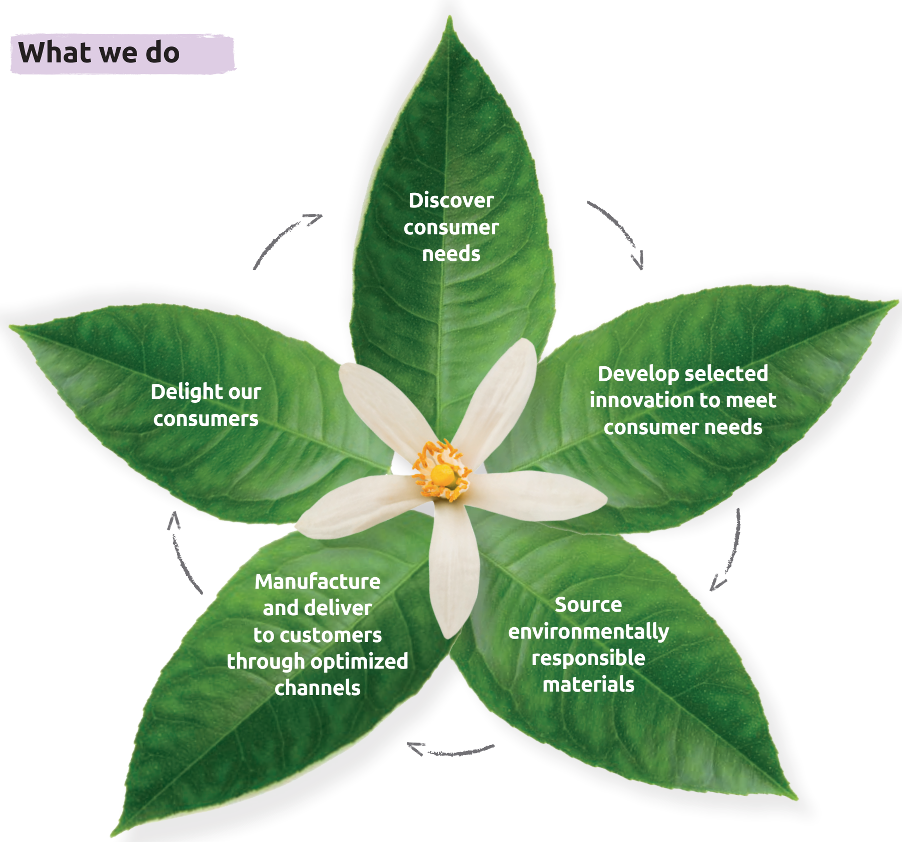
Our financials
Strong balance sheet reflecting our disciplined approach

HOW WE CREATE VALUE

Our purpose

Enhancing everyday life, creating moments of delight.

What we do



Underpinned by our culture, values, strong governance and ethics

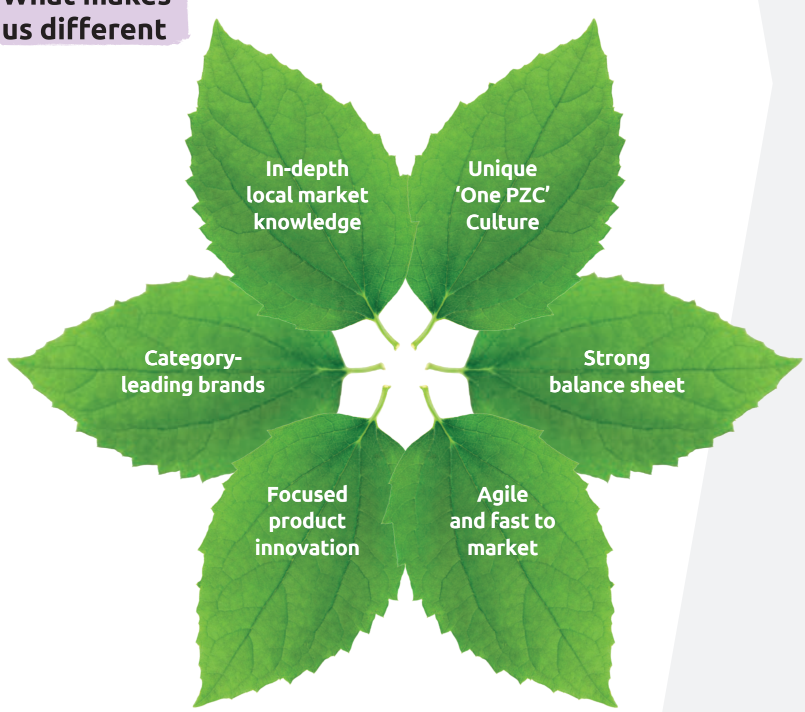
Our ambition

To grow our business while staying true to our authentic family spirit.

Focusing on our consumers and local markets better than anyone else, allowing us to respond quickly.

Because we want to leave a legacy behind for the next generation that we can all be proud of.

What makes us different



CANDO! **ONE PZC** **Good4Business**

CREATING SHARED VALUE

For investors
Sustainable dividend and EPS, robust cost controls, strong leadership

For employees
Training and development, strong teams and relationships, living CANDO! values

For consumers
Innovative, high quality, trusted brands

For society
Good4Business, community and charitable initiatives

For the environment
Sustainable sourcing, Plastic and Palm Oil promises, waste reduction

CANDO!

Our employees continue to exhibit the CANDO! attitude which has been clearly visible during the global pandemic. Our CANDO! values (Courage, Accountability, Networking, Drive, and Oneness) are continually being showcased in demonstration of the right behaviours.

Embedding the right Behaviours

Our recently launched behaviours (Act Authentically, Build Capability, Challenge Convention, Deliver Fast & Smart, Establish Connections and Focus to Win) are incessantly engendering the right culture. Our past performance is attributed to passion for excellence and resilience of our workforce and we extol them for the valuable contributions.

Employee Engagement

We recognise that to win in the market place, we need to build brand ambassadors at the workplace that remain committed to outstanding results. We take pride in our workforce being our competitive advantage and use various mechanisms to keep them engaged and retained productively with PZ Cussons.

Through regular one-to-one sessions, employee engagement surveys and town hall gatherings, we keep employees abreast of business updates and give everyone the opportunity to be heard. This way, everyone can make a difference. We operate an open-door policy allowing freedom of individual contributions and challenging status quo. To boost communication further, we have recently launched a global communication platform (Workplace by Facebook) which helps employees stay up to date with international colleagues and share best practices. This has helped to enhance connections, collaboration and real- time communication. We also enrich engagement through different mechanisms like market storms, fun activities, recognition schemes, celebrations of key events and exciting learning & development opportunities.

Our employee engagement activities centre on improving energy levels and brand knowledge whilst fostering creativity, excitement and high cross-functional team bonding. In addition to team and organisational events, we deepen inclusion by ensuring focussed engagement activities for our factory based employees. At the 120 years anniversary employee party, the team went down memory lane to creatively represent various generational cultures and products in their brand presentations.

Developing Talent as a competitive advantage

One of our ambitions is to build a lasting legacy for future generations to inherit. This rides on the back of effective succession planning and career growth. We continue to invest in functional and leadership capabilities as a growth driver ensuring that we put significant focus on experiential learning. We encourage individuals to become accredited members of relevant professional bodies to keep updated with best practice and build sustainable networks. We explore local and international development opportunities leveraging on the presence of PZ Cussons companies in several countries. Coaching and Mentoring is instituted for several employees. The customised PZ Cussons Sales and Leadership development programs ensure consistencies in ways of working. Employees are frequently involved in various business projects and role changes. Our leadership standards define the calibre of individuals that steer our business.

Our rich development opportunities continue to distinguish PZ Cussons. We persistently nurture our own pool of high-performing talents and cultivate future leaders within.

Diversity

PZ Cussons remains passionate about diversity, inclusivity, mutual respect, merit based equal opportunities employer, with no discrimination by religion, gender, disability, age, geographical representation. We believe that diverse perspectives and experiences are essential for our business to thrive and enhance innovative abilities to satisfy the needs of consumers.

We have continued to put intentional focus on our female diversity agenda. In the last one year, over 40% of sales graduate trainee vacancies were occupied by females across the country. A senior manager was enrolled in an international women mentoring scheme. This is in line with increasing the female representation at senior levels as we recognise the competitive advantage that the balanced gender idea generation and decision making brings to the table. We have also recently introduced an additional benefit for new mothers through crèche support allowances.

To boost sales performance, our ladies went to ten major markets in Lagos during the year, selling to customers and consumers directly. Products sold include Morning Fresh, Mamador spread and seasoning cubes, with our home appliances segment not left out. Some teams used modern trade channels to sell refrigerators, freezers and air-conditioners. Target set by the respective Heads of Sales was surpassed by over 200%. Our ladies had loads of fun whilst contributing to business objectives.

Well-being

As we depend on our CANDO! workforce to win at the market place, our people also count on us for a safe workplace and good standard of living. We are committed to ensuring the healthy living and mental wellness of all our employees. We have continued to ensure medical practitioners engage employees on health talks and checks, exercise facilities and sports competitions to ensure fitness.

During the year, PZ Cussons had an environmental cleaning drive where employees in all major sites took to surrounding streets to clean. This was carried out amidst fanfare and afforded employees the opportunity to give back to the society while showcasing our heritage as an organisation. The event also doubled as a health walk ensuring work life balance and promoting healthy lifestyles.

