

PZ CUSSONS NIGERIA PLC

ANNUAL REPORT, CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 MAY 2024

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Corporate information

Board of Directors

- Mrs. Ifueko M.Omoigui Okauru, MFR - Chairman, Independent Non-Executive Director
- Mr. Dimitris Kostianis - Managing Director / Chief Executive Officer
- Ms. Joyce Coker - Executive Director
- Mr. Duncan Anness - Non Executive Director (Resigned w.e.f 30 October 2023)
- Mr. Kevin Massie - Non Executive Director
- Mallam Ballama Manu - Independent Non-Executive Director
- Mrs. Oluwatoyin Odutayo - Independent Non-Executive Director
- Prof. Fabian Ajogwu OFR, SAN - Independent Non-Executive Director (Resigned w.e.f 4 March 2024)
- Mr Kamar Bakrin - Non Executive Director (Resigned w.e.f 14 October 2023)
- Dr Suleyman Abdu Ndanusa - Independent Non-Executive Director (Appointed w.e.f 16 November 2023)
- Mr. Brian Egan - Chief Finance Officer

Company Secretary

Alsec Nominees Limited

Registered Office

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

Registration Number

RC 693

Registrars

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

Independent Auditors

PricewaterhouseCoopers
Chartered Accountants
Landmark Towers
Plot 5B, Water Corporation Road
Victoria Island
Lagos.

Financial highlights

| <i>In thousands of Naira</i> | The Group | | |
|---|------------------|-------------|-----------------|
| | 2024 | 2023 | % Change |
| Revenue | 152,249,309 | 113,964,309 | 34 |
| Operating (loss)/ profit | (127,430,417) | 8,224,027 | (1,649) |
| (Loss)/ profit before taxation | (108,195,002) | 20,463,739 | (629) |
| Taxation | 32,171,333 | (6,115,395) | (626) |
| (Loss)/ profit after tax | (76,023,669) | 14,348,344 | (630) |
| Non-controlling interest | (7,614,976) | 1,455,558 | (623) |
| (Loss)/ profit attributable to equity holders of parent company | (68,408,693) | 12,892,786 | (631) |
| At year end: | | | |
| Share capital | 1,985,238 | 1,985,238 | - |
| Total equity | (27,506,835) | 48,360,059 | (157) |
| Data per 50k share | | | |
| Based on 3,970,477,045 ordinary shares of 50k each: | | | |
| Basic and diluted earnings per share (Naira) | (17.23) | 3.25 | (631) |
| Number of employees | 946 | 996 | (6) |
| Stock exchange quotations in Naira | 22 | 16.9 | 30 |

Directors' report

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 2024 together with the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity, consolidated and separate statements of cashflows for the year ended on that date and notes to the financial statements including a summary of material accounting policies.

Operating result

The following is the summary of the group's operating result as at 31 May 2024

| | 2024 | 2023 | Change % |
|--|---------------------|-------------------|--------------|
| | N'000 | N'000 | |
| Revenue | 152,249,309 | 113,964,309 | 34 |
| Operating (loss)/profit | (127,430,417) | 8,224,027 | (1,649) |
| (Loss)/profit before taxation | (108,195,002) | 20,463,739 | (629) |
| Taxation | 32,171,333 | (6,115,395) | (626) |
| (Loss)/profit for the year | (76,023,669) | 14,348,344 | (630) |
| Non-controlling interest | (7,614,976) | 1,455,559 | (623) |
| (Loss)/profit attributable to equity holders of parent company | <u>(68,408,693)</u> | <u>12,892,786</u> | <u>(631)</u> |

Principal activities

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 facilitates the distribution of products of a related entity - Harefield Industrial Nigeria Limited.

Directors and their interest

The Directors who served as at 31 May 2024 and their interest in the shares of the company as recorded in the register of members for the purpose of Section 301 of the Companies and Allied Matters Act 2020 ("CAMA"), and in compliance with the Listing Requirements of the Nigerian Stock Exchange are as follows:

| Directors | 2024 | | 2023 | |
|---|--------|----------|--------|----------|
| | Direct | Indirect | Direct | Indirect |
| Mrs. Ifueko Marina Omoigui Okauru, MFR | 59,713 | Nil | 59,713 | Nil |
| Ms. Joyce Coker | 3,889 | Nil | 3,889 | Nil |
| Mr. Dimitris Kostianis | Nil | Nil | Nil | Nil |
| Mr. Kevin Massie | Nil | Nil | Nil | Nil |
| Mr Duncan Annis (Up to 13 October 2023) | Nil | Nil | Nil | Nil |
| Mallam Ballama Manu | Nil | Nil | Nil | Nil |
| Mrs. Oluwatoyin Odotayo | Nil | Nil | Nil | Nil |
| Mr Kamar Bakrin (Up to 14 October 2023) | Nil | Nil | Nil | Nil |
| Prof. Fabian Ajogwu SAN (Up to 15 March 2024) | Nil | Nil | Nil | Nil |
| Dr. Suleyman Abdu Ndanusa OON | Nil | Nil | Nil | Nil |

The above are the Directors holdings as at 31 May 2024.

***Mr. Massie and Mr. Annis represented the interest of the majority shareholder PZ Cussons (Holdings) Limited UK with 2,909,349,788 shares

Interest in contracts

In accordance with Section 303 of the CAMA, Mallam Ballama Manu has notified the Company that he is a Non-Executive Director on the Board of Stanbic IBTC Holding PLC, the holding company of one of our bankers. 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 285 of the Companies and Allied Matters Act 2020, one-third of the number of Directors, based on the length of stay in office, must retire at the Annual General Meeting and they may offer themselves for re-election. Accordingly, Mallam Ballama Manu and Mrs Oluwatoyin Odotayo being eligible, have offered themselves for re-election.

Directors' report (Continued)

Records of Directors attendance

In compliance with Section 284 (2) of the CAMA, the Record of Directors' attendance at Board Meetings in the 2023/2024 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 Company'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 twelve times during the 2024 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 twelve times in the course of the year under review. The record of attendance of the Directors at the meetings is set below:

| Directors | 21/6/23 | 4/9/2023 | 30/10/23 | 8/11/2023 | 16/11/23 | 8/12/2023 |
|-----------------------------------|---------|----------|----------|-----------|----------|-----------|
| Mrs. Ifueko M.Omoigui Okauru, MFR | √ | √ | √ | √ | √ | √ |
| Mr. Dimitris Kostianis | √ | √ | √ | √ | √ | √ |
| Ms. Joyce Coker | √ | √ | AB | AB | AB | AB |
| Mr. Kevin Massie * | √ | √ | √ | √ | √ | √ |
| Mr. Duncan Anniss * | √ | √ | √ | R | R | R |
| Mallam Ballama Manu | √ | √ | √ | √ | √ | √ |
| Mrs. Oluwatoyin Odutayo | √ | √ | √ | √ | √ | √ |
| Prof. Fabian Ajogwu OFR, | NA | NA | √ | √ | AB | √ |
| Mr Kamar Bakrin | NA | NA | R | R | R | R |
| Dr. Suleyman Abdu Ndanusa OON* | NA | NA | NA | NA | NA | √ |

| Directors | 20/12/23 | 12/1/2024 | 7/2/2024 | 8/2/2024 | 13/03/24 | 28/03/24 |
|-----------------------------------|----------|-----------|----------|----------|----------|----------|
| Mrs. Ifueko M.Omoigui Okauru, MFR | √ | √ | √ | √ | √ | √ |
| Mr. Dimitris Kostianis | √ | √ | √ | √ | √ | √ |
| Ms. Joyce Coker | √ | √ | √ | √ | √ | √ |
| Mr. Kevin Massie * | √ | √ | √ | √ | √ | √ |
| Mr. Duncan Anniss * | R | R | R | R | R | R |
| Mallam Ballama Manu | √ | √ | √ | √ | √ | √ |
| Mrs. Oluwatoyin Odutayo | √ | √ | √ | √ | √ | √ |
| Prof. Fabian Ajogwu OFR, | √ | √ | √ | √ | R | R |
| Mr Kamar Bakrin | R | R | R | R | R | R |
| Dr. Suleyman Abdu Ndanusa OON * | √ | √ | √ | √ | √ | √ |

√ Present

AB Absent

R Retired

NA Not Appointed

* Prof. Fabian Ajogwu OFR, SAN and Mr Kamar Bakrin were appointed on 04 September 2023.

* Mr Kamar Bakrin resigned on 14 October 2023.

* Prof. Fabian Ajogwu OFR, SAN resigned on 15 March 2024

* Dr. Suleyman Abdu Ndanusa OON was appointed on 16 November 2023

Directors' report (Continued)**Major Shareholdings**

According to the Register of Members as at 31 May 2024, PZ Cussons (Holdings) Limited held 2,909,349,788 shares. This represents 73.27% of the paid-up capital of the Company.

Analysis of Shareholdings

| Range | No. of Shareholders | Holder's % | Units | % Units |
|------------------------|---------------------|-------------|----------------------|----------------|
| 1 - 1000 | 26,047 | 34.64% | 10,754,473 | 0.27% |
| 1001 - 5000 | 22,840 | 30.37% | 56,206,052 | 1.42% |
| 5001 - 10000 | 11,206 | 14.90% | 85,958,775 | 2.16% |
| 10001 - 50000 | 13,256 | 17.63% | 269,234,510 | 6.78% |
| 50001 - 100000 | 1,059 | 1.41% | 74,327,684 | 1.87% |
| 100001 - 500000 | 687 | 0.91% | 130,202,182 | 3.28% |
| 500001 - 1000000 | 55 | 0.07% | 37,830,416 | 0.95% |
| 1000001 - 5000000 | 42 | 0.06% | 85,901,747 | 2.16% |
| 5000001 - 10000000 | 3 | 0.00% | 20,059,377 | 0.51% |
| 10000001 - 500000000 | 4 | 0.01% | 101,882,584 | 2.57% |
| 500000001 - 1000000000 | 1 | 0.00% | 82,442,840 | 2.08% |
| 100000001 - 3970477045 | 2 | 0.00% | 3,015,676,405 | 75.95% |
| | 75,202 | 100% | 3,970,477,045 | 100.00% |

List of 5% and Above shareholdings:

| | | | | |
|------------------------------|--|--|----------------------|---------------|
| PZ Cussons (Holding) Limited | | | 2,909,349,788 | 73.27% |
| | | | 2,909,349,788 | 73.27% |

Apart from PZ Cussons (Holdings) Limited, UK, no other shareholder held more than 5% of the paid-up capital of the Company as at 31 May 2024.

Shareholding Structure/Free float Status

| Description | 31 May 2024 | | 31 May 2023 | |
|---|-------------------------|---------------|----------------------------|---------------|
| | Unit | Percentage | Unit | Percentage |
| Issued Share Capital | 3,970,477,045 | 100% | 3,970,477,045 | 100% |
| Substantial Shareholdings (5% and above) | | | | |
| PZ Cussons(Holdings) Limited, UK | 2,909,349,788 | 73.27% | 2,909,349,788 | 73.27% |
| Total Substantial Shareholdings | 2,909,349,788 | 73.27% | 2,909,349,788 | 73.27% |
| Directors' Shareholdings (direct and indirect), excluding Directors with substantial interests | | | | |
| Ms. Joyce Coker | 3,889 | 0.00% | 3,889 | 0.00% |
| Mr. P. Usoro, SAN | 1,000,000 | 0.03% | 1,000,000 | 0.03% |
| Mrs. I.M.O Okauru, MFR | 59,713 | 0.00% | 59,713 | 0.00% |
| Total Directors' Shareholdings | 1,063,602 | 0.03% | 1,063,602 | 0.03% |
| Other Influential Shareholdings | | | | |
| CARDINALSTONE | 194,992,457 | 4.91% | - | 0.00% |
| AMCON & PFA | 61,972,446 | 1.56% | 98,793,459 | 2.49% |
| Total Other Influential Shareholdings | 256,964,903 | 6.47% | 98,793,459 | 2.49% |
| Free Float in Units and Percentage | 803,098,752 | 20.23% | 961,270,196 | 24.21% |
| Free Float in Value | ₦ 17,668,172,544 | | ₦ 16,245,466,312.40 | |

Directors' report (Continued)

Declaration:

(A) PZ Cussons Nigeria Plc with a free float percentage of 20.23% as at 31 May 2024, is compliant with The Exchange's free float requirements for companies listed on the Main Board.

(B) PZ Cussons Nigeria Plc with a free float percentage of 24.21% as at 31 May 2023, is compliant with The Exchange's free float requirements for companies listed on the Main Board.

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 Practices in Corporate Governance each Committee is chaired by an Independent 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 three (3) members namely

| | |
|-------------------------------|----------|
| Mallam Ballama Manu | Chairman |
| Dr. Suleyman Abdu Ndanusa OON | Member |
| Mr. Kevin Massie | Member |

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

| Name | No. of meetings held | No. of meetings attended |
|------------------------------|----------------------|--------------------------|
| Mallam Ballama Manu | 7 | 7 |
| Mr. Duncan Anniss | 7 | 2 |
| Mrs. Oluwatoyin Odutayo* | 7 | 1 |
| Prof. Fabian Ajogwu SAN* | 7 | 1 |
| Dr. Suleyman A. Ndanusa OON* | 7 | 5 |
| Mr. Kevin Massie* | 7 | 3 |

The meetings were held on 19 June 2023, 30 October 2023, 06 November 2023, 18 December 2023, 05 February 2024, 08 February 2024 and 25 March 2024.

* Mrs Oluwatoyin Odutayo was co-opted as a member on 6 November 2023

*Prof. Fabian Ajogwu SAN was co-opted as a member on 6 November 2023

*Dr. Suleyman A. Ndanusa became a member on 18 December 2023.

*Mr. Kevin Massie became a member on 5 February 2024

Governance and people committee

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

The Committee members are:

| | |
|--------------------------|----------|
| Mrs. Oluwatoyin Odutayo* | Chairman |
| Mr. Kevin Massie | Member |
| Prof. Fabian Ajogwu | Member |

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

| Name | No. of meetings held | No. of meetings attended |
|--------------------------|----------------------|--------------------------|
| Mrs. Oluwatoyin Odutayo | 8 | 8 |
| Mr. Kevin Massie | 8 | 8 |
| Prof. Fabian Ajogwu SAN* | 8 | 3 |
| Mallam Ballama Manu * | 8 | 2 |

The meetings were held on 19 June 2023, 19 July 2023, 21 July 2023, 10 August 2023, 22 September 2023, 13 December 2023, 26 January 2024 and 15 March 2024.

*Mallam Ballama Manu was co-opted as a member for the 21 July and 10 August 2024 meetings

Prof. Fabian Ajogwu became a member on 22 September 2023 and resigned on 15 March 2024.

Directors' report (Continued)

Statutory audit committee

The Committee is established to perform the functions listed in Section 404 (7) of the Companies and Allied Matters Act 2020. The Committee consists of five (5) members made of three representatives of the shareholders elected at the previous Annual General Meeting for the tenure of one year and two Non-Executive Directors. The meetings of the Committee were attended by the Head of Internal audit and representatives of PricewaterhouseCoopers, the Group's external auditors.

The following Directors served on the Committee during the year:

Mallam Ballama Manu
 Dr. Suleyman A. Ndanusa OON*

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

| Name | No. of meetings held | No. of meetings attended |
|-------------------------------|----------------------|--------------------------|
| Mallam Ballama Manu | 5 | 5 |
| Dr. Suleyman Abdu Ndanusa OON | 5 | 2 |
| Hon. Bright Nwabughogu | 5 | 5 |
| Mr. Obatosho I. Obarinde | 5 | 5 |
| Mr. Oluwasegun Owoeye | 5 | 5 |

The meetings were held on 20 June 2023, 30 October 2023, 6 November 2023, 19 December 2023 and 26 March 2024.

*Dr. Suleyman Abdu Ndanusa became a member on 16 December 2023.

Board composition

The Company's Articles of Association provide for a maximum of fifteen Directors. At the date of this report, the Board consists of six Directors: Three Independent Non-Executive Directors, one Non-Executive Directors and two Executive Directors. There is an ongoing board recruitment process for the appointment of two additional Independent Non-Executive Directors as at the time of this Report.

The profile of the Board comprises distinguished individuals with diverse skills and competencies 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 Mrs. Ifueko Omoigui Okauri, an Independent Non-Executive Director while the Chief Executive Officer is Mr. Dimitris Kostianis. Furthermore, while the Chairman is responsible for providing overall leadership for the Company and ensuring the effective operation of the Board to achieve the Company's strategic goals, the Chief Executive Officer is responsible for coordinating the running of the business and implementing strategies.