We have recently launched an Employee Assistance Programme (EAP) in Nigeria through a global company aimed at promoting mental wellbeing. These are independent and confidential help lines that employees call to discuss various challenges and access free professional counsel.

Since the outbreak of COVID-19, we have institutionalised temperature checks, social distancing, hand and deep office sanitising, recovery rooms on site, etc. We provided employees with masks, portable sanitisers, transportation and feeding for those in the factory classified as essential services. Before the Federal Government lockdown, we proactively activated remote working to ensure the safety of employees as well as provision of work from home support like data and extra stipends for utilities.

Employer Branding

We have relaunched our Employee Value Proposition (EVP) to ensure our company is vibrant, energetic and youthful. This is shaping our culture, ways of working and impacts our processes at every stage of the employment cycle to give a rich employee experience. We recognise that we are a multi-generational company and want our younger generation to feel as comfortable working with us as the older ones. Therefore, our EVP is themed as a company **"Big enough to make a mark; Small enough to make it yours".** We continue to ensure that employees have enough autonomy to deliver fast and smart with utmost creativity.

GOOD4BUSINESS

Introduction

We believe passionately that business can be a force for positive change. More than that, we believe that businesses have an active obligation to make a positive contribution to society and to minimise any negative impacts on the environment from their operations.

For us at PZ Cussons Nigeria, this is not something new or unusual - it has been a key part of our culture and of who we are ever since the business was founded. We have always aimed to make a positive impact on society through the products which we sell, the way in which our products are designed, manufactured and packaged and through the contributions we make to the communities in which we operate. We do this because we know that it's the right thing to do. But also because we believe that it is Good4Business. By forging strong links with our local communities and mutually beneficial relationships with our business partners, by conducting our activities with integrity and responsibility and by helping to conserve the planet's precious natural resources, we are creating sustainable value for all our stakeholders, now and into the future. And by creating situations where everyone benefits – the planet, our consumers, our shareholders and our employees – we can be confident that this value will endure.

Our Good4Business (G4B) approach is at the heart of everything we do. It provides four areas of focus – what we call "lenses" – through which we can assess our business and ensure that we are driving sustainable value and growth through our day-to-day decision-making:

- Business Governance & Ethics
- Environment
- Sourcing
- Community and charity

G4B draws on the values and experience which have made PZ Cussons the company it is today. Our ambition is to grow the business while staying true to our authentic family spirit and we are guided by our wish to leave a legacy for the next generation which we can all (shareholders, customers and consumers, business partners, local communities and employees) be proud of.

Anti-Bribery and Corruption

PZ Cussons Nigeria Plc is committed to fighting bribery and corruption across all locations. We have an Anti-bribery and Corruption Policy which aims to align with all relevant Acts, Codes, Laws, Guidelines and Policies designed to prevent, detect and respond to issues on bribery and corruption.

In addition to our policy, we are guided by two anti-bribery legislation which are the Corrupt Practices and Other Related Offences Act of the Independent Corrupt Practices Commission (ICPC) and the Money Laundering (Prohibition) Act of the Economic and Financial Crimes Commission (EFCC).

Our Anti-bribery and Corruption Policy demonstrates the Company's zero tolerance for all forms of fraud including but not limited to active and passive bribery, corruption, asset misappropriation and financial statement fraud.

Data Privacy

At PZ Cussons Nigeria Plc, we care about how data is used and shared and we place a premium on the trust accorded us by our employees, customers and distributors. We utilise the highest standards of data privacy in storing information sourced from our value chain and communicate clearly the type of data we collect, what it is used for and additional analysis performed on the data if any. There are no recorded cases of breaches of data privacy in the reporting year.

Community and charity

We are committed to helping and supporting the local communities in the vicinity of our factories and offices. Many of our employees come from those communities and we are often reliant on them for their support, goodwill and cooperation. But our presence in the community puts us in the privileged position to help improve the living conditions and life chances of all of our neighbours. This obviously helps us to establish good relations with government and other local stakeholders but, more than this, it reflects a fundamental belief which has been at the heart of PZ Cussons' approach to business since the days of our founding fathers in the 1880's: for a business to grow sustainably, it must be a force for positive change in society.

PZ Cussons Nigeria Foundation
The PZ Cussons Foundation was established in 2007 to assist the development of better transport links and roads, potable water, sanitation, health and education and to improve the quality of the life of people living near our operations pan-Nigeria. The Foundation funds and implements projects which promote the well-being of local people, are sustainable and produce innovative solutions which be easily replicated throughout the country.

During the year, the Foundation undertook a number of projects including the construction of classrooms at HardFund Community Schools, Misau, Bauchi State, aimed at contributing to the promotion of education in the Community. Furthermore, it constructed a solar-powered borehole with an overhead storage tank capacity of 22,500 litres and two (2) 20 cubic metres livestock drinking troughs for the Gongosi Grazing Reserve, a rural pastoral community because of its huge social and economic impact.

Also, to curb the COVID-19 pandemic, the Foundation donated hygienic products to over 40,000 people towards controlling the spread of COVID-19 nationwide.

Global Handwashing Day
In October 2019 our Premier and Carex brands once again joined forces with United Purpose, our international development charity partner, to support Global Handwashing Day. This annual event, which was started by the United Nations ten years ago, touches over 200 million people and promotes a simple and life-saving message that handwashing with soap saves lives. Over the years, thousands of students have been inspired and empowered to encourage their schoolmates, families and communities to make handwashing a habit.

PZ Cussons Chemistry Challenge
PZ Cussons Chemistry Challenge is a CSR initiative of the PZ Cussons Foundation and was introduced as a means of promoting the study of chemistry through open competition amongst senior secondary schools. The competition has had 5 successful editions in Lagos State with recorded successes in the National Examination Council (NECO) and West African Examinations Council (WAEC) Chemistry pass rates.

For the 6th edition, PZ Cussons decided to adopt a regional approach. For the first time ever, the competition was held nationwide with three examination hubs, one each in Abuja, Lagos and Port Harcourt. The first stage of the competition which was an online test, received over 13,000 student registrations from the 36 states of the Federation which is the highest number of registrations ever recorded for the competition!

Key milestones achieved with the 6th edition, was the use of Computer Based Testing, the first of its kind for any pure science competition in Nigeria. In addition, the PZ Cussons Chemistry Challenge animated ad was aired on the Johnson's TV show on DSTv.

The top three winners of the 6th edition received cash prizes of N1,000,000, N750,000, and N500,000 respectively, laptops and a year's supply of Premier toilet soap. Additional prizes of laboratory equipment were given to the respective schools of the winners.

Teachers of the top three finalists also received cash prizes of N250, 000.00, N150,000 and N100,000.00 respectively as well as a year's supply of Premier Toilet Soap.

PZ Cussons Chemistry Challenge is Nigeria's number one pure science competition and is proudly sponsored by Premier – Nigeria's number 1 toilet soap.

Partnership with the National Office for Technology Acquisition and Promotion (NOTAP)
In the year under review, again the Company undertook a number of projects in partnership with **NOTAP**. The Company, being very passionate about the promotion of education in general with special focus on science, entered into partnership with NOTAP based on its common conviction that no meaningful break-through can be achieved in scientific inquiries without necessary state-of-the-art facilities and infrastructure comparable to those in renowned international research centres.

The Abubakar Tafawa Balewa University (ATBU) was the selected university for the year under review. It received significant equipment to upgrade its chemical laboratory which was commissioned 25 October 2019.

GOVERNANCE

An experienced Board with strong leadership

Mr. Gbenga Oyebode, MFR
Chairman

Gbenga Oyebode is the Chairman of Aluko & Oyebode (Barristers & Solicitors), one of the largest integrated law firms in Nigeria.

Gbenga was conferred with national honours of Nigeria (Member of the Order of the Federal Republic of Nigeria "MFR" and Belgium (Royal Honour of 'Knight of the Order of Leopold') in 2001 and 2007 respectively. He received INSEAD's inaugural International Directors Network (IDN) Recognition Award in 2020.

He was Chairman, Access Bank Plc (2005-2015), Director MTN Nigeria Plc (2001-2019, Chairman of Okomu Oil Palm Company Plc and serves on the Boards of Nestle Nigeria Plc, Lafarge Africa Plc (all listed on the Nigerian Stock Exchange), Socfinaf S.A (listed on the Luxemburg Stock Exchange) and he is the Chairman of CFAO Nigeria Plc.

Gbenga is the Chairman of Teach for Nigeria, Director Teach for All, New York, Member of the Global Advisory Council of the Africa Leadership Academy, Johannesburg, Director Jazz at the Lincoln Centre, New York and Director African Philanthropy Forum. Member Board of Trustees Carnegie Hall, New York. Member, Board of Trustees Ford Foundation, New York.

He is a Member of the International Council of Collectors - The Cleveland Museum of Art, Ohio; Member, Board of Trustees - The African Center, New York; Member, Advisory Board - Smithsonian's National Museum of African Art, Washington DC and Member of the International Circle, Amis du Centre Pompidou, Paris.

Mr. Panagiotis Katsis
Chief Executive Officer

A highly competent Managing Director with experience in managing complex businesses in demanding geographies with over 15 years working experience acquired across West Africa, China and Europe.

A results driven, self-motivated and resourceful managing director with a proven ability to develop and strengthen management teams in order to maximise company profitability and efficiency. Panos has a history of excelling in introducing organizational change and reengineering business processes to facilitate business excellence and competitive advantage. He has a master knowledge in sales & marketing including Route to Market & Revenue Growth Management, Trade marketing, Category Management, sales planning, brand marketing. Panos possesses excellent communication skills and is able to establish sustainable and profitable relationships with customers, suppliers and stakeholders across the world.

He first joined the company in 1998 and has held a number of leadership roles around the PZ Cussons Group in various parts of the world.

Panos, who speaks English and Greek, received a bachelor's degree in Business Administration from the University of Salford in Manchester and an MBA from the University of Warwick. He is a native of Greece.

Until his last appointment as Managing Director of TEC Appliances (Africa) in 2018, Panos was the CEO of the PZ Cussons Group food subsidiary in Greece from 2015 to 2018. Prior to this, he was the Managing Director for TEC Appliances (Nigeria) since 2010.

Mrs. Elizabeth Ebi
Independent Non-Executive Director

Mrs. Elizabeth Ebi is the Chief Executive Officer of Futureview Group and a First Class NYU Scholar with an MBA in Finance and Investment from George Washington University, Washington D.C.

She is the first female stockbroker licensed on The Nigerian Stock Exchange, a member of the Governing Council and Board of Fellows of the Chartered Institute of Stockbrokers, a two term member of the Technical Committee of the National Council on Privatization (BPE), a Member of the Board of Trustees of Redeemers University, African Missions Global and Member of Women Corporate Directors.

Upon retirement as an Executive Director from Chase Merchant Bank after a 15 years stellar career, Mrs. Ebi founded Futureview Group in 1996 comprising Futureview Securities, Futureview Financial Services and Futureview Bureau de Change Limited as the first female founder and MD/CEO of an investment Banking firm in Nigeria. A company she has successfully led for over 20 years to become a leading investment banking company in Nigeria. Over the years, she has won several laudable awards for her contribution in the Nigerian Capital Market including her induction into the Nigeria Women Hall of Fame by the National Centre for Women Development, Abuja 2008. She was appointed to the Board in June 2008.

Ms. Joyce Folake Coker
Human Resources & Administrative Director

Ms Coker joined the PZ Cussons Group in 2011 as the Human Resources Director. In 2014 she earned additional responsibility as the Regional HR Director for the Africa PZ Group.

She joined the Group with a wealth of experience across industries – Financial Services, Consulting, and Manufacturing/ Consumer goods having worked with top organisations like Universal Commercial Plc London, Accenture, Heirs Alliance, Unilever Nigeria & Unilever Group based in Kenya with responsibility across East, West & Central Africa region.

She earned her First degree from University of Lagos and Masters of Arts in Human Resources Management from the University of Westminster, London and is an alumnus of the London Business School and Cambridge University Business School. She is a member of Chartered Institute of Personnel Management Nigeria as well as the Institute of Directors.

Mr. Paul Usoro, SAN
Non-Executive Director

Mr Usoro, Senior Advocate of Nigeria, was educated at the Obafemi Awolowo University, Ile Ife. He is the Senior Partner of Paul Usoro & Co, a law firm founded by him and which has grown to become one of Nigeria's leading commercial law firms. Apart from being an acclaimed legal practitioner, Mr. Usoro has extensive boardroom experience having served as a director of diverse organizations. He is the only surviving pioneer director of Airtel Networks Limited and chairs its Board Audit Committee. He is the President of the Nigerian Bar Association.

Between 2008 and 2014, Mr. Usoro served on the Board of Premium Pensions Limited, Nigeria's leading pension funds administrator and chaired its Board Audit Committee. Mr. Usoro also serves as a director in Access Bank Plc and is also the Chairman of Marina Securities Limited. Mr. Usoro was appointed by President Goodluck Jonathan, GCFR to the Board of Nigerian Bulk Electricity Trading Plc in 2011 and chairs the Company's Board Audit Committee. Mr. Usoro was appointed to the Board of the Company in July 2011.

Mallam Dahiru Muhammad, FCIB
Independent Non- Executive Director

Mallam Dahiru Muhammad, a Fellow of the Chartered Institute of Bankers, was educated at the Ahmadu Bello University, Zaria and Vanderbilt University, Nashville Tennessee, USA. He was a Senior Lecturer in Economics at the University of Maiduguri and former Managing Director and CEO of New Africa Merchant Bank Ltd until his retirement in 1994.

Since then he has established a consultancy firm, Ardo Investments Ltd. as well as manufacturing outfits in plastics and oil and gas. Mallam has extensive boardroom experience being on board of several diverse organizations. He served as non-executive director of the Central Bank of Nigeria, the Nigeria Security Printing and Minting Company Plc and as Chairman, Newdevco Financial Services Ltd. He is currently on the Board of PZ Cussons Foundation, Pension Administrators Association of Nigeria and a member of the Governing Council of Bells University of Technology, Ota. Mallam was appointed to the Board in May 2016.

Mr. George Sotiropoulos
Executive Director, Supply Chain

Mr. Sotiropoulos was appointed as Executive Director, Supply Chain on 22nd March 2018. As the Managing Director for PZ Cussons Supply Chain Africa, he is responsible for the Group Supply Chain and Logistics. His primary responsibility is to support the commercial agenda of the business divisions and to develop a strong and self-sufficient Supply Chain team.

Mr. Sotiropoulos joined PZ Cussons in 1992 and after an initial period in Nigeria, he was transferred to Asia where he worked in developing the sales network in East Indonesia. He later led the Chinese and Indonesian commercial operations in the capacity of Managing Director before returning to Africa to take up the role of Managing Director, East Africa. He joined the Nigerian team in 2009 in the capacity of Managing Director, Supply Chain with the primary responsibility to deliver the "Unity" program and transform the manufacturing infrastructure. He was the Supply Chain Sponsor for Eagle Wave 2. He holds a Masters Degree from the University of Birmingham (UK) in Mechanical Engineering and Business Studies.

Mr. Zuber Momoniat
Chief Finance Officer

Mr. Momoniat is a qualified chartered accountant with close to two decades of cognate practice. He holds a BCom (Honours) in Accounting from the University of the Witwatersrand in Johannesburg South Africa.

Zuber began his accounting career with PriceWaterhouseCoopers "PwC" in 2003 and later joined the then SABMiller Group working across different countries and units of finance for over 11 years.

He was the Finance Director at International Breweries Plc. before joining PZ Cussons Nigeria Plc as the Chief Finance Officer of its African operations.

Mrs. Jacqueline Ezeokwelume
Company Secretary/Head, Corporate Services Africa

Mrs. Ezeokwelume joined PZ Cussons Nigeria Plc on 15th February 2018 as the Assistant Company Secretary and was appointed as the Company Secretary on 01 January 2020.

She oversees the Company's Secretarial, legal, Real Estate and Intellectual Property portfolios, data protection, risk management and Corporate Governance functions of the PZ Cussons business entities in Africa. She is a lawyer and a Corporate Governance Professional with over 12 years' experience.

Prior to her current role, she was a Senior Associate a leading Corporate Commercial Law Firm in Nigeria and also served as the Company Secretary/General Counsel of CR Services (Credit Bureau) Plc, the pioneer Credit Bureau in Nigeria.

An Associate of the Institute of Chartered Secretaries and Administrators of Nigeria, Mrs. Ezeokwelume is an alumnus of the Cardiff Business School, Wales and Swansea University, Wales.

Report of the Directors

for the year ended 31 May 2020

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 N'000	2019 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

The Directors holdings are direct interests. There are no indirect interests. 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, Mrs. Elizabeth Ebi, Mallam Dahiru Muhammad and Mr. Georgios Sotiropoulos will be retiring at the meeting. Mrs. Ebi and Mr. Sotiropoulos being eligible, have offered themselves for re-election. Mallam Dahiru Muhammad however, will be retiring at this General Meeting.

Mr. Gbenga Oyebode *MFR*, Mr. Panagiotis Katsis and Mr. Zuber Momoniat were appointed to the Board after the last Annual General Meeting. Their appointments are now being presented for Shareholders' Approval at the Annual General Meeting.

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	✓	✓	✓	✓	✓	✓	✓
Mr. C. Giannopoulos	✓	✓	✓	✓	✓	✓	✓
Mrs. E. Ebi	✓	✓	✓	✓	✓	✓	✓
Mallam D. Muhammad	✓	✓	✓	✓	✓	✓	AP
Mallam L. Batagarawa	✓	✓	✓	✓	✓	✓	✓
Mr. P. Usoro	AB	AB	✓	✓	✓	✓	✓
Ms. J. Coker	✓	✓	✓	✓	✓	✓	✓
Mr. A. Goma	✓	✓	R	R	R	R	R
Mr. P. Barreto[1]	✓	✓	✓	✓	✓	R	R
Mr. G. Sotiropoulos	✓	✓	✓	✓	✓	AP	✓
Mr. Z. Momonia[2]	NA	NA	NA	NA	NA	✓	✓
Mr. Panagiotis Katsis[3]	NA	NA	NA	NA	NA	NA	NA

✓ Present
AB Absent
R Resigned
NA Not Appointed

1 Mr. P. Barreto resigned on 31 March 2020.
2 Mr. Z. Momoniat became a member on 01 April 2020.
3 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.