Independent Directors

In compliance with Section 275(1) of the CAMA and the Nigerian Code of Corporate Governance, more than a third, three (3) of the six 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 Executive 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 guidelines 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 a track record of outstanding achievements and potential 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 familiarise him/her with the requisite knowledge and information about the Group and its business.

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

The appointment of the Director is presented to the subsequent Annual General Meeting for ratification.

Directors' report (Continued)

Internal control

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

Communication with shareholders

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

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

Insider dealings

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

Dividend

The Board has not recommended dividend in respect of the year ended 31 May 2024 (2023: Nil). No provision for 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.

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 carrying value shown in the financial statements.

Distributors and suppliers

The Group has 4 distribution centres across the country with over 1,000 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's policy provides for due priority to be accorded to persons with disabilities in recruitment for any available position where their incapacity will not expose them to danger or serious disadvantage. Employees who become incapacitated 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 workplaces.

Acquisition of own shares

The Company did not purchase any of its own shares during the year.

Gifts and donations

During the year ended 31 May 2024, the Group contributed N60 million (2023:N50 million) to PZ Foundation. In accordance with Section 43 (2) of the Companies and Allied Matters Act 2020, 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 its 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 the 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.

Directors' report (Continued)

Statement of compliance

We hereby affirm that the Nigerian Code of Corporate Governance (“Code”) and the SEC Corporate Governance Guideline (“Guideline”) govern the operations of the Group and confirm that to the best of our knowledge, we are in compliance with the Code and the Guideline.

Complaint management policy

The Complaint Management Policy sets out the broad framework for the Group and its Registrars to 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

The Group has in place a communication policy in accordance with the requirements of the Securities & Exchange Commission.

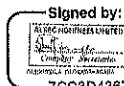
The Board recognises the need to communicate and disseminate information regarding the operations and management of the Group to all relevant stakeholders (including Shareholders, regulatory authorities, media, analysts and the general public).

Independent Auditors

The firm of PricewaterhouseCoopers served as the Independent Auditor during the year under review. The resolution appointing the external auditors was passed at the 75th Annual General meeting which was held on the 8th of December 2023 to approve the appointment of PricewaterhouseCoopers as independent auditor. PricewaterhouseCoopers have indicated their willingness to continue in office as Independent Auditor of the Group.

Dated 29 August 2024

By Order Of The Board



Olubukola Olonade-Agaga (FRC/2020/002/0000002128)

For Alsec Nominees Limited

Company Secretary

FRC/2024/COY/119349

Lagos, Nigeria

Statement of Directors responsibilities

The Directors of PZ Cussons Nigeria PLC are responsible for the preparation of the consolidated and separate financial statements that gives a true and fair view of the financial position of the Group and Company as at 31 May 2024, 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, 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

In preparing these consolidated and separate 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 for at least twelve months from the date of approval of these financial statements.

The consolidated and separate financial statements of the Group and Company for the year ended 31 May 2024 were approved by the Directors on 29 August 2024.

Signed on behalf of the Board of Directors by:

DocuSigned by:

 E0FB47EB1924484

Mrs. I.M.O Okaura, MFR
 Chairman
 FRC/2016/ICAN/00000014169

Mr. Dimitris Kostianis
 Chief Executive Officer
 FRC/2023/PRO/DIR/003/204573



Mr. Brian Egan
 Chief Financial Officer
 FRC/2015/PRO/ANAN/001/00000011227

Certification of financial statements

In accordance with section 405 of the Companies and Allied Act of Nigeria, 2020 the Chief Executive Officer and the Chief Financial Officer certify that the consolidated and separate financial statements have been reviewed and based on our knowledge, the

- audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and
- audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company and the Group as of and for, the periods covered by the audited financial statements

We state that management and Directors:

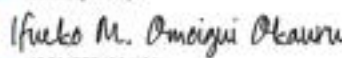
- are responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the Company and the Group is made known to the officer by other officers of the Company, particularly during the period in which the audited financial statements report are being prepared,
- has evaluated the effectiveness of the Company and Group's internal controls within 90 days prior to the date of its audited financial statements, and
- certifies that Company and Group's internal controls are effective as of that date.

We have disclosed:

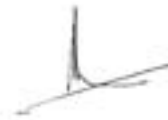
- all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's and Group's ability to record, process, summarise and report financial data, and has identified for the Company's and Group's auditors any material weaknesses in internal controls, and
- whether or not, there is any fraud that involves management or other employees who have a significant role in the Company's and Group's internal control; and
- whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The consolidated and separate financial statements of the Group and Company for the year ended 31 May 2024 were approved by the Directors on 29 August 2024.

Signed on behalf of the Board of Directors by:

DocuSigned by:

 6DF847EB1924484

Mrs. I.M.O Okauru, MFR
 Chairman
 FRC/2016/ICAN/00000014169



Mr. Dimitris Kostianis
 Chief Executive Officer
 FRC/2023/PRO/DIR/003/204573



Mr. Brian Egan
 Chief Financial Officer
 FRC/2015/PRO/ANAN/001/00000011227

Report of the Audit Committee

To: The members of PZ Cussons Nigeria Plc

In accordance with the provisions of section 404(7) of the Companies and Allied Matters Act, 2020, the Members of the Audit Committee of PZ Cussons Nigeria Plc having carried out our statutory functions under the Act, hereby report that:


- a) the accounting and reporting policies of the Group and Company are in accordance with legal requirements and agreed ethical practices;
- b) the scope and planning of both the external and internal audit for the year ended 31st May, 2024 are satisfactory. The internal audit programmes reinforce the Group's and Company's internal control system; and
- c) having reviewed the Independent Auditor's memorandum of recommendations on accounting procedures and internal controls, we are satisfied with Management responses thereon.

Finally, we acknowledge the co-operation of Executive Management and staff in the conduct of our duties.

Members of the Audit Committee

| | | |
|---------------------|-------------------------------------|------------------------------|
| Mallam Ballama Manu | Chairman, Director's Representative | FRC/2016/IODN/00000014340 |
| Mr. O.I. Obarinde | Shareholders' Representative | FRC/2021/002/00000024587 |
| Mr. E.A. Akinduro | Shareholders' Representative | FRC/2020/002/00000020764 |
| Hon. B. Nwabughogu | Shareholders' Representative | FRC/2021/002/00000024861 |
| Mr. O. Owoeye | Shareholders' Representative | FRC/2023/PRO/CIBN/002/879894 |

The Company Secretary served as the Secretary to the Committee.

Signed by:

D9399CB52312439
Mallam Ballama Manu
FRC/2016/IODN/00000014340

29 August 2024

PZ Cussons Nigeria Plc
Annual Report for the year ended 31 May 2024

Management's Annual Assessment of and Report on PZ Cussons Nigeria Plc's Internal Control over Financial Reporting

To comply with the provisions of Section 1.3 of SEC Guidance on Implementation of Sections 60-63 of Investments and Securities Act 2007, we hereby make the following statements regarding the Internal Controls of PZ Cussons Nigeria Plc for the year ended 31 May 2024:

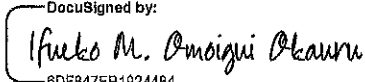
PZ Cussons Nigeria Plc's management is responsible for establishing and maintaining a system of internal control over financial reporting ("ICFR") that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

PZ Cussons Nigeria Plc's management used the Committee of Sponsoring Organization of the Treadway Commission (COSO) Internal Control-Integrated Framework to conduct the required evaluation of the effectiveness of the entity's ICFR;

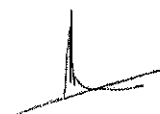
PZ Cussons Nigeria Plc's management has assessed that the entity's ICFR as of the end of 31 May 2024 is effective and has not identified any material control weaknesses.

PZ Cussons Nigeria Plc's external auditor PricewaterhouseCoopers has audited the financial statements included in the Annual Report and has issued an attestation report on management's assessment of the entity's internal control over financial reporting.

The attestation report of PricewaterhouseCoopers will be filed as part of PZ Cussons Nigeria Plc's Annual Report.

DocuSigned by:

6DEB47EB1924464
Name: Ifueko Okauru
Chairperson

FRC No: FRC/2016/ICAN/00000014169
Date: 29 August 2024


Name: Dimitris Kostianis
Managing Director

FRC No: FRC/2023/PRO/DIR/003/204573
Date: 29 August 2024

PZ Cussons Nigeria Plc
Annual Report for the year ended 31 May 2024

Certification of management's assessment on internal control over financial reporting

To comply with the provisions of Section 1.1 of SEC Guidance on Implementation of Sections 60-63 of Investments and Securities Act 2007, I hereby make the following statements regarding the Internal Controls of PZ Cussons Nigeria Plc for the year ended 31 May 2024.

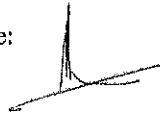
I, Dimitris Kostianis certify that:

- a) I have reviewed this management assessment on internal control over financial reporting of PZ Cussons Nigeria Plc;
- b) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- c) Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the entity as of, and for the period presented in this report;
- d) The entity's other certifying officer and I:
 - 1) are responsible for establishing and maintaining internal controls;
 - 2) have designed such internal controls and procedures, or caused such internal controls and procedures to be designed under our supervision, to ensure that material information relating to the entity, and its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - 3) have designed such internal control system, or caused such internal control system to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - 4) have evaluated the effectiveness of the entity's internal controls and procedures as of a date within 90 days prior to the report and presented in this report our conclusions about the effectiveness of the internal controls and procedures, as of the end of the period covered by this report based on such evaluation.
- e) The entity's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control system, to the entity's Auditors and the Audit Committee of the entity's Board of Directors
 - 1) All significant deficiencies and material weaknesses in the design or operation of the internal control system which are reasonably likely to adversely affect the entity's ability to record, process, summarize and report financial information; and
 - 2) Any fraud, whether or not material, that involves management or other employees who have a significant role in the entity's internal control system.
- f) The entity's other certifying officer and I have identified, in the report whether or not there were significant changes in internal controls or other facts that could significantly affect internal controls subsequent to the date of their evaluation including any corrective actions with regard to significant deficiencies and material weaknesses.

Name: Dimitris Kostianis

Designation: Managing Director

FRC No: FRC/2023/PRO/DIR/003/204573

Signature: 

Date: 29 August 2024

PZ Cussons Nigeria Plc
Annual Report Financial Statements for the year ended 31 May 2024

Certification of management assessment on internal control over financial reporting

To comply with the provisions of Section 1.1 of SEC Guidance on Implementation of Sections 60-63 of Investments and Securities Act 2007, I hereby make the following statements regarding the Internal Controls of PZ Cussons Nigeria Plc for the year ended 31 May 2024.

I, Brian Egan certify that:

- a) I have reviewed this management assessment on internal control over financial reporting of PZ Cussons Nigeria Plc;
- b) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- c) Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the entity as of, and for the period presented in this report;
- d) The entity's other certifying officer and I:
 - 1) are responsible for establishing and maintaining internal controls;
 - 2) have designed such internal controls and procedures, or caused such internal controls and procedures to be designed under our supervision, to ensure that material information relating to the entity, and its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - 3) have designed such internal control system, or caused such internal control system to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - 4) have evaluated the effectiveness of the entity's internal controls and procedures as of a date within 90 days prior to the report and presented in this report our conclusions about the effectiveness of the internal controls and procedures, as of the end of the period covered by this report based on such evaluation.
- e) The entity's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control system, to the entity's Auditors and the Audit Committee of the entity's Board of Directors
 - 1) All significant deficiencies and material weaknesses in the design or operation of the internal control system which are reasonably likely to adversely affect the entity's ability to record, process, summarize and report financial information; and
 - 2) Any fraud, whether or not material, that involves management or other employees who have a significant role in the entity's internal control system.
- f) The entity's other certifying officer and I have identified, in the report whether or not there were significant changes in internal controls or other facts that could significantly affect internal controls subsequent to the date of their evaluation including any corrective actions with regard to significant deficiencies and material weaknesses.

Name: Brian Egan

Designation: Chief Financial Officer

FRC No: FRC/2015/PRO/ANAN/001/00000011227

Signature:



Date: 29 August 2024



Independent practitioner's report

To the Members of PZ Cussons Nigeria Plc

Report on an assurance engagement performed by an independent practitioner to report on management's assessment of controls over financial reporting

Our opinion

In our opinion, nothing has come to our attention that the internal control procedures over financial reporting put in place by management of PZ Cussons Nigeria Plc ("the company's") are not adequate as of 31 May 2024, based on the SEC Guidance on Implementation of Section 60 – 63 of The Investments and Securities Act 2007 issued by The Securities and Exchange Commission.

What we have performed

We have performed an assurance engagement on PZ Cussons Nigeria Plc's internal control over financial reporting as of 31 May 2024, based on FRC Guidance on Assurance Engagement Report on Internal Control Over Financial Reporting ("the Guidance") issued by the Financial Reporting Council of Nigeria. The company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Assessment of and Report on PZ Cussons Nigeria Plc's Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our assurance engagement.

Basis for opinion

We conducted our assurance engagement in accordance with the Guidance, which requires that we plan and perform the assurance engagement and provide a limited assurance report on the entity's internal control over financial reporting based on our assurance engagement. As prescribed in the Guidance, the procedures we performed included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our engagement also included performing such other procedures as we considered necessary in the circumstances. We believe the procedures performed provide a basis for our report on the internal control put in place by management over financial reporting.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other matter

We also have audited, in accordance with the International Standards on Auditing, the consolidated and separate financial statements of PZ Cussons Nigeria Limited and our report dated 29 August 2024 expressed an unqualified opinion.

Osere Alakhume

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Osere Alakhume
FRC/2013/PRO/ICAN/004/00000000647



30 August 2024



Independent auditor's report

To the Members of PZ Cussons Nigeria Plc

Report on the audit of the consolidated and separate financial statements

Our opinion

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 ("the company") and its subsidiary (together "the group") as at 31 May 2024, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with international financial reporting standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

What we have audited

PZ Cussons Nigeria Plc's consolidated and separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 May 2024;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of material accounting policies.

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 *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Corporate information, Financial highlights, Directors' report, Statement of directors' responsibilities, Certification of financial statements, Report of the audit committee, Management annual assessment of, and report on PZ Cussons Nigeria Plc internal control over financial reporting, Certification of management's assessment on internal control over financial reporting, Statement of value added and Five-year financial Summary (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the PZ Cussons Nigeria Plc 2024 Annual report, which are expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we

PricewaterhouseCoopers Chartered Accountants, Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria



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 identified above 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 that we 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.

When we read the other sections of the PZ Cussons Nigeria Plc 2024 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria (Amendment) Act, 2023, 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 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 or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 scepticism 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 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 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 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 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 and separate 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period 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 public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from locations not visited by us;
- iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

In accordance with the requirements of the Financial Reporting Council, we performed a limited assurance engagement and reported on management's assessment of PZ Cussons Nigeria Plc's internal control over financial reporting as of 31 May 2024. The work performed was done in accordance with FRC Guidance on Assurance Engagement Report on Internal Control Over Financial Reporting issued by the Financial Reporting Council of Nigeria, and we have issued an unqualified opinion in our report dated 30 August 2024.