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– 500000000	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
	75,681	**100.00**	**3,970,477,045**	**100.00**

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 – Resigned
- 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

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 – Resigned
- 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[1]	3	1
Mr. P. Katsis[2]	3	Nil

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

1 Mr. G. Sotiropoulos left the Committee on 22 January 2020.
2 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

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[1]	4	2
Mr G. Sotiropoulos[2]	4	2
Mr. Z. Momoniat[3]	4	Nil

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

1 Mr. A. Goma resigned 30 September 2020.
2 Mr. G. Sotiropoulos joined the Committee on 22 January 2020.
3 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 Mr. Gbenga Oyebode, MFR, 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

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 a Code of Conduct in compliance with the Exchange's Rules, 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. The Directors of the Group comply strictly with the required standard set out in Rule 17:15(d) of the Listings Rules and the Group's laid down Code of Conduct regarding securities trading in the Group's shares by Directors.

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.

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.

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 2 October 2020

BY ORDER OF THE BOARD

Jacqueline Ezeokwelume
Company Secretary/Legal Adviser

FRC/2015/NBA/00000020208
Lagos, Nigeria

Statement of Directors Responsibilities
for the year ended 31 May 2020

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 2 October 2020.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Mr. Gbenga Oyebode, MFR	Mr. Panagiotis Katsis
Chairman	Chief Executive Officer
FRC/2013/NBA/0000000254	FRC/2020/003/00000021969

Report of the Audit Committee

for the year ended 31 May 2020

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
2 October 2020

Members of the Audit Committee

Mrs. E. Ebi (Chairman)	Independent Non-Executive Director
Mr. O.I. Obarinde	Shareholders' representative
Mr. E.A. Akinduro	Shareholders' representative
Hon. B. Nwabughogu	Shareholders' representative
Mallam L. Batagarawa	Non-Executive Director
Mr. A. Goma	Executive Director (Retired)
Mr. G. Sotiropoulos (Greek)	Executive Director

FINANCIAL STATEMENTS

Deloitte.

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.

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Deloitte.

Key Audit Matter	How the matter was addressed in the audit

Impairment of Export Expansion Grant (EEG) Receivable and Unutilised Negotiable Duty Credit Certificates (NDCC)

Key Audit Matter

As indicated in Note 6 (Other long-term receivables) and Note 27 (Export expansion grant <EEG> 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 <NDCC> (now called Export Credit Certificate<ECC>) of N0.297 billion and N0.272 billion respectively as at 31 May 2020.

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.

In the last 6 years, the EEG scheme has not been operating as designed based on the following:

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.

- The NEPC stopped issuance of NDCC for settlement of EEG Receivable in January 2014.
- Previously issued NDCC in the custody of beneficiaries remained unutilised for more than 6 years due to non-acceptance of the NDDC by the Nigerian Customs Service for settlement of import duties in lieu of cash.
- 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).

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.

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.

This is considered a key audit matter in both the consolidated and separate financial statements.

How the matter was addressed in the audit

- 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.
- 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:
  - the Group is registered with NEPC
  - the Group has annual export sales proceeds in excess of N5 million; and
  - the group exports only made in Nigeria goods.
- 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.

The judgement and assumptions made by the directors for the assets impairment test were found to be appropriate.

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.

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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.

Deloitte.

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
2 October 2020 2020

Consolidated and Separate Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 May 2020

		Group		Company	
In thousands of naira	Note	**2020**	2019	**2020**	2019
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)
Gross profit		**8,621,850**	**17,101,235**	**4,534,778**	**12,203,906**
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)
Operating (loss)/profit		**(7,068,747)**	**2,273,012**	**(6,525,193)**	**1,028,107**
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)
(Loss)/profit before tax		**(7,984,735)**	**1,942,447**	**(6,392,401)**	**1,127,391**
Income tax expense	15	745,176	(786,596)	425,406	(549,036)
(Loss)/profit for the year		**(7,239,559)**	**1,155,851**	**(5,966,995)**	**578,355**
Other comprehensive income					
Total comprehensive (expense)/income for the year		**(7,239,559)**	**1,155,851**	**(5,966,995)**	**578,355**
Equity holders of the parent company		(6,921,291)	1,011,420	(5,966,995)	578,355
Non-controlling interest		(318,268)	144 431	–	–
		(7,239,559)	**1,155,851**	**(5,966,995)**	**578,355**
(Loss)/basic earnings per share (kobo)	23	(1.74)	0.25	(1.50)	0.15

The accompanying notes on pages 44 to 97 form an integral part of these financial statements.

Consolidated and Separate Statement of Financial Position

for the year ended 31 May 2020

In thousands of naira	Note	Group 2020	Group 2019	Company 2020	Company 2019
Assets					
Non-current assets					
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
Total non-current assets		**29,121,542**	**30,179,025**	**27,954,753**	**29,156,494**
Current assets					
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
Total current assets		**49,329,595**	**49,757,715**	**31,532,097**	**35,159,182**
Total assets		**78,451,137**	**79,936,740**	**59,486,850**	**64,315,676**
Equity and liabilities					
Equity					
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	–	–
Total Equity		**34,559,953**	**45,752,288**	**23,896,811**	**33,816,582**
Liabilities					
Non-current liabilities					
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	–
Total non-current liabilities		**5,795,000**	**3,291,133**	**6,951,097**	**4,221,430**
Current liabilities					
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	–
Total current liabilities		**38,096,184**	**30,893,319**	**28,638,942**	**26,277,664**
Total liabilities		**43,891,184**	**34,184,452**	**35,590,039**	**30,499,094**
Total equity and liabilities		**78,451,137**	**79,936,740**	**59,486,850**	**64,315,676**

These financial statements were approved by the Board of Directors on 28 September 2020 and signed on its behalf by:

Mr. Gbenga Oyebode, MFR
Chairman
FRC/2013/NBA/0000000254

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

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

Mr. Evans Eghosa Enabulele
Head, Financial Reporting & Accounting
FRC/2017/ICAN/00000017

The accompanying notes on pages 44 to 97 form an integral part of these financial statements.

Consolidated Statement of changes in Equity

for the year ended 31 May 2020

		Group Attributable to owners				
In thousands of naira	Note	Share capital	Share premium	Retained earnings	Non-controlling interest	Total 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 divided 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 divided 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 page 44 to 97 form an integral part of these financial statements.

Separate Statement of changes in Equity

for the year ended 31 May 2020

		Company Attributable to owners			
In thousands of naira	Note	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 June 2019		1,985,238	6,878,269	24,953,075	33,816,582
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**	**21,435,747**	**30,299,254**
Comprehensive income for the year					
Profit for the year		–	–	(5,966,995)	(5,966,995)
Total comprehensive income for the year		**–**	**–**	**(5,966,995)**	**(5,966,995)**
Transactions with owners					
Final dividend paid relating to year ended 31 May 2019	18.1a	–	–	(595,572)	(595,572)
Unclaimed divided 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**	**15,033,304**	**23,896,811**
Balance at 1 June 2018		1,985,238	6,878,269	24,886,872	33,750,379
Comprehensive income for the year					
Profit for the year		–	–	578,355	578,355
Total comprehensive income for the year		**–**	**–**	**578,355**	**578,355**
Transactions with owners, recorded directly in equity					
Final dividend paid relating to year ended 31 May 2018	18.1a	–	–	(595,572)	(595,572)
Unclaimed divided 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**	**24,953,075**	**33,816,582**

The accompanying notes on pages 44 to 97 form an integral part of these financial statements.

Consolidated and Separate Statement of Cash Flows
for the year ended 31 May 2020

In thousands of naira	Note	Group 2020	Group 2019	Company 2020	Company 2019
Cash flow from operating activities					
(Loss)/Profit before tax		(7,984,735)	1,942,447	(6,392,401)	1,127,391
Adjustments for:					
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)
		(4,850,394)	**4,684,712**	**(3,705,638)**	**3,447,784**
Change in:					
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
Cash generated from operating activities		**12,086,834**	**(10,065,105)**	**7,366,202**	**(4,013,438)**
Income tax paid	15	(441)	(156,442)	(441)	(156,442)
Net cash generated/(used in) from operating activities		**12,086,393**	**(10,221,547)**	**7,365,761**	**(4,169,880)**
Cash flow from investing activities					
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)
Net cash used in investing activities		**(1,398,264)**	**(1,559,149)**	**489,244**	**(3,380,485)**
Cash flow from financing activities					
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)
Net cash used in financing activities		**(2,414,038)**	**274,271**	**(1,268,813)**	**(2,622,670)**
Net increase in cash and cash equivalents		8,274,091	(11,506,425)	6,586,191	(10,173,035)
Cash and cash equivalents at 1 June	12	2,518,847	14,025,271	1,987,131	12,160,166
Cash and cash equivalents at 31 May 2020		**10,792,938**	**2,518,847**	**8,573,322**	**1,987,131**

The accompanying notes on pages 44 to 97 form an integral part of these financial statements.

Notes to the Consolidated and Separate Financial Statements
for the year ended 31 May 2020

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
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.

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.

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.

(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.

2. Summary of significant accounting policies of the Group and Company continued

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.

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.

(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.

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.

2. Summary of significant accounting policies of the Group and Company continued

For the purpose of the transition requirements, the date of initial application is the start if 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.

(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.

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.

2. Summary of significant accounting policies of the Group and Company continued

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 acquire 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.

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.

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. Summary of significant accounting policies of the Group and Company continued

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.

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.

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.

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.

2. Summary of significant accounting policies of the Group and Company continued

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.

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.

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.

2. Summary of significant accounting policies of the Group and Company continued

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.

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.

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) on page 58); 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) on page 59.

2. Summary of significant accounting policies of the Group and Company continued

(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.

(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) on page 58).
- 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).

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.

2. Summary of significant accounting policies of the Group and Company continued

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.

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.

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.

2. Summary of significant accounting policies of the Group and Company continued

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.

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.

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.

2. Summary of significant accounting policies of the Group and Company continued

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.

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.

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.

3. Financial risk management continued

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: In thousands of naira	Neither past due nor impaired	Up to 90 days	91– 180 days	Over 180 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
Total	**13,887,561**	**538,102**	**21,492**	**1,870,028**	**16,317,183**

31 May 2019 Financial assets: In thousands of naira	Neither past due nor impaired	Up to 90 days	91 – 180 days	Over 180 days	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
Total	**11,669,846**	**1,323,898**	**47,389**	**1,915,572**	**14,956,705**

Group

31 May 2020 Financial assets: In thousands of naira	Neither past due nor impaired	Up to 90 days	91 – 180 days	Over 180 days	Total
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
Total	**17,871,218**	**2,507,244**	**23,275**	**1,914,256**	**22,316,263**

31 May 2019 Financial assets: In thousands of naira	Neither past due nor impaired	Up to 90 days	91–180 days	Over 180 days	Total
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
Total	**14,278,997**	**2,751,535**	**101,993**	**1,960,609**	**19,093,134**

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:

	Company	
In thousands of naira	**2020**	2019
Credit rating		
B	8,573,322	1,987,131

	Group	
In thousands of naira	**2020**	2019
Credit rating		
B	10,792,938	2,518,847

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.

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 days	Up to 180 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 days	Up to 180 days	Total
Trade and other payables – excluding sundry creditors (Note 18)	13,912,621	10,630,127	24,542,748

3. Financial risk management continued

Group

31 May 2020 In thousands of naira Financial liabilities:	Up to 90 days	Up to 180 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 days	Up to 180 days	Total
Trade and other payables – excluding sundry creditors (Note 18)	22,460,044	5,298,365	27,758,409

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.

	Group		Company	
In thousands of naira	**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)
Net Interest earned from/(paid to) related parties	**(149,263)**	**(9,030)**	**61,904**	**217,644**
Average interest rate for the year (%)	11.8	13.0	11.8	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**
Foreign Currency ($'000)	**(49,815)**	(39,720)	**(20,436)**	(18,568)

	Assets		Assets	
	2020	2019	**2020**	2019
Foreign Currency ($'000)	**3,609**	2,063	**3,359**	2,063
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

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

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.

4a. Property, plant and equipment

Group – 2020

In thousands of naira	Leasehold Land and Buildings	Plant and machineries	Furniture, Fittings and IT equipment	Motor vehicles	Capital Work in Progress (WIP)	Total
Cost						
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)
At 31 May, 2020	**19,694,904**	**25,281,119**	**3,560,997**	**564,560**	**2,051,988**	**51,153,568**
Depreciation						
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)
At 31 May, 2020	**4,201,472**	**17,261,710**	**2,935,584**	**564,560**	**–**	**24,963,326**
Cost						
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)	–
At 31 May, 2019	**19,542,829**	**24,841,301**	**3,408,183**	**569,010**	**1,257,060**	**49,618,383**
Depreciation						
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
At 31 May, 2019	**3,840,414**	**15,341,101**	**2,526,997**	**569,010**	**–**	**22,277,522**
Carrying amounts						
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).

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

In thousands of naira	Leasehold Land and Buildings	Plant and machineries	Furniture, Fittings and IT equipment	Motor vehicles	Capital Work in Progress (WIP)	Total
Cost						
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)
At 31 May, 2020	**19,025,340**	**23,629,427**	**3,294,321**	**481,111**	**1,831,091**	**48,261,290**
Depreciation						
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)
At 31 May, 2020	**4,147,177**	**16,302,519**	**2,701,620**	**481,111**	**–**	**23,632,427**
Cost						
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)	–
At 31 May, 2019	**19,025,340**	**23,181,966**	**3,150,283**	**485,561**	**1,156,339**	**46,999,489**
Depreciation						
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
At 31 May, 2019	**3,796,490**	**14,548,629**	**2,309,848**	**485,561**	**–**	**21,140,528**
Carrying amounts						
At 31 May 2020	**14,878,163**	**7,326,908**	**592,701**	**–**	**1,831,091**	**24,628,863**
At 31 May 2019	**15,228,850**	**8,633,337**	**840,435**	**–**	**1,156,339**	**25,858,961**

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).

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

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

	Group **2020**	**Company** **2020**
Non-Current	119,847	91,887
Current	155,195	117,837
	275,042	**209,724**

4c. Intangible Assets

	Group		Company	
In thousands of naira	**2020**	2019	**2020**	2019
Cost				
At 1 June	1,059,618	1,059,618	1,059,618	1,059,618
Additions	–	–	–	–
At 31 May	**1,059,618**	**1,059,618**	**1,059,618**	**1,059,618**
Accumulated amortisation				
At 1 June	(211,924)	(105,962)	(211,924)	(105,962)
Charge for the year	(105,962)	(105,962)	(105,962)	(105,962)
At 31 May	**(317,886)**	**(211,924)**	**(317,886)**	**(211,924)**
Carrying amount				
At 31 May	**741,732**	**847,694**	**741,732**	**847,694**

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.

5. Investment in Subsidiary

In thousands of naira	Company 2020	Company 2019
At 31 May	**504,406**	504,406

	Investment amount	Country of incorporation and place of business	Nature of business	Nature of business %	Proportion of shares held by NCI %
HPZ Limited	504,406	Nigeria	Household electrical appliances Nigeria manufacturer	74.99	25.01

HPZ Limited

In thousands of naira	2020	2019
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)
(Loss)/Profit for the year	**(1,336,343)**	**577,496**
Profit attributable to owners of the Company	(1,002,124)	433,064
Profit attributable to the non-controlling interests	(334,219)	144,432
(Loss)/Profit for the year	**(1,336,343)**	**577,496**
Other comprehensive income attributable to owners of the Company		
Other comprehensive income attributable to the non-controlling interests		
Other comprehensive income for the year		
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
Total comprehensive income for the year	**(1,336,343)**	**577,496**
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)
Net cash outflow	**1,687,901**	**(1,333,390)**

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 currents assets to other long-term receivables.

	Group		Company	
In thousands of naira	**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
Total	**1,914,526**	**1,990,470**	**1,870,028**	**1,945,433**

7. Inventories

	Group		Company	
In thousands of naira	**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
Total	**26,258,699**	**28,599,056**	**15,654,747**	**19,168,436**

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).

8. Trade and other receivables

Receivables due within one year:

	Group		Company	
In thousands of Naira	**2020**	2019	**2020**	2019
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)
Net trade receivables	**5,538,576**	**9,612,882**	**1,990,009**	**4,783,129**
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
Total	**8,016,571**	**13,281,886**	**4,087,173**	**8,028,500**

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.

8.1 Allowance for impairment of trade receivables

31 May 2020 In thousands of Naira	Trade receivables – days past due Not Due	1–30	31–60	61–90	91–180	> 180	Total
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)**
	3,008,057	**949,256**	**1,169,472**	**388,516**	**23,275**	**–**	**5,538,576**

31 May 2019	Trade receivables - days past due Not Due	1–30	31–60	61–90	91–180	> 180	Total
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)**
	6,759,354	**1,880,417**	**488,934**	**382,184**	**101,993**	**–**	**9,612,882**

Company

31 May 2020	Trade receivables - days past due Not Due	1–30	31–60	61–90	91–180	> 180	Total
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)**
	1,430,415	**248,395**	**219,832**	**69,875**	**21,492**	**–**	**1,990,009**

31 May 2019	Trade receivables - days past due Not Due	1–30	31–60	61–90	91–180	> 180	Total
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)
	3,411,842	1,100,050	145,217	78,631	47,389	–	4,783,129

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

8. Trade and other receivables continued

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

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

8.2 Trade receivables impaired (ageing)

	Group		Company	
In thousands of Naira	**2020**	2019	**2020**	2019
Trade receivables impaired (ageing)				
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
Total	**1,370,296**	**1,233,054**	**1,109,437**	**871,275**

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.

9. Loan receivables

	Group		Company	
In thousands of Naira	**2020**	2019	**2020**	2019
Cash advance (Note 28.2)	2,049,000	1,883,900	2,049,000	3,464,576
Total	**2,049,000**	**1,883,900**	**2,049,000**	**3,464,576**

Loan receivable relates to cash advance made to related party.

10. Other assets

	Group		Company	
In thousands of Naira	**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
Total	**1,010,312**	**1,270,003**	**849,486**	**920,003**

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

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 2020	Group 2019	Company 2020	Company 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	–
Total	**10,792,938**	**2,518,847**	**8,573,322**	**1,987,131**

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

13. Share capital

	2020 Number in thousands	2020 Amount	2019 Number in thousands	2019 Amount
Authorised:				
Ordinary shares of 50k each	4,000,000	2,000,000	4,000,000	2,000,000
Allotted, called up and fully paid:				
Ordinary shares of 50k each	3,970,477	1,985,238	3,970,477	1,985,238

14. Deferred Income

	Group 2020	Group 2019	Company 2020	Company 2019
Advance from customers	54,442	–	–	–
Rent in advance	27,432	–	27,432	–
Total	**81,874**	**–**	**27,432**	**–**

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.