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Osere Alakhume
FRC/2013/PRO/ICAN/004/0000000647

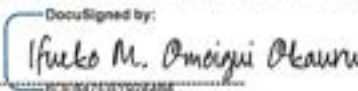


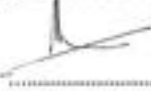
30 August 2024

Consolidated and separate statements of financial position
As at 31 May

| In thousands of Naira | Note | Group | | Company | |
|--|------|---------------------|--------------------|---------------------|--------------------|
| | | 2024 | 2023 | 2024 | 2023 |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 4 | 14,976,785 | 15,500,551 | 13,472,073 | 14,031,271 |
| Right-of-use assets | 7 | 107,637 | 203,758 | 66,418 | 131,515 |
| Intangible assets | 9 | 317,886 | 423,847 | 317,886 | 423,847 |
| Investment in subsidiary | 10 | - | - | 504,406 | 504,406 |
| Investment property | 6 | 1,936,931 | 1,590,634 | 1,936,931 | 1,590,634 |
| Deferred tax | 21 | 29,781,800 | 524,559 | 16,902,488 | - |
| Lease receivables | 12a | 2,493,269 | - | 2,493,269 | - |
| Loan receivables | 13 | - | - | 263,234 | 3,422,048 |
| Other assets | 14 | - | 32,082 | - | 32,082 |
| Total non-current assets | | 49,614,308 | 18,275,431 | 35,956,705 | 20,135,803 |
| Current assets | | | | | |
| Inventories | 11 | 40,845,449 | 29,048,718 | 28,211,172 | 19,922,450 |
| Trade and other receivables | 12 | 17,781,992 | 11,452,708 | 15,071,151 | 7,664,616 |
| Loan receivables | 13 | - | - | 3,458,901 | 3,158,814 |
| Other assets | 14 | 1,728,248 | 951,104 | 1,700,915 | 951,104 |
| Deposits for imports | 15 | 13,701,925 | 958,058 | 7,213,539 | 9,670 |
| Deliverable forwards | 24 | 4,518,435 | 4,056,791 | 1,603,402 | 383,725 |
| Cash and cash equivalents | 16 | 28,869,338 | 101,623,076 | 24,896,732 | 58,599,818 |
| Total current assets | | 107,445,387 | 148,090,455 | 82,155,812 | 90,690,197 |
| Total assets | | 157,059,695 | 166,365,886 | 118,112,517 | 110,826,000 |
| Equity and liabilities | | | | | |
| Equity | | | | | |
| Share capital | 17 | 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 (losses)/ earnings | | (33,942,452) | 34,466,241 | (25,610,206) | 19,808,961 |
| Equity attributable to equity holders: | | | | | |
| Parent company | | (25,078,945) | 43,329,748 | (16,746,699) | 28,672,468 |
| Non-controlling interest | | (2,427,890) | 5,030,310 | - | - |
| Total Equity | | (27,506,835) | 48,360,058 | (16,746,699) | 28,672,468 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Borrowings | 25 | 64,333,113 | 18,735,092 | 59,833,113 | 18,735,092 |
| Deferred income | 18 | 603,436 | 84,230 | 603,436 | 84,230 |
| Deferred tax | 21 | - | 4,086,413 | - | 4,086,413 |
| Warranty provisions | 22 | 245,420 | 309,079 | - | - |
| Lease liability | 8 | 57,121 | 108,131 | 35,418 | 70,131 |
| Total non-current liabilities | | 65,239,090 | 23,322,945 | 60,471,967 | 22,975,866 |
| Current liabilities | | | | | |
| Trade and other payables | 23 | 90,600,357 | 79,943,735 | 69,971,843 | 54,481,105 |
| Borrowings | 25 | 24,731,616 | 5,277,304 | 1,108,447 | - |
| Deferred income | 18 | 724,448 | 5,272 | 724,448 | 5,272 |
| Contract liabilities | 19 | 692,667 | 361,162 | 653,447 | 361,162 |
| Current taxation payable | 20 | 2,448,803 | 8,927,549 | 1,898,064 | 4,268,743 |
| Warranty provisions | 22 | 79,033 | 72,234 | - | - |
| Lease liability | 8 | 50,516 | 95,627 | 31,000 | 61,384 |
| Total current liabilities | | 119,327,440 | 94,682,883 | 74,387,249 | 59,177,666 |
| Total liabilities | | 184,566,530 | 118,005,828 | 134,859,216 | 82,153,532 |
| Total equity and liabilities | | 157,059,695 | 166,365,886 | 118,112,517 | 110,826,000 |

The financial statements on pages 22 to 80 were approved by the Board of Directors on 29 August 2024 and signed on its behalf by:

DocuSigned by:

Mrs. Ifeako M. Omogun Okauru
Chairman
FRC/2016/ICAN/00000014169


Mr. Dimitris Kostianis
Chief Executive Officer
FRC/2013/PRO/DIR/003/204573


Mr. Brian Egan
Chief Financial Officer
FRC/2015/PRO/ANAN/001/00000011227

The accompanying notes on pages 27 to 80 form an integral part of these financial statements.

Consolidated and separate statements of profit or loss and other comprehensive income
For the year ended 31 May

| <i>In thousands of naira</i> | Note | Group | | Company | |
|--|------|----------------------|-------------------|---------------------|-------------------|
| | | 2024 | 2023 | 2024 | 2023 |
| Revenue | 28 | 152,249,309 | 113,964,309 | 90,810,486 | 67,413,111 |
| Cost of sales | 26a | (98,120,852) | (81,015,877) | (62,330,277) | (48,653,086) |
| Gross profit | | 54,128,457 | 32,948,432 | 28,480,209 | 18,760,025 |
| Selling and distribution expenses | 26a | (13,222,552) | (11,720,884) | (9,444,688) | (8,054,946) |
| Impairment of trade receivables | 26a | 264,751 | (167,976) | 218,989 | (187,923) |
| Administrative expenses | 26a | (10,682,828) | (7,881,880) | (9,039,102) | (6,902,925) |
| Foreign exchange loss | 26b | (157,918,245) | (4,953,665) | (96,625,395) | (3,808,074) |
| Operating (loss)/profit | | (127,430,417) | 8,224,027 | (86,409,987) | (193,843) |
| Other income | 27a | 2,931,740 | 7,341,557 | 2,715,852 | 7,311,799 |
| Debt waiver | 27b | 14,293,613 | - | 14,293,613 | - |
| Interest income | 35 | 6,108,171 | 5,233,116 | 4,296,586 | 4,149,329 |
| Interest cost | 35 | (4,098,109) | (334,961) | (416,482) | (1,456) |
| (Loss)/profit before tax | | (108,195,002) | 20,463,739 | (65,520,418) | 11,265,829 |
| Income tax credit/(expense) | 20 | 32,171,333 | (6,115,395) | 19,944,475 | (2,737,391) |
| (Loss)/profit for the year | | (76,023,669) | 14,348,344 | (45,575,943) | 8,528,438 |
| Total comprehensive (loss)/ income for the year | | (76,023,669) | 14,348,344 | (45,575,943) | 8,528,438 |
| Attributable to: | | | | | |
| Equity holders of the parent company | | (68,408,693) | 12,892,786 | (45,575,943) | 8,528,438 |
| Non-controlling interest | | (7,614,976) | 1,455,558 | - | - |
| Total comprehensive income for the year | | (76,023,669) | 14,348,344 | (45,575,943) | 8,528,438 |
| Basic and diluted earnings per share (kobo) | 30 | (17.23) | 3.25 | (11.48) | 2.15 |

The accompanying notes on pages 27 to 80 form an integral part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 May

| <i>In thousands of naira</i> | Notes | Group | | | | Total equity |
|--|-------|------------------------|---------------|-------------------|--------------------------|--------------|
| | | Attributable to owners | | | | |
| | | Share capital | Share premium | Retained earnings | Non controlling interest | |
| Balance at 1 June 2023 | | 1,985,238 | 6,878,269 | 34,466,241 | 5,030,310 | 48,360,058 |
| | | 1,985,238 | 6,878,269 | 34,466,241 | 5,030,310 | 48,360,058 |
| Comprehensive loss for the year | | | | | | |
| Loss for the year | | - | - | (68,408,693) | (7,614,976) | (76,023,669) |
| Total comprehensive loss for the year | | - | - | (68,408,693) | (7,614,976) | (76,023,669) |
| Transactions with owners | | | | | | |
| Dividend declared during the year ended 31 May 2023 | 23.1b | - | - | - | - | - |
| Unclaimed dividends forfeited | 23.1b | - | - | - | 156,776 | 156,776 |
| Total transactions with owners, recorded directly in equity | | - | - | - | 156,776 | 156,776 |
| Balance at 31 May 2024 | | 1,985,238 | 6,878,269 | (33,942,452) | (2,427,890) | (27,506,835) |
| Balance at 1 June 2022 | | 1,985,238 | 6,878,269 | 25,301,572 | 3,574,752 | 37,739,831 |
| | | 1,985,238 | 6,878,269 | 25,301,572 | 3,574,752 | 37,739,831 |
| Comprehensive income for the year | | | | | | |
| Profit for the year | | - | - | 12,892,786 | 1,455,558 | 14,348,344 |
| Total comprehensive income for the year | | - | - | 12,892,786 | 1,455,558 | 14,348,344 |
| Transactions with owners | | | | | | |
| Dividend declared during the year ended 31 May 2022 | 23.1b | - | - | (4,010,182) | - | (4,010,182) |
| Unclaimed dividends forfeited | 23.1b | - | - | 282,065 | - | 282,065 |
| Total transactions with owners, recorded directly in equity | | - | - | (3,728,117) | - | (3,728,117) |
| Balance at 31 May 2023 | | 1,985,238 | 6,878,269 | 34,466,241 | 5,030,310 | 48,360,058 |

The accompanying notes on pages 27 to 80 form an integral part of these financial statements.

Separate statement of changes in equity
For the year ended 31 May

| In thousands of naira | Notes | Company | | | |
|--|-------|---------------|---------------|-------------------|--------------|
| | | Share capital | Share premium | Retained earnings | Total equity |
| Balance at 1 June 2023 | | 1,985,238 | 6,878,269 | 19,808,961 | 28,672,468 |
| | | 1,985,238 | 6,878,269 | 19,808,961 | 28,672,468 |
| Comprehensive loss for the year | | | | | |
| Loss for the year | | - | - | (45,575,943) | (45,575,943) |
| Total comprehensive income for the year | | - | - | (45,575,943) | (45,575,943) |
| Transactions with owners | | | | | |
| Dividend declared during the year ended 31 May 2023 | 23.1b | - | - | - | - |
| Unclaimed dividends forfeited | 23.1b | - | - | 156,776 | 156,776 |
| Total transactions with owners, recorded directly in equity | | - | - | 156,776 | 156,776 |
| Balance at 31 May 2024 | | 1,985,238 | 6,878,269 | (25,610,206) | (16,746,699) |
| Balance at 1 June 2022 | | 1,985,238 | 6,878,269 | 15,008,640 | 23,872,147 |
| | | 1,985,238 | 6,878,269 | 15,008,640 | 23,872,147 |
| Comprehensive income for the year | | | | | |
| Profit for the year | | - | - | 8,528,438 | 8,528,438 |
| Total comprehensive income for the year | | - | - | 8,528,438 | 8,528,438 |
| Transactions with owners | | | | | |
| Dividend declared during the year ended 31 May 2022 | 23.1b | - | - | (4,010,182) | (4,010,182) |
| Unclaimed dividends forfeited | 23.1b | - | - | 282,065 | 282,065 |
| Total transactions with owners, recorded directly in equity | | - | - | (3,728,117) | (3,728,117) |
| Balance at 31 May 2023 | | 1,985,238 | 6,878,269 | 19,808,961 | 28,672,468 |

The accompanying notes on pages 27 to 80 form an integral part of these financial statements.

Consolidated and separate statements of cash flows
For the year ended 31 May

| <i>In thousands of naira</i> | Note | Group | | Company | |
|---|-------|-------------------|--------------------|-------------------|-------------------|
| | | 2024 | 2023 | 2024 | 2023 |
| Operating activities | | | | | |
| (Loss)/ Profit before tax | | (108,195,002) | 20,463,740 | (65,520,418) | 11,265,827 |
| Adjustments for: | | | | | |
| Depreciation of property, plant and equipment | 4 | 1,754,485 | 1,898,151 | 1,576,344 | 1,726,313 |
| Depreciation of right-of-use assets | 7 | 96,121 | 96,121 | 65,097 | 65,097 |
| Depreciation of Investment property | 6 | 65,762 | 56,105 | 65,762 | 56,105 |
| Amortization of intangible assets | 9 | 105,961 | 105,961 | 105,961 | 105,961 |
| Profit on disposal of PPE | 27a | (2,041) | (5,943,576) | (1,792) | (5,943,383) |
| Foreign exchange loss | 26b | 157,918,245 | 4,127,115 | 96,625,395 | 3,334,945 |
| Effect of foreign exchange rate changes | | 41,098,021 | 826,550 | 41,098,021 | 473,129 |
| Interest expense | 35 | 4,098,109 | 334,961 | 416,482 | 1,456 |
| Interest income | 35 | (6,108,171) | (5,233,116) | (4,296,586) | (4,149,329) |
| | | 90,831,490 | 16,732,012 | 70,134,266 | 6,936,121 |
| Change in: | | | | | |
| Inventories | 11 | (11,796,731) | (2,156,939) | (8,288,722) | (659,167) |
| Trade and other receivables | | (6,329,284) | (3,206,102) | (7,406,535) | (2,916,611) |
| Other assets | | (745,062) | 251,285 | (717,729) | 251,285 |
| Deposit for imports | | (12,743,867) | (767,785) | (7,203,869) | (9,669) |
| Deliverable forwards | | (461,644) | (3,624,988) | (1,219,676) | (58,906) |
| Trade and other payables | 23 | 10,656,622 | 13,870,878 | 15,490,738 | 1,711,654 |
| Deferred Income | | 1,238,382 | 24,377 | 1,238,382 | 24,378 |
| Contract liabilities | | 331,505 | (800,232) | 292,285 | (211,188) |
| Warranty provisions | | (56,860) | 17,925 | - | - |
| Cash generated from operating activities | | 70,924,551 | 20,340,431 | 62,319,140 | 5,067,897 |
| Income tax paid | 20 | (7,746,808) | (2,401,590) | (3,415,105) | (1,202,219) |
| Net cash generated from operating activities | | 63,177,743 | 17,938,841 | 58,904,035 | 3,865,678 |
| Investing activities | | | | | |
| Interest income received | 35 | 6,108,171 | 5,233,116 | 4,296,586 | 4,149,329 |
| Loan advanced | 13 | - | (5,000,000) | - | (11,296,509) |
| Loan repayment | 13 | - | 5,000,000 | 3,474,696 | 4,715,647 |
| Proceeds from sale of property, plant and equipment | | 2,903 | 6,537,131 | 2,871 | 6,536,745 |
| Acquisition of property, plant and equipment | 4 | (2,953,720) | (911,180) | (2,733,754) | (622,528) |
| Net cash generated from investing activities | | 3,157,354 | 10,859,067 | 5,040,399 | 3,482,684 |
| Financing activities | | | | | |
| Borrowing from parent company | 25a | 4,500,000 | 17,031,902 | - | 17,031,902 |
| Trade obligation with banks | 25b | 37,671,826 | 5,277,304 | 3,073,604 | - |
| Repayment of borrowings | 25b | (22,871,048) | - | (2,439,285) | - |
| Dividends paid | 23.1b | - | (1,071,739) | - | (1,071,739) |
| Interest expense paid | 35 | (4,098,109) | (334,961) | (416,482) | (1,456) |
| Lease payment | 8 | (96,121) | (96,121) | (65,097) | (65,097) |
| Net cash generated from financing activities | | 15,106,548 | 20,806,385 | 152,740 | 15,893,610 |
| Net increase in cash and cash equivalents | | 81,441,645 | 49,604,293 | 64,097,174 | 23,241,972 |
| Cash and cash equivalents at 1 June | | 101,623,076 | 52,845,333 | 58,599,818 | 35,830,975 |
| Effect of foreign exchange rate changes | | (154,195,383) | (826,550) | (97,800,260) | (473,129) |
| Cash and cash equivalents at 31 May | 16 | 28,869,338 | 101,623,076 | 24,896,732 | 58,599,818 |

The accompanying notes on pages 27 to 80 form an integral part of these financial statements.

Notes to the consolidated and separate financial statements**1 General information**

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 2020 as amended, 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 Company 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 Company also distributes products of Harefield Industrial Nigeria 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 material accounting policies of the Group and Company**2.1 Statement of compliance**

The Group and Company's financial statements for the year ended 31 May 2024 have been prepared in accordance with IFRS Accounting 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 2024 and requirements of the Companies and Allied Matters Act (CAMA) 2020 of Nigeria as amended and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

2.2 Basis of preparation and measurement

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

Notes to the consolidated and separate financial statements

2.2 Basis of preparation and measurement (Continued)

Fair value for measurement and/or disclosure purposes in the 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.

2.2.1 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 to continue as a going concern. See Note 41 for further details.

2.2.2 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 2023:

- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies
- IFRS 17 Insurance Contracts
- Amendments to IAS 12- Deferred Tax related to Assets and Liabilities arising from a Single Transaction

(i) Amendments to IAS 8 - Definition of Accounting Estimates (Effective 1 January 2023)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measure uncertainty.

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- (a) A change in accounting estimate that results from new information or new developments is not the correction of an error;
- (b) the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The new standard had no impact on the Group's consolidated financial statements.

(ii) Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies (Effective 1 January 2023)

The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ (being information that, when considered together with other information included in an entity’s financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The new standard had no impact on the Group's consolidated financial statements.

Notes to the consolidated and separate financial statements

(iii) IFRS 17 - Insurance Contracts (Effective 1 January 2023)

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for eligible groups of insurance contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023

The new standard had no impact on the Group's consolidated financial statements.

(iv) Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction (Effective 1 January 2023)

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate.

IAS 12 did not previously address how to account for the tax effects of on balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The new standard had no impact on the Group's consolidated financial statements.

Notes to the consolidated and separate financial statements**2.2.3 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.

(i) 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.