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 2019
Deferred Income:				
Non-Current	61,047	–	6,605	–
Current	20,827	–	20,827	–
Total	**81,874**		**27,432**	

15. Taxation

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 2019
Income tax expense:	**384,035**			
Company income tax in respect of current year	351,191	178,671	201,185	178,671
Education tax in respect of current year	32,844	14,322	25,488	14,322
Reversal of over-provision of prior year tax	–	(199,377)	–	(199,377)
Effect on initial application of IFRIC 23 – current year (Note 16.2)	14,241	–	14,241	–
Total current tax	**398,276**	**(6,384)**	**240,914**	**(6,384)**
Deferred tax:				
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	–
Total deferred tax (Note 16)	**(1,143,452)**	**792,980**	**(666,320**	**555,420**
Income tax expense	**(745,176)**	**786,596**	**(425,406)**	**549,036**

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:

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 2019
Profit before tax	**(7,984,735)**	**1,942,447**	**(6,392,401)**	**1,127,391**
Income tax using the domestic corporation tax rate of 30% (2019: 30%)	(2,395,421)	582,734	(1,917,720)	338,217
Tax effects of:				
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	–
Total income tax expense in income statement	**(745,176)**	**786,596**	**(425,406)**	**549,036**

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:

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 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)
At 31 May	**620,176**	**192,993**	**462,814**	**192,993**

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

16. Deferred taxation

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 2019
The analysis of deferred tax liabilities is as follows:				
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	3,214,813	2,421,833	4,221,430	3,666,010
Charged/(credited) to income statement (Note 15)	(1,357,233)	792,980	(879,933)	555,420
Effect on initial application of IFRIC 23 – prior year (Note 16.2)	3,297,495	–	3,297,495	–
Effect on initial application of IFRIC 23 – current year (Note 16.2)	213,613	–	213,613	–
As at 31 May	**5,368,688**	**3,214,813**	**6,852,605**	**4,221,430**

The movement in deferred tax liability is as follows:

In thousands of naira	Group Property, plant and equipment	Group Provisions	Group Total	Company Property, plant and equipment	Company Provisions	Company Total
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	Group 2020	Group 2019
Deferred tax liabilities	6,852,605	4,221,430
Deferred tax assets	(1,483,917)	(1,006,617)
Net deferred tax liabilities	**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:

In thousands of naira	On Transition 1-Jun-19	Year Ended 31-May-20	At Year End 31-May-20
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	Group 2020	Group 2019	Company 2020	Company 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.

18. Trade and other payables

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 2019
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
Total	37,200,556	29,343,428	28,037,464	25,835,801

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:

	Group		Company	
In thousands of naira	**2020**	2019	**2020**	2019
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

	Group		Company	
In thousands of naira	**2020**	2019	**2020**	2019
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)
Balance at 31 May	**1,860,703**	**1,966,545**	**1,860,703**	**1,966,545**

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

	Group		Company	
In thousands of naira	**2020**	2019	**2020**	2019
Cash advance	–	1,173,870	–	248,870
	–	**1,173,870**	**–**	**248,870**

20a. Expense by nature

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 2019
Changes in inventories of finished goods and work in progress	49,463,744	49,666,107	26,593,016	27,549,975
Personnel expenses (Note 24.4)	7,648,317	7,797,499	5,894,044	6,122,806
Fuel and gas	1,537,659	1,622,102	1,510,978	1,584,690
Depreciation (Note 4a)	2,690,254	2,543,853	2,496,349	2,348,655
Depreciation – Right-of-use (Note 4b)	190,362	–	147,856	–
Amortization charge – Intangible assets (Note 4c)	105,962	105,962	105,962	105,962
Auditors remuneration	123,238	50,945	92,769	37,987
Directors emoluments (Note 24.1)	217,961	235,903	217,961	235,903
Rent and rates	102,010	201,848	91,593	212,648
Insurance	356,390	423,763	346,665	416,704
Freight/carriage cost	2,513,657	3,255,843	1,360,855	2,148,741
Security	315,967	338,734	314,399	336,578
PZ Foundation donation	50,000	50,000	50,000	50,000
Global shared services support	2,197,681	–	1,482,625	–
Vehicle repairs and maintenance	685,292	183,814	561,601	147,645
Technical Know, R&D support, Trade mark & Management fees (Note 26)	2,851,936	3,035,091	2,851,936	3,035,091
Advertising and market promotions	1,559,012	1,514,636	875,232	871,701
Allowance for doubtful receivables (Note 8.1)	137,242	106,210	113,907	98,974
Vehicle leasing	–	626,571	–	505,699
General and other expenses	1,314,624	304,575	356,668	363,053
	74,061,308	**72,063,456**	**45,464,416**	**46,172,812**
Cost of sales	58,370,711	57,235,233	34,404,445	34,997,013
Selling and distribution expenses	10,213,698	10,695,229	6,398,454	7,406,105
Administrative expenses	5,476,899	4,132,994	4,661,517	3,769,694
	74,061,308	**72,063,456**	**45,464,416**	**46,172,812**

20b. Exchange loss

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 2019
Foreign exchange loss	945,860	444,277	248,873	381,673

21a. Other income

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 2019
Scrap sales and rental income	177,635	122,742	318,261	263,313
Profit on disposal of fixed assets	1,500	–	1,500	–
	179,135	**122,742**	**319,761**	**263,313**

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:

	Group		Company	
In thousands of naira	**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	–	–
Total	**66,992,561**	**74,336,468**	**38,939,223**	**47,200,919**

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.

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. Operating segments continued

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

As at May 2020 In thousands of naira	Home and Personal Care Products	Durable electrical appliances	Eliminations	Total
Revenue				
Total gross segment revenue	38,939,223	28,053,338	–	66,992,561
Intersegment revenue	–	–	–	–
Total Revenue	38,939,223	28,053,338	–	66,992,561
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)
Profit before taxation	**(6,392,401)**	**(1,592,334)**	**–**	**(7,984,735)**
Taxation (Note 16)	425,406	319,770	–	745,176
Profit after taxation	**(5,966,995)**	**(1,272,564)**	**–**	**(7,239,559)**

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

As at May 2019 In thousands of naira	Home and Personal Care Products	Durable electrical appliances	Eliminations	Total
Revenue				
Total gross segment revenue	47,200,919	27,135,549	–	74,336,468
Intersegment revenue	–	–	–	–
Total Revenue	47,200,919	27,135,549	–	74,336,468
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)
Profit before taxation	**1,127,391**	**815,056**	**–**	**1,942,447**
Taxation (Note 16)	(549,036)	(237,560)	–	(786,596)
Profit after taxation	**578,355**	**577,496**	**–**	**1,155,851**

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).

22.2 Segment assets

As at May 2020 In thousands of naira	Home and Personal Care Products	Durable electrical appliances	Eliminations	Total
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
Total segment assets	**57,165,791**	**16,196,809**	**–**	**73,362,600**
Unallocated assets	2,321,058	2,767,479	–	5,088,537
Consolidated total assets	**59,486,849**	**18,964,288**	**–**	**78,451,137**

As at May 2019 In thousands of naira	Home and Personal Care Products	Durable electrical appliances	Eliminations	Total
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
Total segment assets	**60,831,796**	**15,048,949**	**–**	**75,880,745**
Unallocated assets	3,483,880	572,115	–	4,055,995
Consolidated total assets	**64,315,676**	**15,621,064**	**–**	**79,936,740**

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 amortisation		Additions to non-current assets Company	
In thousands of naira	**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
	2,796,216	**2,649,815**	**1,539,635**	**1,454,385**

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.

22. Operating segments continued

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

	Revenue from external customers		Non-current assets	
In thousands of naira	**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	–	–
Total revenue from contract with customers	**66,992,561**	**74,336,468**	**29,121,542**	**30,179,025**

Company

	Revenue from external customers		Non-current assets	
In thousands of naira	**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	–	–
Total revenue from contract with customers	**38,939,223**	**47,200,919**	**27,954,752**	**29,156,494**

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.

24. Directors and employees emoluments

24.1

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 2019
Chairman and director's emoluments:				
Chairman	9,550	9,050	9,550	9,050
Directors	208,411	226,853	208,411	226,853
Total	**217,961**	**235,903**	**217,961**	**235,903**
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
Total	**217,961**	**235,903**	**217,961**	**235,903**

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

	Group 2020 Number	Group 2019 Number	Company 2020 Number	Company 2019 Number
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 – N90,0000,000	–	1	–	1
N90,000,001 – N100,000,001	1	1	1	1
N100,000,001 – N125,000,000	–	–	–	–
Directors with salaries and allowances as emoluments	**5**	**5**	**5**	**5**

24.2.2 Non-Executive Directors

	Group 2020 Number	Group 2019 Number	Company 2020 Number	Company 2019 Number
N1,000,000 – N5,000,000	–	–	–	–
N5,000,001 – Nl0,000,000	5	5	5	5
Directors with fees and emoluments	**5**	**5**	**5**	**5**
Directors with no emoluments	–	–	–	–
Total	**5**	**5**	**5**	**5**

24.3 Highest paid director received

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 2019
Highest paid director received	94,366	96,910	94,366	96,910

24. Directors and employees emoluments continued

24.4 Personnel expenses

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

	Group		Company	
In thousands of naira	**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
Total	**7,648,317**	**7,797,499**	**5,894,044**	**6,122,806**

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 Number	2019 Number	**2020 Number**	2019 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
Total	**1,302**	**1,392**	**933**	**1,009**

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

	Group		Company	
	2020 Number	2019 Number	**2020 Number**	2019 Number
Production	792	1,016	595	734
Sales and distribution	405	237	248	147
Administration	105	139	90	128
Total	**1,302**	**1,392**	**933**	**1,009**

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:

	Group		Company	
In thousands of naira	**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
Total	**1,561,093**	**1,960,609**	**1,317,206**	**1,915,572**

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. The last agreement expired in May 31, 2019. The company is in the process of initiating the new 3 year agreement covering June 1, 2019 - May 31, 2022. For the year ended 31 May 2020, the total technical service fee of N2,851,936,044 (2019:N 3,035,091,420) was recognized inclusive of VAT.

NOTAP 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
Sub total			**2,851,936**	**3,035,091**
IT Recharge			2,197,681	–
Total			**5,049,617**	**3,035,091**

* NIV - Net Invoice Value (NIV) represents the invoiced value of Products sold in Nigeria (domestic) after deduction of trade discounts. Revenue amount disclosed in Note 21 comprises NIV and export sales less trade rebate

* PBT - Profit before tax

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:

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

	Group		Company	
In thousands of naira	**2020**	2019	**2020**	2019
At 1 June	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)	–
At 31 May	**1,617,035**	**1,663,118**	**1,598,115**	**1,643,659**

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:

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

Below is the analysis of NDDC unutilized for the year:

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 2019
At 1 June	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)	–
At 31 May	**297,491**	**297,491**	**271,913**	**271,913**

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

	EEG≤1 year	1 year≥ EEG ≤ 2years	EEG> 2years	Total
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:

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

	Group		Company	
In thousands of naira	**2020**	2019	**2020**	2019
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	–
Total	**39,961,167**	**36,246,503**	**11,644,493**	**15,013,626**

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 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
	2,851,936	**3,035,091**	**2,851,936**	**3,035,091**
Recharge of services from PZ Cussons (Holdings) Limited (parent company)				
• Global shared services support	2,197,681	–	1,482,625	–
Total	**45,010,784**	**39,281,594**	**15,979,054**	**18,048,717**
Sales of goods				
• PZ Cussons Ghana Limited	1,882,409	759,495	1,882,409	759,495
• PZ Cussons East Africa Limited, Kenya	681	–	681	–
	1,883,090	**759,495**	**1,883,090**	**759,495**
Recharge of service cost recovery – Distribution fees:				
• 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
Sub-total A	**910,441**	**1,492,445**	**2,903,556**	**3,677,229**
Recharge of local shared services by PZ Cussons Nigeria Plc				
• 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
Sub-total B	**910,441**	**1,387,870**	**2,903,556**	**3,419,567**
Net Recharge/Recovery of service cost (A-B)	–	104,575	–	257,662
Total	**1,883,090**	**864,070**	**1,883,090**	**1,017,157**

28. Related party transactions continued

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 .

	Group		Company	
In thousands of naira	**2020**	2019	**2020**	2019
Due to:				
• **Subsidiaries of PZ Cussons Nigeria Plc**				
• HPZ Limited	–	–	4,452,648	6,186,173
Sub Total	**–**	**–**	**4,452,648**	**6,186,173**
• **Joint ventures and subsidiaries of PZ Cussons (Holdings) Limited UK ****				
• 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	–	–
Sub Total	**27,883,726**	**20,087,395**	**16,455,287**	**11,521,223**
Total	**27,883,726**	**20,087,395**	**20,907,935**	**17,707,396**
Due from:				
• **Subsidiaries of PZ Cussons Nigeria Plc**				
• HPZ Limited	–	–	82,440	1,584,419
Sub Total	**–**	**–**	**82,440**	**1,584,419**

• **Joint ventures and subsidiaries of PZ Cussons (Holdings) Limited UK ****	Group		Company	
	2020	2019	**2020**	2019
• 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
Sub Total	**3,097,280**	**3,989,569**	**3,097,280**	**3,989,569**
Total	**3,097,280**	**3,989,569**	**3,179,720**	**5,573,988**

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

In thousands of naira	Group 2020	Group 2019	Company 2020	Company 2019
Included within the closing balances above are short-term cash advances due from related parties:				
• 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
Total	**2,049,000**	**1,883,900**	**2,049,000**	**3,464,576**
Included within the closing balances above are short-term cash advances due to related parties:				
• Nutricima Limited	–	–	–	248,870
• Harefield Industrial Nigeria Limited	–	1,123,870	–	–
• PZ Coolworld Limited	–	50,000	–	–
Total	**–**	**1,173,870**	**–**	**248,870**

** 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.

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 uneliminated 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.

	Group		Company	
In thousands of naira	**2020**	2019	**2020**	2019
Interest paid to related companies				
Nutricima Limited	(349,762)	(197,954)	(231,868)	(126,315)
Harefield Industrial Nigeria Limited	(46,464)	–	(13,657)	–
PZ Coolworld Limited	(1,695)	–	–	–
	(397,921)	**(197,954)**	**(245,525)**	**(126,315)**
Interest paid to banks	**(56,313)**	**(106,073)**	**(30,990)**	**(49,553)**
Total interest Cost	**(454,234)**	**(304,027)**	**(276,515)**	**(175,868)**
Interest earned from related companies				
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
	234,072	**279,357**	**297,450**	**393,512**
Interest earned from banks	**70,899**	**15,640**	**40,969**	**–**
Total Interest income	**304,971**	**294,997**	**338,419**	**393,512**
Net finance (cost)/Income	**(149,263)**	**(9,030)**	**61,904**	**217,644**

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 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 N4.1 billion.

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
for the year ended 31 May 2020

Value added statement

	Group				Company			
In thousands of naira	**2020**	%	2019	%	2020	%	2019	%
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)	
Value added	**3,104,393**	**100**	**12,693,788**	**100**	**2,528,325**	**100**	**9,880,682**	**100**
Applied as follows:								
To pay employees:								
• Salaries, wages and other benefits	7,648,317	246	7,797,499	61	5,894,044	233	6,122,806	62
To pay government:								
• Income and education taxes	398,276	13	(6,384)	0	240,914	10	(6,384)	0
To pay providers of capital:								
• Interest cost	454,234	15	304,027	2	276,515	11	175,868	2
Retained for replacement of assets and business growth:								
• Deferred taxation	(1,143,452)	(37)	792,980	6	(666,320)	(26)	555,420	6
• Depreciation – property, plant & equipment	2,690,254	87	2,543,853	20	2,496,349	99	2,348,655	24
• Depreciation – right-of-use assets	190,362	6	–	0	147,856	6	–	0
• Amortization – intangible assets	105,962	3	105,962	1	105,962	4	105,962	1
• Non controlling interest	(318,268)	(10)	144,431	1				
• (Loss)/Profit attributable to equity holders of the parent company	(6,921,291)	(223)	1,011,420	8	(5,966,995)	(236)	578,355	6
Total	**3,104,393**	**100**	**12,693,788**	**100**	**2,528,325**	**100**	**9,880,682**	**100**

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.

This report is not prepared under IFRS. Instead it has been prepared in compliance with the Companies and Allied Matters Act of Nigeria.

Five Year Financial Summary
Group

In thousands of naira	**2020**	2019	2018	2017	2016
Statement of financial position:					
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
Total asset	**78,451,137**	**79,936,740**	**88,615,970**	**90,087,525**	**74,430,174**
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
Total equity and liabilities	**78,451,137**	**79,936,740**	**88,615,970**	**90,087,525**	**74,430,174**

In thousands of naira	**2020**	2019	2018	2017	2016
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
Per 50K Share					
(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

In thousands of naira	2020	2019	2018	2017	2016
Statement of financial position:					
Non-current assets	27,954,753	29,156,494	30,255,829	28,582,245	25,844,128
Current assets	31,532,097	35,159,182	44,320,290	44,457,365	32,435,474
Total asset	**59,486,850**	**64,315,676**	**74,576,119**	**73,039,610**	**58,279,602**
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	28,638,942	26,277,664	37,159,730	35,003,206	20,379,128
Total equity and liabilities	**59,486,850**	**64,315,676**	**74,576,119**	**73,039,610**	**58,279,602**

In thousands of naira	2020	2019	2018	2017	2016
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	(5,966,995)	578,355	1,630,557	2,235,631	389,999
Per 50K Share					
(Loss)/Earnings per share (Naira)	(1.50)	0.15	0.41	0.56	0.10
Net assets per share (Naira)	6.02	8.52	8.50	8.58	8.51

(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.

This report is not prepared under IFRS. Instead it has been prepared in compliance with the Companies and Allied Matters Act of Nigeria.