(ii) Amendments to IAS 7 and IFRS 7 - Supplier finance arrangements (Effective 1 January 2024)

The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs.

The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following

The terms and conditions of SFAs.

- i. The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
- ii. The carrying amount of the financial liabilities for which suppliers have already received payment from the finance providers.
- iii. The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
- iv. Non-cash changes in the carrying amounts of financial liabilities.
- v. Access to SFA facilities and concentration of liquidity risk with finance providers.

The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.

The new standard is not expected to have material impact on the Group's consolidated financial statements.

Notes to the consolidated and separate financial statements

2.2.3 New accounting standards issued but not yet effective (Continued)

(iii) Amendments to IAS 1 – Non-current liabilities with covenants (Effective 1 January 2024)

Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date

The new standard is not expected to have material impact on the Group's consolidated financial statements.

(iv) Amendments to IFRS 16 - Lease liability in a sale and leaseback (Effective 1 January 2024)

In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

The new standard is not expected to have material impact on the Group's consolidated financial statements.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of PZ Cussons Nigeria PLC and HPZ Nigeria Limited. 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 Group 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 Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, 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 Group 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.

Notes to the consolidated and separate financial statements

2.3 Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date when the Group ceases to control the subsidiary.

Non-controlling interests in subsidiaries are identified separately from the Group's equity. 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 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.

2.4 Business combinations

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

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

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

Notes to the consolidated and separate financial statements

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 two Executive Directors.

An operating segment is a distinguishable component of the Group 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 Group's internal reporting structure.

2.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for sale of home and personal care products and durable electrical appliances, in the ordinary course of the Group'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 Group is the principal in all of its revenue arrangements 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 generally on receipt or collection by wholesaler. Following receipt, 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 on receipt or collection by 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.

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 goods 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.

Notes to the consolidated and separate financial statements

2.6.2 Tradex

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

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

2.6.3 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.7 Leases

The Group's leasing activities and its accounting policies under IFRS 16

The nature of the Group's leasing activities is mainly motor vehicles. Rental contracts are typically made for fixed periods of 1 to 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.

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.

- 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 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:

Notes to the consolidated and separate financial statements

2.7 Leases (Continued)

- 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 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.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use 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 Income Statement.

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 income Statement.

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 **As a lessor**

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Notes to the consolidated and separate financial statements

2.7 Leases (continued)

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

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 Interest income and expense

Interest 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.

Notes to the consolidated and separate financial statements**2.10.1 Short-term employee benefit - Gratuity scheme (Continued)**

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.

2.10.4 Termination benefit

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. Benefits are expected to be settled wholly within 12 months of the reporting date.

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.

Notes to the consolidated and separate financial statements

2.11 Current and deferred tax (Continued)

Deferred tax

Deferred tax is the tax expected to be paid 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.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets 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 and current tax assets 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 is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value and it is charged when such asset is available for use. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Notes to the consolidated and separate financial statements

2.12 Property, plant and equipment (Continued)

The estimated useful lives for the current and comparative periods are as follows:

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

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at 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 assessed 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 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.

Notes to the consolidated and separate financial statements

2.15.1 Financial assets

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

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

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

Classification of financial assets

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

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

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

(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.

(i) Amortised cost and effective interest method

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.

Notes to the consolidated and separate financial statements**2.15.1 Financial assets (Continued)****(i) Amortised cost and effective interest method (Continued)**

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

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) Equity instruments designated 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.

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 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.

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.

Notes to the consolidated and separate financial statements

2.15.1 Financial assets (Continued)

(iii) 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 FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as 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 basis. The Group has not designated any debt instruments as 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.

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 and 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.

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 recognise 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.

Notes to the consolidated and separate financial statements

2.15.1 Financial assets (Continued)

Impairment of financial assets (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 into 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 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.

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.

Notes to the consolidated and separate financial statements**2.15.1 Financial assets (Continued)****Derecognition of financial assets**

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received or 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 financial liabilities at amortized cost.

Borrowings, Lease liabilities and Trade and other payables are all classified as financial liabilities 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.

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.

Notes to the consolidated and separate financial statements

2.15.2 Financial liabilities (Continued)

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 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 instruments

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 bringing them to their existing location and condition. The basis for valuation is as follows:

| | |
|--|---|
| Raw materials, non-returnable packaging materials and consumable spare parts | - purchase 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.

2.17 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 Group 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.

Notes to the consolidated and separate financial statements**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 Group's shareholders. In respect of interim dividends these are recognised once approved by the Directors. 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 the 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 is recognised in profit or loss.

2.20 Deposits for letters of credit

Deposits for letters of credit represents Naira deposits for purchase of foreign currencies purchased to fund letters of credit, forwards and futures for settlement of vendors of all imported raw materials, spare parts and machinery.

Deposit for letters of credit is recognised at cost 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, is recognised in profit or loss when the asset is derecognised.

Software is 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.

Notes to the consolidated and separate financial statements**2.21.1 Impairment of tangible and intangible assets other than goodwill (Continued)**

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, 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. Gain or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

2.22 Earnings per share (EPS)

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group 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 by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held and 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 grant relates to ECC certificates earned as a beneficiary of the Export Expansion Grant Scheme.

This is initially recognised when the Group has received the ECC certificates from the government. The Group recognises EEG as contingent assets when the criteria for submission of the claim is met and necessary application filed. Information on Export Expansion grants estimated to be receivable from the government is disclosed in Note 32.

Notes to the consolidated and separate financial statements**2.23 Government grants (Continued)**

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 the certificates are received.

Export Expansion Grant ("the grant") from the government is recognised as contingent assets when there is a reasonable assurance that the grant will be received and the group has complied with all attached conditions. The following are the conditions precedent:

- The Company must be registered with the Corporate Affairs Commission (CAC) and the 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 300 days, calculated from the date of export and as approved by the EEG Implementation Committee.

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.

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.

2.25 Critical accounting judgements and key sources of estimation uncertainty

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 the applications of the Group's accounting policies

The critical judgements that the Directors have applied in the application of the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements are presented below.

Notes to the consolidated and separate financial statements

Critical judgements in the applications of the Group's accounting policies (Continued)

2.25.1 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 the 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.

2.25.2 Taxation provisions

The Group's tax provision relates to management's assessment of the amount payable on open tax audits where the liabilities are yet to be agreed with the tax authorities. This arose mainly from the interpretation of tax legislation regarding arrangements entered into by the Group. Due to uncertainty associated with such tax items, there is the possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly. Whilst a range of outcomes is reasonably possible, the extent of the reasonably possible range have been recognized in the financial statements.

2.25.3 Property lease classification - Company as lessor:

The Company has entered into lease of its factory building to earn rental income. The Company has determined, based on an evaluation of the terms and conditions of the arrangement, such as the lease term not constituting a major part of the economic life of the factory building and the present value of the minimum lease payments not amounting to substantially all of the fair value of the factory building, that it retains substantially all of the risks and rewards incidental to ownership of this factory building and accounts for the contract as operating leases.

2.25.4 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. The replacement cost of items and historical defects, are used to determine a rate which is applied against quantity sold during the year.

2.25.5 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 ECL is a significant estimate. The amount of ECL 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 ECL on the Group's trade receivables and contract assets is disclosed in the financial statements.

Notes to the consolidated and separate financial statements

2.25.6 Inventory provisions

The Group uses the following methodologies in provisioning for inventory allowance.

| Provision type | Level of provision required |
|------------------------------|-----------------------------|
| • Obsolete inventory | 100% |
| • Unstable | 100% |
| • Slow moving inventory | 50% of the excess |
| • Net Realisable Value (NRV) | 100% |

Obsolete inventory are SKUs with no movement (raw material) or no sales (finished goods) in the last twelve months. Unusable inventory are items that are damaged or past sell-by date or outside of current sales plan and require disposal. This would also include stock that is quarantined for quality control purposes. Slow Moving inventory are SKUs that have value more than one year cost of sales value, either prior year or budget for that SKU line for finished goods or more than one year material usage from either prior year or budget for raw materials. Excess is calculated as stock line value minus prior year/expected future year sales/usage. NRV is when Net Realisable Value (NRV) of a finished good SKU line net of discounts and promotional costs is less than balance sheet value (at full cost).

New SKU lines that have been manufactured or purchased in last six months are not subject to above provisioning requirements. In all above cases judgement may be used if management believe that a provision is not justified based on an assessment of the ability to use/sell the inventory item.

Sundry Stocks are consumables, fuel oil and machinery spares. These are reviewed quarterly and items that are not moving are provided for based on management's judgement of future expected use. Machinery spares are generally a significant part of sundry stocks. As these items may be emergency spares and remain unused for many years, a provision may be necessary to ensure that the net balance sheet value is not overstated.

2.26 Contingencies

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

A contingent asset is disclosed in the notes to the financial statements where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

Contingent asset are not recognized in the financial statements since this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate. The contingent assets of the Group is disclosed in Note 32 of the financial statements.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed. If the possibility of outflow in settlement is remote the possible obligation is not a contingent liabilities and no disclosure is made.

The contingent liabilities of the Group are disclosed in Note 32 of the financial statements.

2.27 Investment property

On acquisition, investment property is initially recognised at cost, or deemed cost where no monetary consideration is exchanged. Investment property is subsequently recognised in the accounts at cost and recognised as a separate line item outside property plant and equipment. Gains or losses on disposal are recognised within profit and loss. Depreciation is charged on the basis of useful life of the property.

Notes to the consolidated and separate financial statements**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 market risk (i.e interest rate risk, commodity, price risk and foreign exchange risk), credit risk and liquidity risk.

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 Board Audit and 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 Audit Committees (i.e Statutory Audit Committee and Board Audit and Risk Committee) are assisted in their 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 Committees.

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 limit is 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 is not exposed to any material concentrations of credit risk.

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

Company

31 May 2024

| Financial assets: | Neither past due nor impaired | Up to 90 days | 91 - 180 days | Over 180 days | Total |
|--|--|--------------------------|--------------------------|--------------------------|-------------------|
| <i>In thousands of Naira</i> | | | | | |
| Cash and cash equivalents (Note 16) | 24,896,732 | - | - | - | 24,896,732 |
| Trade receivables (Note 12) | 4,503,723 | 437,468 | 329,959 | 49,272 | 5,320,422 |
| Due from related party companies (Note 34.2) | 6,163,653 | - | - | - | 6,163,653 |
| Other receivables (Note 12) | 2,280,905 | - | - | - | 2,280,905 |
| Loan receivables (Note 13) | 3,722,135 | - | - | - | 3,722,135 |
| Deliverable forwards (Note 24) | 1,603,402 | - | - | - | 1,603,402 |
| Total | 43,170,550 | 437,468 | 329,959 | 49,272 | 43,987,249 |

31 May 2023

| Financial assets: | Neither past due nor impaired | Up to 90 days | 91 - 180 days | Over 180 days | Total |
|--|--|--------------------------|--------------------------|--------------------------|-------------------|
| <i>In thousands of Naira</i> | | | | | |
| Cash and cash equivalents (Note 16) | 58,599,818 | - | - | - | 58,599,818 |
| Trade receivables (Note 12) | 1,179,614 | 249,760 | 575,438 | 41,120 | 2,045,932 |
| Due from related party companies (Note 34.2) | 2,840,442 | - | - | - | 2,840,442 |
| Other receivables (Note 12) | 1,827,891 | - | - | - | 1,827,891 |
| Loan receivables (Note 13) | 6,580,862 | - | - | - | 6,580,862 |
| Deliverable forwards (Note 24) | 383,725 | - | - | - | 383,725 |
| Total | 71,412,352 | 249,760 | 575,438 | 41,120 | 72,278,670 |

Notes to the consolidated and separate financial statements

3.1 Credit risk (Continued)

Group

31 May 2024

| Financial assets: | Neither past due nor impaired | Up to 90 days | 91 - 180 days | Over 180 days | Total |
|--|-------------------------------|----------------|----------------|---------------|-------------------|
| <i>In thousands of Naira</i> | | | | | |
| Cash and cash equivalents (Note 16) | 28,869,338 | - | - | - | 28,869,338 |
| Trade receivables (Note 12) | 7,490,916 | 642,506 | 328,790 | 23,321 | 8,485,533 |
| Due from related party companies (Note 34) | 4,839,654 | - | - | - | 4,839,654 |
| Other receivables (Note 12) | 2,516,532 | - | - | - | 2,516,532 |
| Deliverable forwards (Note 24) | 4,518,435 | - | - | - | 4,518,435 |
| Total | 48,234,875 | 642,506 | 328,790 | 23,321 | 49,229,492 |

31 May 2023

| Financial assets: | Neither past due nor impaired | Up to 90 days | 91 - 180 days | Over 180 days | Total |
|--|-------------------------------|----------------|----------------|---------------|--------------------|
| <i>In thousands of Naira</i> | | | | | |
| Cash and cash equivalents (Note 16) | 101,623,076 | - | - | - | 101,623,076 |
| Trade receivables (Note 12) | 4,066,056 | 267,529 | 596,248 | 41,120 | 4,970,953 |
| Due from related party companies (Note 34) | 2,884,607 | - | - | - | 2,884,607 |
| Other receivables (Note 12) | 2,217,023 | - | - | - | 2,217,023 |
| Deliverable forwards (Note 24) | 4,056,791 | - | - | - | 4,056,791 |
| Total | 114,847,553 | 267,529 | 596,248 | 41,120 | 115,752,450 |

For details related to the allowance for impairment refer to note 12.

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:

| <i>In thousands of Naira</i> | Company | |
|------------------------------|------------|------------|
| | 2024 | 2023 |
| Credit rating | 24,893,734 | 58,599,818 |
| B | | |

| <i>In thousands of Naira</i> | Group | |
|------------------------------|------------|-------------|
| | 2024 | 2023 |
| Credit rating | 28,866,340 | 101,623,076 |
| B | | |

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

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.

Notes to the consolidated and separate financial statements

3.2 Liquidity risk (Continued)

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 2024 and 31 May 2023 are balances due to related parties of N64.2 billion and N58.4 billion respectively while that of the company is N55.9 billion and N45.5 billion respectively.

The table below analyses the Group and company's financial liabilities into relevant maturity groupings as at the reporting date:

Company

31 May 2024

In thousands of Naira

| Financial liabilities: | Up to 365 days | Above 365 days | Total |
|---|-------------------|-------------------|--------------------|
| Trade and other payables - excluding accruals (Note 23) | 62,264,531 | - | 62,264,531 |
| Borrowings (Note 25) | 1,108,447 | 59,833,113 | 60,941,560 |
| | 63,372,978 | 59,833,113 | 123,206,091 |

31 May 2023

In thousands of Naira

| Financial liabilities: | Up to 365 days | Above 365 days | Total |
|---|-------------------|-------------------|-------------------|
| Trade and other payables - excluding accruals (Note 23) | 50,417,516 | - | 50,417,516 |
| Borrowings (Note 25) | - | 18,735,092 | 18,735,092 |
| | 50,417,516 | 18,735,092 | 69,152,608 |

Group

31 May 2024

In thousands of Naira

| Financial liabilities: | Up to 365 days | Above 365 days | Total |
|---|--------------------|-------------------|--------------------|
| Trade and other payables - excluding accruals (Note 23) | 80,535,439 | - | 80,535,439 |
| Borrowings (Note 25) | 24,731,616 | 64,333,113 | 89,064,729 |
| | 105,267,055 | 64,333,113 | 169,600,168 |

31 May 2023

In thousands of Naira

| Financial liabilities: | Up to 365 days | Above 365 days | Total |
|---|-------------------|-------------------|-------------------|
| Trade and other payables - excluding accruals (Note 23) | 72,407,531 | - | 72,407,531 |
| Borrowings (Note 25) | 5,277,304 | 18,735,092 | 24,012,396 |
| | 77,684,835 | 18,735,092 | 96,419,927 |

3.3 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, except deliverable forwards measured at cost, the fair value reasonably approximates the carrying value in the statement of financial position.

3.4 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.

Notes to the consolidated and separate financial statements

3.4 Interest rate risk (Continued)

The following table details the sensitivity to a 1- 2% (2023: 1 - 2%) increase or decrease in interest rates.

In thousands of Naira

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Interest earned from related parties (Note 35) | 160,328 | 367,068 | 776,297 | 939,136 |
| Interest earned from banks (Note 35) | 5,947,843 | 4,866,048 | 3,520,289 | 3,210,193 |
| Interest paid to related parties (Note 35) | (11,803) | - | - | - |
| Interest paid to banks (Note 35) | (4,086,306) | (334,962) | (416,482) | (1,456) |
| Net Interest Income | 2,010,062 | 4,898,154 | 3,880,104 | 4,147,873 |
| Average interest rate for the year(%) | 15% | 6% | 15% | 6% |

In thousands of Naira

| | Group | | Company | |
|--|-----------|-----------|----------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Impact of 1% increase in average interest rate | (286,157) | 445,832 | 9,400 | 377,079 |
| Impact of 1% decrease in average interest rate | 286,157 | (445,832) | (9,400) | (377,079) |
| Impact of 2% increase in average interest rate | (572,314) | 891,664 | 18,799 | 754,158 |
| Impact of 2% decrease in average interest rate | 572,314 | (891,664) | (18,799) | (754,158) |

3.5 Foreign exchange risk

The Group's activities expose it to the financial risks arising from 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. Increase/decrease in foreign exchange rate at the reporting dates would have increased/decreased profit or loss and total equity by the following amounts(See rates percentage of 15%, 30%, 50% and 100% below). 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 remains 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 | |
|---|----------------------|------------------|------------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Foreign Currency (\$'000) | (77,623) | (132,011) | (72,060) | (101,278) |
| | Assets | | Assets | |
| | 2024 | 2023 | 2024 | 2023 |
| Foreign Currency (\$'000) | 3,622 | 3,533 | 3,290 | 3,501 |
| | Group - Net position | | Company - Net position | |
| | 2024 | 2023 | 2024 | 2023 |
| Foreign Currency (\$'000) | (74,001) | (128,478) | (68,770) | (97,777) |
| Closing foreign exchange rates (Naira/Dollar) | 1,486 | 465.30 | 1,486 | 465.30 |
| Average foreign exchange rates (Naira/Dollar) | 997.20 | 445.57 | 997.20 | 445.57 |

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

In the Executive 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.

Notes to the consolidated and separate financial statements

3.5 Foreign exchange risk (Continued)

| | Group - Net position | | Company - Net position | |
|------------------------------|----------------------|--------------|------------------------|--------------|
| | 2024 | 2023 | 2024 | 2023 |
| <i>In thousands of Naira</i> | | | | |
| US dollar - 10% increase | (10,996,453) | (5,978,103) | (10,219,312) | (4,549,544) |
| US dollar - 10% decrease | 10,996,453 | 5,978,103 | 10,219,312 | (4,549,544) |
| US dollar - 15% increase | (16,494,679) | (8,967,155) | (15,328,968) | (6,824,316) |
| US dollar - 15% decrease | 16,494,679 | 8,967,155 | 15,328,968 | 6,824,316 |
| US dollar - 20% increase | (21,992,906) | (11,956,207) | (20,438,624) | (9,099,088) |
| US dollar - 20% decrease | 21,992,906 | 11,956,207 | 20,438,624 | (9,099,088) |
| US dollar - 30% increase | (32,989,359) | (17,934,310) | (30,657,936) | (13,648,632) |
| US dollar - 30% decrease | 32,989,359 | 17,934,310 | 30,657,936 | 13,648,632 |
| US dollar - 50% increase | (54,982,265) | (29,890,517) | (51,096,560) | (22,747,720) |
| US dollar - 50% decrease | 54,982,265 | 29,890,517 | 51,096,560 | 22,747,720 |

The foreign exchange risk is mainly from foreign currency denominated bank balances, account receivable, related parties payable and receivable balances with foreign related parties.

3.6 Commodity pricing risk

Commodity risk is the risk that changes in underlying raw material prices have an adverse impact on the Group's financial performance. The Group's policy is to minimise the pricing volatility accompanied by unfavourable changes in commodity prices by entering into fixed price supplier contracts in line with its commercial strategy. The Group does not enter into any commodity derivatives.

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 2023.

The capital structure of the Group consists of Net debt (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 | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 |
| <i>In thousands of Naira</i> | | | | |
| Borrowings (Note 25) | 89,064,729 | 24,012,396 | 60,941,560 | 18,735,092 |
| Cash and cash equivalents (Note 16) | (28,869,338) | (101,623,076) | (24,896,732) | (58,599,818) |
| Net debt | 60,195,391 | (77,610,680) | 36,044,828 | (39,864,726) |
| Equity | (25,078,945) | 43,329,748 | (16,746,699) | 28,672,468 |
| Net debt to equity ratio | -240% | -179% | -215% | -139% |

Based on the above analysis, it can be ascertained that the group and company are lowly geared.

The Group's objectives when managing capital is 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

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, United Kingdom.

Notes to the consolidated and separate financial statements

4 Property, plant and equipment
Group - 2024

| <i>In thousands of naira</i> | Leasehold Land and Buildings | Plant and Machinery | Furniture, Fittings and FF equipment | Motor Vehicles | Capital Work in Progress (WIP) | Total |
|--|------------------------------------|------------------------|--|----------------|--------------------------------------|-------------------|
| Cost | | | | | | |
| At 1 June, 2023 | 15,605,756 | 28,539,187 | 3,710,388 | 41,540 | 508,003 | 48,404,874 |
| Additions | - | - | - | - | 2,953,720 | 2,953,720 |
| Transfer | 178,404 | 1,743,975 | 461,916 | 450,035 | (2,834,330) | - |
| Adjustments* | (15) | (464,180) | (2,130) | - | (238,321) | (704,646) |
| Reclassification to lease receivable (Note 4.1) | (1,641,984) | (3,683,780) | (98,024) | - | - | (5,423,788) |
| Reclassification to investment property (Note 6) | (478,874) | - | - | - | - | (478,874) |
| Write off | (2,001,187) | - | - | - | - | (2,001,187) |
| Disposal | - | - | (27,784) | - | - | (27,784) |
| At 31 May, 2024 | 11,662,100 | 26,135,202 | 4,044,366 | 491,575 | 389,072 | 42,722,315 |
| Depreciation | | | | | | |
| At 1 June, 2023 | 5,804,878 | 23,527,107 | 3,530,798 | 41,540 | - | 32,904,323 |
| Depreciation for the year | 261,288 | 1,254,282 | 145,797 | 93,118 | - | 1,754,485 |
| Adjustments | - | (696,395) | (2,130) | - | - | (698,525) |
| Reclassification to lease receivable (Note 4.1) | (432,263) | (3,479,942) | (98,024) | - | - | (4,010,229) |
| Reclassification to investment property (Note 6) | (176,904) | - | - | - | - | (176,904) |
| Write off | (2,001,187) | - | - | - | - | (2,001,187) |
| Disposal | - | - | (26,433) | - | - | (26,433) |
| At 31 May, 2024 | 3,455,812 | 20,605,052 | 3,550,008 | 134,658 | - | 27,745,530 |
| Cost | | | | | | |
| At 1 June, 2022 | 15,341,791 | 27,688,342 | 3,596,245 | 41,540 | 828,947 | 47,496,865 |
| Additions | - | - | - | - | 911,180 | 911,180 |
| Reclassification | 263,965 | 850,845 | 117,314 | - | (1,232,124) | - |
| Disposal | - | - | (3,171) | - | - | (3,171) |
| At 31 May, 2023 | 15,605,756 | 28,539,187 | 3,710,388 | 41,540 | 508,003 | 48,404,874 |
| Depreciation | | | | | | |
| At 1 June, 2022 | 5,525,171 | 22,069,507 | 3,370,560 | 41,540 | - | 31,006,778 |
| Depreciation for the year | 279,707 | 1,457,600 | 160,844 | - | - | 1,898,151 |
| Disposals | - | - | (606) | - | - | (606) |
| At 31 May, 2023 | 5,804,878 | 23,527,107 | 3,530,798 | 41,540 | - | 32,904,323 |
| Carrying amounts | | | | | | |
| At 31 May 2024 | 8,206,288 | 5,530,150 | 494,358 | 356,917 | 389,072 | 14,976,785 |
| At 31 May 2023 | 9,800,878 | 5,012,080 | 179,590 | - | 508,003 | 15,500,551 |

Depreciation expense of N1.22 billion (2023: N1.41 billion) has been charged in cost of sales, N0.37 billion (2023: N0.25 billion) in selling and distribution expenses and N0.23 billion (2023: NGN0.24 billion) in administrative expenses.

Construction work in progress as at 31 May 2024 and 2023 mainly comprise of new factory lines and plant enhancements.

There was no capitalised borrowing cost during the years ended 31 May 2024 and 31 May 2023.

There were no assets pledged as security for borrowing during the year (2023: nil).

Adjustments relates to legacy fixed assets that had to be manually depreciated over the years.

Capital commitments

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

| <i>In thousands of naira</i> | Group | |
|-------------------------------|----------------|------------------|
| | 2024 | 2023 |
| Authorised and contracted | - | 1,675,000 |
| Authorised but not contracted | 274,290 | 411,000 |
| | 274,290 | 2,086,000 |

4.1 Reclassification to lease receivable

| <i>In thousands of naira</i> | Group | | |
|--|------------------|--------------------|------------------|
| | Cost | Depreciation | Carrying amount |
| | 2024 | 2024 | 2024 |
| Detergent Tower Lease reclassified to investment properties (Note 6) | 149,427 | (39,338) | 110,089 |
| Detergent Tower lease asset/ finance leases | 5,274,361 | (3,970,892) | 1,303,469 |
| | 5,423,788 | (4,010,230) | 1,413,558 |

Notes to the consolidated and separate financial statements

4 Property, plant and equipment (Continued)

Company - 2024

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

| <i>In thousands of naira</i> | Leasehold Land and Buildings | Plant and Machinery | Furniture, Fittings and IT equipment | Motor vehicles | Capital Work in Progress (WIP) | Total |
|--|------------------------------------|------------------------|--|----------------|--------------------------------------|-------------------|
| Cost | | | | | | |
| At 1 June, 2023 | 14,432,922 | 26,760,197 | 3,401,859 | 9,766 | 497,015 | 45,101,759 |
| Additions | - | - | - | - | 2,733,754 | 2,733,754 |
| Transfers | 178,404 | 1,670,945 | 406,010 | 348,018 | (2,603,377) | - |
| Adjustments* | (15) | (464,180) | (2,130) | - | (238,321) | (704,646) |
| Reclassification to lease receivable (Note 4.1) | (1,641,984) | (3,683,780) | (98,024) | - | - | (5,423,788) |
| Reclassification to investment property (Note 6) | (478,874) | - | - | - | - | (478,874) |
| Write off | (2,001,187) | - | - | - | - | (2,001,187) |
| Disposal | - | - | (24,044) | - | - | (24,044) |
| At 31 May, 2024 | 10,489,266 | 24,283,182 | 3,683,671 | 357,784 | 389,071 | 39,202,974 |
| Depreciation | | | | | | |
| At 1 June, 2023 | 5,688,374 | 22,119,909 | 3,252,439 | 9,766 | - | 31,070,488 |
| Depreciation for the year | 233,232 | 1,147,783 | 123,311 | 72,018 | - | 1,576,344 |
| Adjustments | - | (702,516) | (2,130) | - | - | (704,646) |
| Reclassification to lease receivable (Note 4.1) | (432,263) | (3,479,942) | (98,024) | - | - | (4,010,229) |
| Reclassification to investment property (Note 6) | (176,904) | - | - | - | - | (176,904) |
| Write off | (2,001,187) | - | - | - | - | (2,001,187) |
| Disposals | - | - | (22,965) | - | - | (22,965) |
| At 31 May, 2024 | 3,311,252 | 19,085,234 | 3,252,631 | 81,784 | - | 25,730,901 |
| Cost | | | | | | |
| At 1 June, 2022 | 14,392,999 | 25,939,121 | 3,311,075 | 9,766 | 828,946 | 44,481,907 |
| Additions | - | - | - | - | 622,528 | 622,528 |
| Transfers | 39,923 | 821,076 | 93,460 | - | (954,459) | - |
| Disposal | - | - | (2,676) | - | - | (2,676) |
| At 31 May, 2023 | 14,432,922 | 26,760,197 | 3,401,859 | 9,766 | 497,015 | 45,101,759 |
| Depreciation | | | | | | |
| At 1 June, 2022 | 5,432,616 | 20,790,836 | 3,111,261 | 9,766 | - | 29,344,479 |
| Depreciation for the year | 255,758 | 1,329,073 | 141,482 | - | - | 1,726,313 |
| Disposal | - | - | (304) | - | - | (304) |
| At 31 May, 2023 | 5,688,374 | 22,119,909 | 3,252,439 | 9,766 | - | 31,070,488 |
| At 31 May 2024 | 7,178,014 | 5,197,948 | 431,040 | 276,000 | 389,071 | 13,472,073 |
| At 31 May 2023 | 8,744,548 | 4,640,288 | 149,420 | - | 497,015 | 14,031,271 |

Depreciation expense of N1.09 billion (2023: N1.28 billion) has been charged in 'cost of sales', N0.33 billion (2023: N0.28 billion) in 'selling and distribution expenses' and N0.22 billion (2023: N0.09 billion) in 'administrative expenses'.

Construction work in progress as at 31 May 2024 mainly comprise of new factory lines and plant enhancements.

There was no capitalised borrowing cost during the years ended 31 May 2024 and 31 May 2023.

There were no assets pledged as security for borrowing during the period (2023: nil).

Adjustments relates to legacy fixed assets that had to be manually depreciated over the years.

4.1 Reclassification to lease receivable

| <i>In thousands of naira</i> | Company | | |
|--|------------------|----------------------|-------------------------|
| | Cost 2024 | Depreciation 2024 | Carrying amount 2024 |
| Detergent Tower Lease reclassified to investment properties (Note 6) | 149,427 | (39,338) | 110,089 |
| Detergent Tower Lease asset/finance leases | 5,274,361 | (3,970,892) | 1,303,469 |
| | 5,423,788 | (4,010,230) | 1,413,558 |

5 Capital commitments

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

| <i>In thousands of naira</i> | Company | |
|-------------------------------|----------------|------------------|
| | 2024 | 2023 |
| Authorised and contracted | - | 1,173,000 |
| Authorised but not contracted | 274,290 | 411,000 |
| | 274,290 | 1,584,000 |

Notes to the consolidated and separate financial statements

6 Investment property

In thousands of naira

Cost

At 1 June, 2023
Transfer from Property, plant and equipment (Note 4)
Transfer relating to Detergent tower lease (Note 4.1)
At 31 May, 2024

Accumulated Depreciation

At 1 June, 2023
Depreciation for the year
Transfer from Property, plant and equipment (Note 4)
Transfer relating to Detergent tower lease
At 31 May, 2024

Carrying amounts

At 31 May, 2024

2024

| | Group | Company |
|---|------------------|------------------|
| At 1 June, 2023 | 2,470,870 | 2,470,870 |
| Transfer from Property, plant and equipment (Note 4) | 478,874 | 478,874 |
| Transfer relating to Detergent tower lease (Note 4.1) | 149,427 | 149,427 |
| At 31 May, 2024 | <u>3,099,171</u> | <u>3,099,171</u> |
| At 1 June, 2023 | 880,236 | 880,236 |
| Depreciation for the year | 65,762 | 65,762 |
| Transfer from Property, plant and equipment (Note 4) | 176,904 | 176,904 |
| Transfer relating to Detergent tower lease | 39,338 | 39,338 |
| At 31 May, 2024 | <u>1,162,240</u> | <u>1,162,240</u> |
| At 31 May, 2024 | <u>1,936,931</u> | <u>1,936,931</u> |

2023

Cost

At 1 June, 2022
At 31 May, 2023

Accumulated Depreciation

At 1 June, 2022
Depreciation for the year
At 31 May, 2023

Carrying amounts

At 31 May, 2023

| | Group | Company |
|---------------------------|------------------|------------------|
| At 1 June, 2022 | 2,470,870 | 2,470,870 |
| At 31 May, 2023 | <u>2,470,870</u> | <u>2,470,870</u> |
| At 1 June, 2022 | 824,131 | 824,131 |
| Depreciation for the year | 56,105 | 56,105 |
| At 31 May, 2023 | <u>880,236</u> | <u>880,236</u> |
| At 31 May, 2023 | <u>1,590,634</u> | <u>1,590,634</u> |

Further to the Group's simplification of its business, it has recognised certain assets which it believes falls within the category of an investment property, to align with the requirement of IAS 40 on assets that qualifies as investment property. These properties are not currently used by the business, and some of them have been leased in the short term. However, there is potential for utilisation in the future for business growth such as provision of additional support for enhancement of direct customer coverage and market penetration. The fair value of these properties is estimated at N27.56 billion (2023: 14.90 billion)

The fair value was estimated using the cost approach, this provides an indication of value using the economic principle that a buyer will pay no more for an asset than what it will cost him/her to own an equivalent asset of equal utility, whether by purchase or by construction. Thus the total construction cost of a new one is achieved through the application of a current construction rate to the gross floor area including other associated costs which is then depreciated to reflect present physical condition, functional and economic obsolescence on the property before adding the value of the bare site as at the date of valuation.