OTHER INFORMATION

Shareholders' Information

Share Certificate Issued		Dividends declared in the last 12 years	
Date issued	Basis	Year to 31 May	Payment number
13 November 1973	Bonus of 1 for 4		
19 November 1974	Bonus of 1 for 5		
6 April 1976	1 AIL for 1 PZNL share		
7 February 1977	Bonus of 1 for 2		
28 October 1977	Public issue for cash		
31 March 1978	Bonus of 1 for 4		
23 December 1980	Bonus of 1 for 4		
21 December 1981	Bonus of 1 for 4		
17 January 1983	Bonus of 1 for 4		
16 December 1988	Bonus of 1 for 4		
31 December 1990	Bonus of 1 for 4		
31 December 1991	Bonus of 1 for 4		
28 November 1992	Bonus of 1 for 4		
25 November 1993	Bonus of 1 for 4	2006	40
24 November 1994	Bonus of 1 for 4	2007	41
23 November 1995	Bonus of 1 for 4	2008	42
19 February 1997	Bonus of 1 for 4	2009	43
4 September 2000	Rights issue for cash	2010	44
25 November 2002	Bonus of 1 for 5	2011	45
18 November 2004	Bonus of 1 for 4	2012	46
28 March 2006	Rights issue for cash	2013	47
20 September 2007	Bonus of 1 for 4	2014	48
15 September 2011	Bonus of 1 for 4	2015	49
		2016	50
		2017	51
		2018	52
		2019	53

Forfeiture of unclaimed dividend

By section 385 of the Companies and Allied Matters Act, dividends are special debt due to and recoverable by shareholders within 12 years. Dividend declared up to 31 May 2006 and payable from 2007 (dividend number 41) which remained unclaimed will therefore cease to be recoverable by this year (2019/2020). This unclaimed dividend will be credited to the general reserves in 2020/2021. The dividend payment and value of unclaimed dividend in this category are as follows:

Dividend Number	Value (N)
Dividend number 41	N93,172,546.10

Share Capital History

For the year ended 31 May 2020

The Company was incorporated with an authorised share capital of £40,000 Ordinary Shares of £1 each. The Company became a public limited liability company and had its shares subdivided into Ordinary Shares of 50 Kobo each on 19 July 1972, following which its shares were quoted on the Exchange in the same year.

The following changes have since taken place in the Company's authorised capital:

On 27 April 1951 by	£60,000 to	£100,000 in shares of £1
On January 1968 by	£150,000 to	£250,000 in shares of £1
On 14 May 1970 by	£350,000 to	£600,000 in shares of £1
On 09 February by	£400,000 to	£1,000,000 in shares of £1

On 19 July 1972, the shares of £1 each were subdivided into 4 shares of 5/- each. At that date, the capital of the Company was £1,000,000 in 4,000,000 ordinary shares of 5/- each.

On 12 November 1973 by	N500,000 to	N2,500,000
On 18 November 1974 by	N500,000 to	N3,000,000
On 08 January 1976 by	N2,500,000 to	N5,500,000
On 24 November 1976 by	N2,500,000 to	N5,500,000
On 13 April 1977 by	N4,000,000 to	N12,000,000
On 17 March 1978 by	N3,000,000 to	N15,000,000
On 26 November 1980 by	N3,500,000 to	N18,500,000
On 24 November 1981 by	N5,000,000 to	N23,500,000
On 23 November 1982 by	N5,500,000 to	N29,000,000
On 24 November 1988 by	N11,000,000 to	N40,000,000
On 23 November 1989 by	N35,000,000 to	N75,000,000
On 22 November 1990 by	N75,000,000 to	N150,000,000
On 24 November 1994 by	N135,000,000 to	N285,000,000
On 23 November 1995 by	N265,000,000 to	N550,000,000
On 21 November 1996 by	N300,000,000 to	N850,000,000
On 16 November 2000 by	N150,000,000 to	N1,000,000,000
On 31 October 2002 by	N250,000,000 to	N1,250,000,000
On 21 October 2004 by	N100,000,000 to	N1,500,000,000
On 20 September 2007 by	N100,000,000 to	N1,600,000,000
On 15 September 2011 by	N400,000,000 to	N2,000,000,000

72nd Annual General Meeting

29 January 2021

Shareholders' Admission Form

Please admit Shareholder ______________________________

Or in his/her place Mr/Mrs/Miss ______________________________

To represent him/her at the 72nd ANNUAL GENERAL MEETING of this Company to be held at 11.00 a.m. on Friday, 29 January 2021 at the Command Centre, 45/47 Town Planning Way, Ilupeju, Lagos.

THIS FORM SHOULD BE COMPLETED, TORN OFF, AND PRODUCED BY THE SHAREHOLDER OR HIS/HER NOMINEE IN ORDER TO GAIN ENTRANCE TO THE MEETING.

Mrs Jacqueline Ezeokwelume
Company Secretary/Legal Adviser

Proxy Form

Please tear off and complete

I/We ____

Of ____

Being a member/members of PZ CUSSONS NIGERIA PLC
Hereby appoint*

Of ____

or failing him/her, the Chairman of the meeting as my/our proxy to act and vote for me/us and on my/our behalf at the 72nd Annual General Meeting of the Company to be held at the Command Centre, 45/47 Town Planning Way, Ilupeju, Lagos 11.00 a.m. on Friday, 29 January 2021 and of any adjournment thereof.

	Resolution **	For	Against	Abstain
1	To lay before members the Report of the Directors, Financial Statements for the year ended 31 May 2020, the Report of the Auditors and the Audit Committee thereon			
2	To declare a dividend			
3	a) To re-elect Mrs. Elizabeth Ebi as a director b) To re-elect Mr. Georgios Sotiropoulos as a director c) To elect Mr. Panagiotis Katsis as a director d) To elect Mr. Zuber Momoniat as a director e) To elect Mr. Gbenga Oyebode, MFR as a director			
4	To authorise the directors to fix the remuneration of the Auditors			
5	To elect members of the Audit Committee			
6	To approve the remuneration of the directors			
7	To consider and pass the following resolution as an ordinary resolution of the Company: "That the general mandate given to the Company to enter into recurrent transactions with related parties for the Company's day-to-day operations, including the procurement of goods and services, on normal commercial terms, in compliance with the NSE Rules Governing Transactions with Related Parties or Interested Persons, be and is hereby renewed"			

** Please indicate with an "X" in the appropriate space how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain at his/her discretion.

As witness my/our hands(s) this ____________ day of ______________________________ 2021

Signed:____

NOTE

(i) THIS PROXY FORM SHOULD NOT BE COMPLETED/RETURNED IF THE MEMBER IS ATTENDING THE MEETING
(ii) A member entitled to attend and vote at the general meeting is entitled to and may, if he/she wishes appoint a proxy to act for him/her. All proxy forms must be deposited at the registered office of the Company shown overleaf not less than 48 hours before the time for holding the meeting. A proxy need not be a member of the Company.
(iii) The Chairman of the meeting has been printed on the form to ensure that someone will be at the meeting to act as your proxy but if you wish you may appoint anyone else instead, by entering the person's name in the blank space (marked*) above.
(iv) In the case of joint shareholders, anyone of such may complete the form but the names of all joint shareholders must be stated.
(v) It is a requirement of the law under the Stamp Duties Act, Cap. 411 Laws of the Federation of Nigeria, 1990 that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholder must be duly stamped by the Commissioner or Stamp Duties.
(vi) If the shareholder is a corporation this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.

The Company Secretary
PZ Cussons Nigeria Plc
45/47 Town Planning Way
Ilupeju Industrial Estate
P.M.B. 21132
Ikeja

E-Bonus Mandate Form

Please credit my account at the Central Securities Clearing System Limited (CSCS) with all subsequent allotments and bonuses due to me from holdings in PZ Cussons.

Instructions
Please fill the form and return to the address below

The Registrar
First Registrars Nigeria Limited
Plot 2, Abebe Village Road, Iganmu
P.M.B 12692 Lagos, Nigeria

Shareholder Account Information

Surname (in block letters)

First Name

Other Names

Address

City

State

Country

Postal Code

Mobile Telephone

E-Mail Address

Signature

Corporate Seal

CSCS Details

Authorised Signature and Stamp of Stockbroker

Please attach a copy of your CSCS statement to this form as evidence that a CSCS account has been opened for you.

The Registrar
First Registrars Nigeria Limited
Plot 2, Abebe Village Road
Iganmu
P.M.B. 12692 Lagos
Nigeria

E-Dividend Mandate Form

Instructions
Please complete the form and return to the address below:

Only clearing Banks are acceptable

The Registrar,
First Registrars Nigeria Limited
Plot 2 Abebe Village Road, Iganmu
P.M.B 12692 Lagos, Nigeria

We hereby request that from now on, all my/our dividend warrant(s) due to me/us from my/our holdings in PZ Cussons Nigeria Plc be paid directly to my/our bank account details named below:

Bank Name

Bank Address

Bank Account Number

Shareholder Account Information
Surname (in block letters)

First Name | Other Names

Address

Country | State

Mobile Telephone | E-Mail Address

Signature

Joint/Company Signature | Company Seal

Sort code (very important)

Authorised Signature and Stamp of Banker

Please attach a copy of your CSCS statement to this form as evidence that a CSCS account has been opened for you.

The Registrar
First Registrars Nigeria Limited
Plot 2, Abebe Village Road
Iganmu
P.M.B. 12692 Lagos
Nigeria

Notes

Notes

Notes

PZ Cussons Nigeria Plc
45/47 Town Planning Way
Ilupeju Industrial Estate
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Ikeja, Lagos

www.pzcussons.com.ng