Leases - Motor Vehicle

7 Right-of-use assets:

In thousands of naira

Cost

At 1 June 2023
At 31 May 2024

Accumulated Depreciation

At 1 June 2023
Charge for the year
At 31 May 2024

Cost

At 1 June 2022
Additions*
At 31 May 2023

Accumulated Depreciation

At 1 June 2022
Charge for the year
At 31 May 2023

Carrying Amount

At 31 May 2024
At 31 May 2023

| | Group | Company |
|---------------------|----------------|----------------|
| | 2024 | |
| At 1 June 2023 | 795,847 | 585,298 |
| At 31 May 2024 | <u>795,847</u> | <u>585,298</u> |
| At 1 June 2023 | 592,089 | 453,783 |
| Charge for the year | 96,121 | 65,097 |
| At 31 May 2024 | <u>688,210</u> | <u>518,880</u> |
| | 2023 | |
| At 1 June 2022 | 588,847 | 453,298 |
| Additions* | 207,000 | 132,000 |
| At 31 May 2023 | <u>795,847</u> | <u>585,298</u> |
| At 1 June 2022 | 495,968 | 388,686 |
| Charge for the year | 96,121 | 65,097 |
| At 31 May 2023 | <u>592,089</u> | <u>453,783</u> |
| At 31 May 2024 | <u>107,637</u> | <u>66,418</u> |
| At 31 May 2023 | <u>203,758</u> | <u>131,515</u> |

Notes to the consolidated and separate financial statements

8 Lease liability

| | Group | Company |
|------------------------------|----------------|----------------|
| <i>In thousands of naira</i> | | |
| At 1 June 2023 | 203,758 | 131,515 |
| Lease payment | (96,121) | (65,097) |
| At 31 May 2024 | 107,637 | 66,418 |
| At 1 June 2022 | 92,879 | 64,612 |
| Additions* | 207,000 | 132,000 |
| Lease payment | (96,121) | (65,097) |
| At 31 May 2023 | 203,758 | 131,515 |

The Group leases motor vehicles. The lease period of motor vehicles is mainly for 3 years with an option to renew. The interest amount in the lease arrangement was not disclosed as it is immaterial and not considered to have a significant impact on the financial statements.

| | Group | | Company | |
|-------------|----------------|----------------|---------------|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Non Current | 57,121 | 108,131 | 35,418 | 70,131 |
| Current | 50,516 | 95,627 | 31,000 | 61,384 |
| | 107,637 | 203,758 | 66,418 | 131,515 |

c Maturity analysis of lease liability

| | Group | | Company | |
|--------|----------------|----------------|---------------|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Year 1 | 50,516 | 95,627 | 31,000 | 61,384 |
| Year 2 | 57,121 | 108,131 | 35,418 | 70,131 |
| | 107,637 | 203,758 | 66,418 | 131,515 |

9 Intangible Assets - Software

| | Group | | Company | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| <i>In thousands of Naira</i> | | | | |
| Cost | | | | |
| At 1 June 2023 | 1,059,618 | 1,059,618 | 1,059,618 | 1,059,618 |
| At 31 May 2024 | 1,059,618 | 1,059,618 | 1,059,618 | 1,059,618 |
| Accumulated amortisation | | | | |
| At 1 June 2023 | 635,771 | 529,810 | 635,771 | 529,810 |
| Charge for the year | 105,961 | 105,961 | 105,961 | 105,961 |
| At 31 May 2024 | 741,732 | 635,771 | 741,732 | 635,771 |
| Carrying amount | | | | |
| At 31 May 2024 | 317,886 | 423,847 | 317,886 | 423,847 |

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 planning software.

Notes to the consolidated and separate financial statements

10 Investment in subsidiary
In thousands of Naira
At 31 May

| | Investment amount | Country of incorporation and place of business | Nature of business | Company | |
|--|-------------------|--|--|---------------------|-------------------|
| | | | | 2024 | 2023 |
| | 504,406 | | | 504,406 | 504,406 |
| HPZ Limited | | | | | |
| | 504,406 | Nigeria | Household electrical appliances Nigeria manufacturer | 74.99 | 25.01 |
| HPZ Limited | | | | 2024 | 2023 |
| <i>In thousands of Naira</i> | | | | | |
| Current assets | | | | 27,704,734 | 62,123,468 |
| Non-current assets | | | | 15,464,007 | 2,066,082 |
| Current liabilities | | | | (52,179,398) | (43,197,095) |
| Non-current liabilities | | | | (362,453) | (800,458) |
| Equity attributable to owners of the Company | | | | 7,827,840 | (15,161,686) |
| Non-controlling interests | | | | 1,545,274 | (5,030,311) |
| Revenue | | | | 61,438,823 | 46,551,198 |
| Net Expense | | | | (91,886,549) | (40,731,289) |
| (loss)/ profit for the year | | | | (30,447,726) | 5,819,909 |
| Profit attributable to owners of the Company | | | | (22,832,750) | 4,364,350 |
| Profit attributable to the non-controlling interests | | | | (7,614,976) | 1,455,559 |
| (loss)/ profit for the year | | | | (30,447,726) | 5,819,909 |
| 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 | | | | (22,832,750) | 4,364,350 |
| Total comprehensive income attributable to the non-controlling interests | | | | (7,614,976) | 1,455,559 |
| Total comprehensive (loss)/ income for the year | | | | (30,447,726) | 5,819,909 |
| Net cash inflow/outflow from operating activities | | | | 4,273,708 | 14,073,162 |
| Net cash outflow/inflow from investing activities | | | | (1,883,045) | 7,376,383 |
| Net cash inflow/outflow from financing activities | | | | 14,953,807 | 4,912,775 |
| Net cash inflow | | | | 17,344,470 | 26,362,320 |

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

11 Inventories

| | Group | | Company | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| <i>In thousands of Naira</i> | | | | |
| Raw materials and consumables | 17,713,072 | 9,526,437 | 15,666,709 | 9,420,094 |
| Finished goods and goods for resale | 12,738,270 | 13,062,856 | 6,299,970 | 7,375,141 |
| Engineering spares and other stocks | 2,537,930 | 2,291,735 | 2,467,239 | 2,300,460 |
| Goods in transit | 7,856,177 | 4,167,690 | 3,777,254 | 826,755 |
| Total | 40,845,449 | 29,048,718 | 28,211,172 | 19,922,450 |

During the year ended 31 May 2024, N596m (2023: N750m) was charged for the group while the company was charged N513.8m (2023: N733.7m) to income statement for obsolete and damaged inventories identified. Also recognised as expense in the group and company's financial statements are engineering spares used for production of N396.8m (2023: N2.2m) and N353.2m (2023: N1.2m) respectively.

The following table provides a reconciliation of items reflected as cash and non cash in the Statements of Cash flows

| | Group | | Company | |
|---|---------------------|--------------------|--------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Changes in inventory | (11,796,731) | (2,156,939) | (8,288,722) | (659,167) |
| Changes in inventory as shown in the Statements of Cash flow | (11,796,731) | (2,156,939) | (8,288,722) | (659,167) |

Notes to the consolidated and separate financial statements

12 Trade and other receivables

Receivables due within one year:

| In thousands of Naira | Group | | Company | |
|---|-------------------|-------------------|-------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Trade receivables | 8,879,509 | 5,731,117 | 5,627,206 | 2,682,166 |
| Allowance for impairment of trade receivables (Note 12.1) | (393,976) | (760,164) | (306,784) | (636,235) |
| Net trade receivables | 8,485,533 | 4,970,953 | 5,320,422 | 2,045,931 |
| Due from related party companies (Note 34.2) | 4,839,654 | 2,884,607 | 6,163,653 | 2,840,442 |
| WHT credit note receivable | 1,940,273 | 1,380,125 | 1,306,171 | 950,352 |
| Other receivables* | 2,516,532 | 2,217,023 | 2,280,905 | 1,827,891 |
| Total | 17,781,992 | 11,452,708 | 15,071,151 | 7,664,616 |

* Other receivables include amounts receivable for utility services provided to third parties, interest receivables from banks and unclaimed dividend with Company's registrar. These are considered 100% recoverable because the balances are settled within a period of one month except unclaimed dividend, hence no loss allowance was estimated on the outstanding balance.

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

The Group 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 some of the 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.

| Group | Trade receivables - days past due | | | | | | Specific Provision | Total |
|--|-----------------------------------|----------------|----------|----------------|----------------|---------------|--------------------|------------------|
| | Not Due | 1-30 | 31-60 | 61-90 | 91-180 | > 180 | | |
| 31 May 2024 | | | | | | | | |
| <i>In thousands of Naira</i> | | | | | | | | |
| Expected credit loss rate | 0% | 5% | 0% | 17% | 5% | 84% | 100% | |
| Estimated total gross carrying amount at default | 7,503,760 | 654,762 | - | 27,350 | 345,157 | 146,377 | 202,103 | 8,879,509 |
| Lifetime ECL | (12,844) | (34,852) | - | (4,754) | (16,367) | (123,056) | (202,103) | (393,976) |
| | 7,490,916 | 619,910 | - | 22,596 | 328,790 | 23,321 | - | 8,485,533 |
| 31 May 2023 | | | | | | | | |
| <i>In thousands of Naira</i> | | | | | | | | |
| Expected credit loss rate | 1% | 1% | 4% | 11% | 28% | 86% | 100% | |
| Estimated total gross carrying amount at default | 4,092,296 | 153,803 | - | 130,777 | 827,412 | 288,023 | 238,806 | 5,731,117 |
| Lifetime ECL | (26,240) | (2,045) | - | (15,006) | (231,164) | (246,903) | (238,806) | (760,164) |
| | 4,066,056 | 151,758 | - | 115,771 | 596,248 | 41,120 | - | 4,970,953 |
| Company | | | | | | | | |
| 31 May 2024 | | | | | | | | |
| <i>In thousands of Naira</i> | | | | | | | | |
| Expected credit loss rate | 0% | 7% | 0% | 17% | 4% | 66% | 100% | |
| Estimated total gross carrying amount at default | 4,514,134 | 444,356 | - | 27,350 | 345,157 | 146,377 | 149,832 | 5,627,206 |
| Lifetime ECL | (10,411) | (29,484) | - | (4,754) | (15,198) | (97,105) | (149,832) | (306,784) |
| | 4,503,723 | 414,872 | - | 22,596 | 329,959 | 49,272 | - | 5,320,422 |

Notes to the consolidated and separate financial statements

| 31 May 2023 | Trade receivables - days past due | | | | | | Specific Provision | Total |
|--|-----------------------------------|----------------|----------|---------------|----------------|---------------|--------------------|------------------|
| | Not Due | 1-30 | 31-60 | 61-90 | 91-180 | > 180 | | |
| <i>In thousands of Naira</i> | | | | | | | | |
| Expected credit loss rate | 1% | 1% | 4% | 11% | 28% | 86% | 100% | |
| Estimated total gross carrying amount at default | 1,187,229 | 153,803 | - | 110,704 | 798,534 | 288,023 | 143,873 | 2,682,166 |
| Lifetime ECL | (7,616) | (2,045) | - | (12,702) | (223,096) | (246,903) | (143,873) | (636,235) |
| | 1,179,613 | 151,758 | - | 98,002 | 575,438 | 41,120 | - | 2,045,931 |

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

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

| <i>In thousands of Naira</i> | Group | | Company | |
|----------------------------------|-----------|-----------|-----------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Opening balance | (760,164) | (592,188) | (636,235) | (448,312) |
| Impairment reversal/ (allowance) | 264,751 | (167,976) | 218,989 | (187,923) |
| Write off | 101,437 | - | 110,462 | - |
| Closing balance | (393,976) | (760,164) | (306,784) | (636,235) |

12.1 Trade receivables impaired (ageing)

| <i>In thousands of Naira</i> | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Trade receivables impaired (ageing) | | | | |
| The ageing of impaired trade receivables is as follows: | | | | |
| Current to 180 days | 68,817 | 274,455 | 59,847 | 245,459 |
| Over 180 days | 325,159 | 485,709 | 246,937 | 390,776 |
| Total | 393,976 | 760,164 | 306,784 | 636,235 |

The impairment loss as at 31 May 2024 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 Group believes that, apart from the above, no additional impairment allowance is necessary in respect of trade receivables past due.

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.

12a Lease Receivables

| <i>In thousands of Naira</i> | Group | | Company | |
|------------------------------|------------------|----------|------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| lease receivables | 2,493,269 | - | 2,493,269 | - |
| | 2,493,269 | - | 2,493,269 | - |

Following the discontinuation of the Home Care business category, the company leased the plant and machinery to a third party. These plants and machineries were previously used in the Home Care business category.

In order to optimise the use of the assets, PZ Cussons Nigeria Plc entered into an agreement with UGEE Chemicals Limited (UGEE) in April 2024 to lease the Detergent Tower and related to them. UGEE is an existing detergent manufacturer and wish to expand their capacity.

The lease agreement contains both finance and operating lease components. Ownership of certain leased assets will be transferred to the lessee free of cost at the end of the lease, these assets are classified as a finance lease; the remainder of the assets remain under PZ ownership and are classified as an operating lease.

Split of lease payments between finance and operating lease

| <i>In thousands of Naira</i> | Total lease payment | Lease payment relating to finance lease | Lease payment relating to operating lease |
|------------------------------|---------------------|---|---|
| Lease payments | 5,659,387 | 5,218,630 | 440,757 |
| % of Total (NGN) | 100% | 92% | 8% |

The present value calculation has generated a finance lease receivable of N2.8 billion which has been recognised as the net investment in the lease. The operating lease component has been transferred to Investment Property at carrying value of N110.1 million. For the finance lease, the net investment in the lease has been calculated as the sum of the present value of the lease payments discounted using the interest rate implicit in the lease of 13.53%. The underlying assets of the operating lease have been recognised within Investment Properties at carrying value as at the lease commencement date.

Notes to the consolidated and separate financial statements

12a Lease Receivables (Continued)

The lease has been accounted for as a finance lease in line with the provisions of IFRS 16. The lease term is for a period of 10 years after which ownership transfers to the lessee. Set out below is the carrying amount of the net investment in lease and the movements during the year:

Finance lease receivable

In thousands of Naira

At 1 June 2023
Net investment of lease
Net Lease receipts
At 31 May 2024

| | Group | | Company | |
|-------------------------|-----------|------|-----------|------|
| | 2024 | 2023 | 2024 | 2023 |
| At 1 June 2023 | - | - | - | - |
| Net investment of lease | 2,821,777 | - | 2,821,777 | - |
| Net Lease receipts | (328,508) | - | (328,508) | - |
| At 31 May 2024 | 2,493,269 | - | 2,493,269 | - |

In thousands of Naira

Non- Current
Current

| | Group | | Company | |
|--------------|-----------|------|-----------|------|
| | 2024 | 2023 | 2024 | 2023 |
| Non- Current | 2,493,269 | - | 2,493,269 | - |
| Current | - | - | - | - |
| | 2,493,269 | - | 2,493,269 | - |

Assets under finance lease

In thousands of Naira

PV of finance leased assets
Carrying amount of PPE
Gain on finance lease assets

| | Group | | Company | |
|------------------------------|-------------|------|-------------|------|
| | 2024 | 2023 | 2024 | 2023 |
| PV of finance leased assets | 2,821,777 | - | 2,821,777 | - |
| Carrying amount of PPE | (1,303,469) | - | (1,303,469) | - |
| Gain on finance lease assets | 1,518,308 | - | 1,518,308 | - |

The table below sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

In thousands of Naira

Less than on year
One to two years
Two to three years
Three to four years
Four to five years
More than five years
Total undiscounted lease receivable
Unearned finance income

| | Group | | Company | |
|-------------------------------------|-------------|------|-------------|------|
| | 2024 | 2023 | 2024 | 2023 |
| Less than on year | 328,508 | - | 328,508 | - |
| One to two years | 345,795 | - | 345,795 | - |
| Two to three years | 380,374 | - | 380,374 | - |
| Three to four years | 418,412 | - | 418,412 | - |
| Four to five years | 466,194 | - | 466,194 | - |
| More than five years | 3,279,347 | - | 3,279,347 | - |
| Total undiscounted lease receivable | 5,218,630 | - | 5,218,630 | - |
| Unearned finance income | (2,725,361) | - | (2,725,361) | - |
| | 2,493,269 | - | 2,493,269 | - |

13 Loan receivables

In thousands of Naira

Opening balance
Additions during the year
Interest on loan
Payment within the year
Interest received
Closing balance

Non- Current
Current

| | Group | | Company | |
|---------------------------|-------|-------------|-------------|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| Opening balance | - | - | 6,580,862 | - |
| Additions during the year | - | 5,000,000 | - | 11,296,509 |
| Interest on loan | - | 367,068 | 615,969 | 939,136 |
| Payment within the year | - | (5,000,000) | (3,474,696) | (4,715,647) |
| Interest received | - | (367,068) | - | (939,136) |
| Closing balance | - | - | 3,722,135 | 6,580,862 |
| Non- Current | - | - | 263,234 | 3,422,048 |
| Current | - | - | 3,458,901 | 3,158,814 |
| | - | - | 3,722,135 | 6,580,862 |

Loan receivables relates to cash advances made to related party. Information on interest received on advances and repayment terms are disclosed in Note 34. The Group did not recognise impairment on loans due from related party, because there are no conditions existing that reflects a future default in recovery of the amount due. The interest rates on the loan moved from 6% to 7.5% and 12% with a repayment period of thirty-six months.

14 Other assets

In thousands of Naira

Prepayments
Advances to suppliers
Total

| | Group | | Company | |
|-----------------------|-----------|---------|-----------|---------|
| | 2024 | 2023 | 2024 | 2023 |
| Prepayments | 943,933 | 166,139 | 916,600 | 166,139 |
| Advances to suppliers | 784,315 | 817,047 | 784,315 | 817,047 |
| Total | 1,728,248 | 983,186 | 1,700,915 | 983,186 |

The advances have been made to suppliers to secure supply lines in the course of business. Prepayments relate to advances for twelve months rental accomodation.

Notes to the consolidated and separate financial statements

14 Other assets (Continued)

In thousands of Naira
Non- Current
Current

| Group | | Company | |
|-----------|---------|-----------|---------|
| 2024 | 2023 | 2024 | 2023 |
| - | 32,082 | - | 32,082 |
| 1,728,248 | 951,104 | 1,700,915 | 951,104 |
| 1,728,248 | 983,186 | 1,700,915 | 983,186 |

15 Deposit for imports
In thousands of Naira

Deposit for letters of credit
Total

| Group | | Company | |
|------------|---------|-----------|-------|
| 2024 | 2023 | 2024 | 2023 |
| 13,701,925 | 958,058 | 7,213,539 | 9,670 |
| 13,701,925 | 958,058 | 7,213,539 | 9,670 |

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; all related to settlement of invoices emanating from importation of raw materials, spare parts and machinery.

16 Cash and cash equivalents

In thousands of Naira
Cash in hand
Cash at bank
Short term deposits with banks
Total

| Group | | Company | |
|------------|-------------|------------|------------|
| 2024 | 2023 | 2024 | 2023 |
| 2,998 | 10,071 | 2,998 | 10,071 |
| 28,090,071 | 38,862,062 | 24,117,465 | 21,432,010 |
| 776,269 | 62,750,943 | 776,269 | 37,157,737 |
| 28,869,338 | 101,623,076 | 24,896,732 | 58,599,818 |

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

17 Share capital

Authorised:
Ordinary shares of 50k each

Allotted, called up and fully paid:
Ordinary shares of 50k each

| 2024 | | 2023 | |
|---------------------|--------------|---------------------|--------------|
| Number in thousands | Amount N'000 | Number in thousands | Amount N'000 |
| 3,970,476 | 1,985,238 | 3,970,476 | 1,985,238 |
| 3,970,476 | 1,985,238 | 3,970,476 | 1,985,238 |

18 Deferred Income

In thousands of Naira

Rent received in advance

| Group | | Company | |
|-----------|--------|-----------|--------|
| 2024 | 2023 | 2024 | 2023 |
| 1,327,884 | 89,502 | 1,327,884 | 89,502 |
| 1,327,884 | 89,502 | 1,327,884 | 89,502 |

Rent received in advance relates to rent received from third parties on PZ Cussons Nigeria Plc warehouses. Further analyses of the deferred income is presented below:

Deferred Income
In thousands of Naira
Non- Current
Current

| Group | | Company | |
|-----------|--------|-----------|--------|
| 2024 | 2023 | 2024 | 2023 |
| 603,436 | 84,230 | 603,436 | 84,230 |
| 724,448 | 5,272 | 724,448 | 5,272 |
| 1,327,884 | 89,502 | 1,327,884 | 89,502 |

19 Contract Liabilities

In thousands of Naira
Advance from customers

| Group | | Company | |
|---------|---------|---------|---------|
| 2024 | 2023 | 2024 | 2023 |
| 692,667 | 361,162 | 653,447 | 361,162 |
| 692,667 | 361,162 | 653,447 | 361,162 |

Contract liabilities relates to income received from customers for which goods are yet to be supplied. Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are received or collected by the customer. When the customer initially purchases the goods, the transaction value received at that point by the Group is recognised as contract liability until the goods have been received by the customer.

Contract Liabilities
In thousands of Naira
Non- Current
Current

| Group | | Company | |
|---------|---------|---------|---------|
| 2024 | 2023 | 2023 | 2023 |
| - | - | - | - |
| 692,667 | 361,162 | 653,447 | 361,162 |
| 692,667 | 361,162 | 653,447 | 361,162 |

Notes to the consolidated and separate financial statements

20 Taxation

| <i>In thousands of Naira</i> | Group | | Company | |
|---|---------------------|--------------------|---------------------|--------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Income tax expense: | | | | |
| Company income tax in respect of current year | 2,209,199 | 6,214,417 | 1,690,118 | 3,125,314 |
| Education tax in respect of current year | - | 569,554 | - | 307,567 |
| Capital gains tax | - | 563,753 | - | 563,753 |
| Police levy | - | 1,023 | - | 563 |
| (Over)/ Under provision of prior year tax | (645,692) | 283,114 | (645,692) | 14,017 |
| Total current tax | 1,563,507 | 7,631,861 | 1,044,426 | 4,011,214 |
| Deferred tax: | | | | |
| Current year charge to income statement | (33,734,840) | (1,516,466) | (20,988,901) | (1,273,823) |
| Total deferred tax | (33,734,840) | (1,516,466) | (20,988,901) | (1,273,823) |
| Income tax expense | (32,171,333) | 6,115,395 | (19,944,475) | 2,737,391 |

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:

Effective tax reconciliation

| <i>In thousands of Naira</i> | Group | | Company | |
|--|----------------------|-------------------|---------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| (Loss)/profit before tax | (108,195,002) | 20,463,740 | (65,520,418) | 11,265,827 |
| Income tax using the domestic Company income tax rate of 30% (2022: 30%) | (32,458,501) | 6,139,122 | (19,656,125) | 3,379,748 |
| Tax effects of: | | | | |
| Non-taxable deductions | (9,695,800) | (1,441,171) | (1,148,380) | (1,528,257) |
| Balancing Charge/Investment Allowance | 131 | - | 59 | - |
| Tertiary education tax | - | 569,554 | - | 307,567 |
| Capital Gains Tax | - | 563,753 | - | 563,753 |
| Minimum tax | 1,000,500 | - | 629,535 | - |
| Prior year tax adjustments recognised in current year | 63,083 | - | 158,034 | - |
| NASENI and Police Levy | - | 1,023 | - | 563 |
| Provision for uncertain tax | - | 283,114 | - | 14,017 |
| Impact of Unrelieved loss | 8,919,254 | - | 72,402 | - |
| Total income tax expense in income statement | (32,171,333) | 6,115,395 | (19,944,475) | 2,737,391 |

The current tax charge has been computed at the applicable rate of 30% (31 May 2023: 30%) plus education levy of 3% (31 May 2023: 2.5%) 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 donations and certain provisions which are not allowed as a deduction by the tax authorities.

Current taxation payable

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

| <i>In thousands of Naira</i> | Group | | Company | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Opening balance | 8,927,549 | 3,697,278 | 4,268,743 | 1,459,748 |
| Tax charge for the year | 2,209,199 | 7,348,747 | 1,690,118 | 3,997,197 |
| Prior under/(over) provision | (941,137) | 283,114 | (645,692) | 14,017 |
| Tax paid during the year | (7,746,808) | (2,401,590) | (3,415,105) | (1,202,219) |
| Current tax payable | 2,448,803 | 8,927,549 | 1,898,064 | 4,268,748 |

In thousands of Naira

The analysis of deferred tax liabilities is as follows:

Deferred tax (asset)/ liability to be recovered after more than 12 months

| <i>In thousands of Naira</i> | Group | | Company | |
|--|---------------------|------------------|---------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Opening balance | 3,561,854 | 5,078,502 | 4,086,413 | 5,360,236 |
| Charged/(credited) to income statement (Note 20) | (33,343,654) | (1,516,648) | (20,988,901) | (1,273,823) |
| Closing balance | (29,781,800) | 3,561,854 | (16,902,488) | 4,086,413 |

21 Deferred Tax

| <i>In thousands of Naira</i> | Group | | | Company | | |
|--|-------------------------------|---------------------|---------------------|-------------------------------|---------------------|---------------------|
| | Property, plant and equipment | Provisions | Total | Property, plant and equipment | Provisions | Total |
| At 1 June 2022 | (302,403) | 5,380,906 | 5,078,503 | 2,430,521 | 2,929,716 | 5,360,237 |
| Credited to income statement | (44,054) | (1,472,594) | (1,516,648) | (48,292) | (1,225,532) | (1,273,824) |
| At 31 May 2023 | (346,457) | 3,908,312 | 3,561,855 | 2,382,229 | 1,704,184 | 4,086,413 |
| (Credited)/charged to income statement | (550,275) | (32,793,380) | (33,343,655) | 125,923 | (21,114,823) | (20,988,901) |
| At 31 May 2024 | (896,732) | (28,885,068) | (29,781,800) | 2,508,152 | (19,410,639) | (16,902,488) |

Notes to the consolidated and separate financial statements

21 Deferred Tax (Continued)

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 current tax liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | Group | | Company | |
|--|---------------------|------------------|---------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| <i>In thousands of Naira</i> | | | | |
| Deferred tax liabilities | - | 4,086,413 | - | 4,086,413 |
| Deferred tax assets | (29,781,800) | (524,559) | (16,902,488) | - |
| Net deferred tax (asset)/ liabilities | (29,781,800) | 3,561,854 | (16,902,488) | 4,086,413 |

22 Warranty provisions

Warranty provisions

| | Group | | Company | |
|---------------------|----------------|----------------|----------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Warranty provisions | 324,453 | 381,313 | - | - |
| | 324,453 | 381,313 | - | - |

In thousands of Naira

| | Group | | Company | |
|---------------------------------|----------------|----------------|----------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Opening balance | 381,313 | 363,388 | - | - |
| Charged to the income statement | 157,028 | 176,815 | - | - |
| Utilised in the year | (213,888) | (158,890) | - | - |
| Closing balance | 324,453 | 381,313 | - | - |

The ageing of the warranty provision is as follows:

| | | | | |
|------------------------|----------------|----------------|----------|----------|
| Within 12 months | 79,033 | 72,234 | - | - |
| Greater than 12 months | 245,420 | 309,079 | - | - |
| Total | 324,453 | 381,313 | - | - |

The warranty provision represents management's best estimate of the Group's liability for warranties granted on electrical products, based on past experience 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 (note 2.25.4).

23 Trade and other payables

In thousands of Naira

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Trade payables | 13,723,365 | 10,313,971 | 3,616,306 | 1,472,563 |
| Unclaimed Dividend (Note 23.1b) | 1,635,208 | 1,817,272 | 1,635,208 | 1,817,272 |
| Accruals* | 10,064,918 | 7,536,204 | 7,707,312 | 4,063,589 |
| Amounts owed to related parties (Note 34.2) | 64,167,520 | 58,358,492 | 55,901,828 | 45,547,740 |
| Sundry Creditors | 1,009,346 | 1,917,796 | 1,111,189 | 1,579,941 |
| Total | 90,600,357 | 79,943,735 | 69,971,843 | 54,481,105 |

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 N1.86bn (2023:N1.54bn); Duty and clearing costs amount to N1.31bn (2023: N1.37bn), VAT liability N1.47 bn (2023: N1.85bn) in both Company and Group.

The following table provides a reconciliation of items reflected as cash and non cash in the Statements of Cash flows

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Changes in trade and other payables | 10,656,622 | 13,870,878 | 15,490,738 | 1,711,654 |
| Changes in trade and other payables as shown in the Statement of Cash flows | 10,656,622 | 13,870,878 | 15,490,738 | 1,711,654 |

23.1 Unclaimed dividend

23.1a The following dividends were declared by the Company during the year

In thousands of Naira

| | Group | | Company | |
|---|-------|------|---------|------|
| | 2024 | 2023 | 2024 | 2023 |
| Declared in 2024 is Nil (2023:Nil.01) per qualifying ordinary share | - | - | - | - |

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

After the end of the reporting period, dividend proposed was Nil (2023: Nil) per qualifying ordinary share of 3,970,477,045 (2023: 3,970,477,045) was proposed by the Directors (2023: Nil). The dividends have not been provided for and there are no income tax consequences until the dividend is declared.

Notes to the consolidated and separate financial statements

23.1 Unclaimed dividend (Continued)

23.1b Movement in Unclaimed Dividend

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| <i>In thousands of Naira</i> | | | | |
| Opening balance | 1,817,272 | 1,597,570 | 1,817,272 | 1,597,570 |
| Dividend declared with respect to prior year | - | 4,010,182 | - | 4,010,182 |
| Transfer to intercompany dividend payable WHT Inclusive (Due Group Company) | - | (2,938,443) | - | (2,938,443) |
| Payments during the year to First Registrars Non-Group shareholders WHT inclusive | - | (1,071,739) | - | (1,071,739) |
| Unpaid dividend received (see (ii) below) | 81,547 | 33,512 | 81,547 | 33,512 |
| Dividend disbursed by registrar during the year | (106,835) | - | (106,835) | - |
| Dividend amount with Registrar for distribution recognised | - | 515,398 | - | 515,398 |
| Refund of overdrawn dividend payments (see (iii) below) | - | (47,143) | - | (47,143) |
| Statute barred dividend transferred to retained earnings (see (i) below) | (156,776) | (282,065) | (156,776) | (282,065) |
| Closing balance | 1,635,208 | 1,817,272 | 1,635,208 | 1,817,272 |

The balance as at year end is included in trade and other payables (Note 23)

- (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 432(2) of the Companies and Allied Matters Act, 2020 as amended.
- (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 months and above to the paying companies. The Group received N81.5 million (2023: N33.5 million) from First Registrars Limited during the year.
- (iii) This refers to dividend payments made by First Registrars on behalf of PZ Cussons Nigeria Plc now refunded.
- (iv) Note: N408.6 million is cash with First Registrar for distribution to shared holders in line with statutory requirements

24 Deliverable forwards

In thousands of Naira

| | Group | | Company | |
|----------------------|------------------|------------------|------------------|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Deliverable forwards | 4,518,435 | 4,056,791 | 1,603,402 | 383,725 |
| Total | 4,518,435 | 4,056,791 | 1,603,402 | 383,725 |

Deliverable forwards represent Naira deposits for purchase of foreign currencies under a forward contract for settlement of invoices emanating from importation of raw materials, spare parts and machinery. The deliverable forwards were measured at cost.

25 Borrowings

In thousands of Naira

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Borrowing from parent company (Note 25a) | 64,333,113 | 18,735,092 | 59,833,113 | 18,735,092 |
| Trade obligation with banks (Note 25b) | 24,731,616 | 5,277,304 | 1,108,447 | - |
| | 89,064,729 | 24,012,396 | 60,941,560 | 18,735,092 |

Borrowings

In thousands of Naira

| | Group | | Company | |
|-------------|-------------------|-------------------|-------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Non-Current | 64,333,113 | 18,735,092 | 59,833,113 | 18,735,092 |
| Current | 24,731,616 | 5,277,304 | 1,108,447 | - |
| | 89,064,729 | 24,012,396 | 60,941,560 | 18,735,092 |

25a Borrowings from parent company

In thousands of Naira

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Balance as at 1 June | 18,735,092 | - | 18,735,092 | - |
| Additions | 4,500,000 | 17,031,902 | - | 17,031,902 |
| Foreign currency revaluation adjustment | 41,098,021 | 1,703,190 | 41,098,021 | 1,703,190 |
| Balance as at 31 May | 64,333,113 | 18,735,092 | 59,833,113 | 18,735,092 |

The borrowings relate to loan received from ultimate parent company, PZ Cussons(Holding) Limited, UK, in July 2022 based on agreement signed in June 2022. The facility amount is \$40.26 million, and it is non-interest bearing. In May 2024, the subsidiary - HPZ Ltd received a Naira denominated loan of N4.5 billion from a related company - Harefield Industrial Nigeria Limited which is a wholly owned subsidiary of PZ Cussons (Holding) Limited, UK.

25b Trade obligation with banks

In thousands of Naira

| | Group | | Company | |
|---------------------------------------|-------------------|------------------|------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Balance as at 1 June | 5,277,304 | - | - | - |
| Additions | 37,671,826 | 5,277,304 | 3,073,604 | - |
| Accrued interest and interest charged | 4,653,534 | - | 474,128 | - |
| Payment | (22,871,048) | - | (2,439,285) | - |
| Balance as at 31 May | 24,731,616 | 5,277,304 | 1,108,447 | - |

The Company is involved in trade financing arrangements with some local banks where the banks agree to pay amounts to foreign vendors in respect of invoices owed by the Company and receives settlement from the Company at a later date. The principal purpose of the arrangement is to facilitate efficient payment processing in view of the challenges being experienced with sourcing foreign currency in the Nigerian market. The total amount paid by the bank is due to be settled by the Company within one year at an average interest charge of SOPOR+8%.

Notes to the consolidated and separate financial statements**26a Expense by nature**

| <i>In thousands of Naira</i> | Group | | Company | |
|---|--------------------|--------------------|-------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Changes in inventories of finished goods and work in progress | 81,646,992 | 66,038,407 | 46,965,407 | 34,599,992 |
| Obsolescence/ damaged inventory | 596,884 | 750,292 | 513,824 | 733,697 |
| Personnel expenses (Note 31.4) | 8,953,460 | 8,011,158 | 6,766,616 | 6,130,708 |
| Fuel and gas | 3,348,983 | 5,169,222 | 3,191,187 | 4,972,148 |
| Depreciation (Note 4) | 1,754,485 | 1,898,151 | 1,576,344 | 1,726,313 |
| Depreciation - Right-of-use (Note 7) | 96,121 | 96,121 | 65,097 | 65,097 |
| Amortization charge - Intangible assets (Note 9) | 105,961 | 105,961 | 105,961 | 105,961 |
| Depreciation-Investment property (Note 6) | 65,762 | 56,105 | 65,762 | 56,105 |
| Auditors remuneration* | 503,820 | 261,107 | 317,220 | 180,379 |
| Directors emoluments (Note 31.1) | 254,632 | 300,261 | 254,632 | 300,261 |
| Rent and rates | 514,532 | 434,848 | 373,886 | 290,613 |
| Insurance | 752,419 | 416,417 | 717,095 | 386,375 |
| Freight/carriage cost | 4,814,684 | 4,331,674 | 3,011,637 | 2,599,434 |
| Security services | 879,192 | 226,604 | 773,659 | 221,372 |
| PZ Foundation donation (Note 34.2) | 60,000 | 50,000 | 60,000 | 50,000 |
| Global shared services support (Note 33) | 3,517,493 | 2,990,168 | 3,517,493 | 2,990,168 |
| Vehicle repairs and maintenance | 133,593 | 101,828 | 119,074 | 96,083 |
| Technical Know, R&D support, and Trade mark (Note 33) | 3,910,191 | 3,221,286 | 3,910,191 | 3,221,286 |
| Advertising and market promotions | 2,095,980 | 2,432,622 | 2,090,821 | 2,112,447 |
| Electricity | 2,031,799 | 632,921 | 1,954,393 | 557,231 |
| Impairment of trade receivables (Note 12) | (264,751) | 167,976 | (218,989) | 187,923 |
| Building & plant maintenance | 2,201,022 | 1,490,060 | 1,891,241 | 1,204,869 |
| General and other expenses | 3,788,227 | 1,603,428 | 2,572,527 | 1,010,418 |
| | 121,761,481 | 100,786,617 | 80,595,078 | 63,798,880 |
| Cost of sales | 98,120,852 | 81,015,877 | 62,330,277 | 48,653,086 |
| Selling and distribution expenses | 13,222,552 | 11,720,884 | 9,444,688 | 8,054,946 |
| Impairment of trade receivables (Note 12) | (264,751) | 167,976 | (218,989) | 187,923 |
| Administrative expenses | 10,682,828 | 7,881,880 | 9,039,102 | 6,902,925 |
| | 121,761,481 | 100,786,617 | 80,595,078 | 63,798,880 |

* Auditors remuneration relates to audit services provided. No non-audit services were provided by the auditors during the year ended 31 May 2024 and 31 May 2023.

No non-audit services were provided by our Auditors.

Details of other professionals providing other forms of assurance on the financial statements are as follows:

| Name of professional | FRC number of the professional | Name of firm | Nature of service |
|-----------------------------|---------------------------------------|---------------------|---|
| Audrey Obidike | FRC/2015/PRO/ICAN/004/00000011970 | Ernst and Young | Taxation services Financial Accounting service |

26b Foreign exchange loss

| <i>In thousands of Naira</i> | Group | | Company | |
|------------------------------|--------------|-------------|----------------|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| Foreign exchange loss | 157,918,245 | 4,953,665 | 96,625,395 | 3,808,074 |

*Exchange loss was taken into consideration by the Group and Company before arriving at the operating (loss)/ profit in the Statement of Comprehensive Income.

Notes to the consolidated and separate financial statements

27a Other income

| <i>In thousands of Naira</i> | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Rental income | 509,707 | 460,082 | 509,707 | 460,082 |
| Profit on disposal of fixed assets* | 2,041 | 5,943,576 | 1,792 | 5,943,383 |
| Scrap Sales | 901,684 | 937,899 | 686,045 | 908,334 |
| Gain on recognition of present value of lease payment | 1,518,308 | - | 1,518,308 | - |
| | 2,931,740 | 7,341,557 | 2,715,852 | 7,311,799 |

The profit on disposal of fixed assets relates mainly to sales of non-core residential properties in Ikoyi, Lagos state. N6.532 billion was received as consideration from the sales of the properties resulting in profit on disposal of N5.943 billion for 2023 while 2024 relates to profit on disposal of computer equipments.

27b Debt waiver

| <i>In thousands of Naira</i> | Group | | Company | |
|--|-------------------|----------|-------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Reversal of Global Shared Support Services (Note 34.2) for 2023 | 2,990,168 | - | 2,990,168 | - |
| Revaluation impact of the reversal of global shared support services for 2023 | 654,475 | - | 654,475 | - |
| Reversal of Global Shared Support Services (Note 34.2) for 2024 | 3,517,493 | - | 3,517,493 | - |
| | 7,162,136 | - | 7,162,136 | - |
| Reversal of Technical Know, R&D support, Trade mark & Management fees (Note 33) for 2023 | 3,221,286 | - | 3,221,286 | - |
| Reversal of Technical Know, R&D support, Trade mark & Management fees (Note 33) for 2024 | 3,910,191 | - | 3,910,191 | - |
| | 7,131,477 | - | 7,131,477 | - |
| | 14,293,613 | - | 14,293,613 | - |

Group's parent waiver of \$11.08 million relating to global IT shared cost

The Group's parent, PZ Cussons (Holdings) Limited, has written down \$11.08 million (N7.16 billion) relating to the 2023 (\$6.65 million) and 2024 (\$4.43 million) global IT shared cost as a demonstration of its commitment to the Nigerian business. The full effect of the write down has been included in the results for year ended 31 May 2024. The amount relating to 2024 is N3.5 billion (2023: N3.6 billion) has been classified as a debt waiver. This excludes the revaluation impact for 2024 financial year.

Group's parent waived the Technical Knowhow and Royalties fees for 2023 & 2024 financial years

The Group's parent, PZ Cussons (Holdings) Limited, have waived the Technical Know How fees and Royalties fee amounting to N7.13 billion (VAT inclusive) relating to 2023 (N3.22 billion) and 2024 (N3.91 billion) as a demonstration of its commitment to the Nigerian business. The full effect of the write down has been included in results for year ended 31 May 2024.

28 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 29).

The Group analyses its net revenue by the following categories:

| <i>In thousands of Naira</i> | Group | | Company | |
|---------------------------------|--------------------|--------------------|-------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Home and personal care products | 90,810,486 | 67,413,111 | 90,810,486 | 67,413,111 |
| Durable electrical appliances | 61,438,823 | 46,551,198 | - | - |
| Total | 152,249,309 | 113,964,309 | 90,810,486 | 67,413,111 |

Notes to the consolidated and separate financial statements

29 Operating segments

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

The Executive Management reviews the Group's internal reporting in order to assess performance and allocate resources. Executive 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 executive management 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.

The following is an analysis of the Group's revenue and results by reportable segment in 2024:

29.1 Segment revenue and profit

| As at May 2024 <i>In thousands of Naira</i> | Home and Personal Care Products | Durable electrical appliances | Eliminations | Total |
|--|--|-------------------------------------|--------------|----------------------|
| Revenue | | | | |
| Total gross segment revenue | 90,810,486 | 61,438,823 | - | 152,249,309 |
| Intersegment revenue | - | - | - | - |
| Total Revenue | 90,810,486 | 61,438,823 | - | 152,249,309 |
| Segment operating loss | (86,409,987) | (41,020,430) | - | (127,430,417) |
| Interest income (Note 35) | 4,296,586 | 1,811,585 | - | 6,108,171 |
| Interest cost (Note 35) | (416,482) | (3,681,627) | - | (4,098,109) |
| Other income (Note 27a) | 2,715,852 | 215,888 | - | 2,931,740 |
| Debt waiver (Note 27b) | 14,293,613 | - | - | 14,293,613 |
| Loss before taxation | (65,520,418) | (42,674,584) | - | (108,195,002) |
| Taxation (Note 20) | 19,944,475 | 12,226,858 | - | 32,171,333 |
| Loss after taxation | (45,575,943) | (30,447,726) | - | (76,023,669) |

The following is an analysis of the Group's revenue and results by reportable segment in 2023:

Notes to the consolidated and separate financial statements

29.1 Segment revenue and profit (Continued)

| As at May 2023 | Home and personal care products | Durable electrical appliances | Eliminations | Total |
|-------------------------------|--|--|---------------------|--------------------|
| <i>In thousands of Naira</i> | | | | |
| Revenue | | | | |
| Total gross segment revenue | 67,413,111 | 46,551,198 | - | 113,964,309 |
| Total Revenue | 67,413,111 | 46,551,198 | - | 113,964,309 |
| Segment operating loss | (193,843) | 8,417,870 | - | 8,224,027 |
| Interest income (Note 35) | 4,149,329 | 1,083,787 | - | 5,233,116 |
| Interest cost (Note 35) | (1,456) | (333,505) | - | (334,961) |
| Other income (Note 27a) | 7,311,799 | 29,758 | - | 7,341,557 |
| Profit before taxation | 11,265,829 | 9,197,910 | - | 20,463,739 |
| Taxation (Note 20) | (2,737,391) | (3,378,004) | - | (6,115,395) |
| Profit after taxation | 8,528,438 | 5,819,906 | - | 14,348,344 |

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 N148.03 billion (2023: N111.77 billion) and the total of revenue from external customers from other countries is N4.22 billion (2023: N2.19 billion) (Note 29.5). There were no intersegment sales in the current year (2023: Nil).

29.2 Segment assets

| As at May 2024 | Home and Personal Care Products | Durable electrical appliances | Eliminations | Total |
|---------------------------------------|--|--|---------------------|--------------------|
| <i>In thousands of Naira</i> | | | | |
| Property plant and equipment (Note 4) | 13,472,073 | 1,504,712 | - | 14,976,785 |
| Intangible assets (Note 9) | 317,886 | - | - | 317,886 |
| Financial assets (Note 3.1) | 43,987,249 | 5,242,243 | - | 49,229,492 |
| Inventory (Note 11) | 28,211,172 | 12,634,277 | - | 40,845,449 |
| Total segment assets | 85,988,380 | 19,381,232 | - | 105,369,612 |
| Unallocated assets | 32,124,137 | 20,070,352 | (504,406) | 51,690,083 |
| Total assets | 118,112,517 | 39,451,584 | (504,406) | 157,059,695 |
| | | | | |
| As at May 2023 | Home and Personal Care Products | Durable electrical appliances | Eliminations | Total |
| <i>In thousands of Naira</i> | | | | |
| Property plant and equipment (Note 4) | 14,031,271 | 1,469,280 | - | 15,500,551 |
| Intangible assets (Note 9) | 423,847 | - | - | 423,847 |
| Financial assets (Note 3.1) | 72,278,670 | 43,473,780 | - | 115,752,450 |
| Inventory (Note 11) | 19,922,450 | 9,126,268 | - | 29,048,718 |
| Total segment assets | 106,656,238 | 54,069,328 | - | 160,725,566 |
| Unallocated assets | 4,169,762 | 1,974,965 | (504,406) | 5,640,320 |
| Consolidated total assets | 110,826,000 | 56,044,293 | (504,406) | 166,365,886 |

Notes to the consolidated and separate financial statements

29.2 Segment assets (Continued)

The total segment assets located in Nigeria is N155.8 billion (2023: N166.4 billion), and the total of such segment assets located in other countries is Nil (2023: 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 and tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

29.3 Other segment information

| <i>In thousands of Naira</i> | Depreciation and amortisation | | Additions to non-current assets | |
|---------------------------------|----------------------------------|------------------|------------------------------------|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Home and Personal Care Products | 1,747,402 | 2,100,233 | 2,733,754 | 622,528 |
| Durable Electrical Appliances | 209,165 | 163,690 | 219,966 | 288,652 |
| | 1,956,567 | 2,263,923 | 2,953,720 | 911,180 |

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.

29.4 Revenues from major products

The Group's revenues from its major products and are disclosed in Note 28.

29.5 Geographical information

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

Group

| <i>In thousands of Naira</i> | Revenue from external customer | |
|---|--------------------------------|--------------------|
| | 2024 | 2023 |
| Domestic (within Nigeria) | 148,028,936 | 111,775,676 |
| Export (outside Nigeria) | 4,220,373 | 2,188,633 |
| Total revenue from contract with customers | 152,249,309 | 113,964,309 |

Company

| <i>In thousands of Naira</i> | Revenue from external customer | |
|---|-----------------------------------|-------------------|
| | 2024 | 2023 |
| Domestic (within Nigeria) | 86,590,113 | 65,224,479 |
| Export (outside Nigeria) | 4,220,373 | 2,188,632 |
| Total revenue from contract with customers | 90,810,486 | 67,413,111 |

The total value of non-current assets from which revenue was derived are: Group N49.1 billion (2023: N18.3 billion), Company N35.9 billion (2023: N20.13 billion).

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.

29.6 Information about major customers

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

Notes to the consolidated and separate financial statements**30 Earnings per share**

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 | |
|---|--------------|------------|--------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| (Loss)/ profit attributable to equity holders of parent company (N'000) | (68,408,693) | 12,892,786 | (45,575,943) | 8,528,438 |
| Weighted average number of ordinary shares in issue ('000) | 3,970,476 | 3,970,476 | 3,970,476 | 3,970,476 |
| Basic earnings per share (Naira/share) | (17.23) | 3.25 | (11.48) | 2.15 |

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

31 Directors and employees emoluments

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| 31.1 In thousands of naira | | | | |
| Chairman and Director's emoluments: | | | | |
| Chairman | 13,300 | 12,150 | 13,300 | 12,150 |
| Directors | 241,332 | 288,111 | 241,332 | 288,111 |
| Total | 254,632 | 300,261 | 254,632 | 300,261 |
| As fees (As per Non-Executive Directors) | 7,000 | 5,950 | 7,000 | 5,950 |
| Other emoluments (As per Non-Executive Directors) | 38,900 | 37,000 | 38,900 | 37,000 |
| Emoluments As per Executive Directors | 208,732 | 257,311 | 208,732 | 257,311 |
| Total | 254,632 | 300,261 | 254,632 | 300,261 |

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

31.2 Number of Directors whose emoluments fell within the following ranges were:**31.2.1 Executive Directors**

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2024 Number | 2023 Number | 2024 Number | 2023 Number |
| Below N30,000,000 | 1 | - | 1 | - |
| N30,000,001 - N40,000,000 | - | 2 | - | 2 |
| N160,000,001 - N190,000,000 | - | 1 | - | 1 |
| N190,000,001 - N220,000,000 | 1 | - | 1 | - |
| Directors with salaries and allowances as emoluments | 2 | 3 | 2 | 3 |

31.2.2 Non-Executive Directors

| | | | | |
|---|-----------|-----------|-----------|-----------|
| N5,000,001 - N10,000,000 | 4 | 4 | 4 | 4 |
| N10,000,001 - N15,000,000 | 1 | 1 | 1 | 1 |
| Directors with fees and other emoluments | 5 | 5 | 5 | 5 |
| Directors with no emoluments | 3 | 2 | 3 | 2 |
| Total | 10 | 10 | 10 | 10 |

31.3 Highest paid Director received

| <i>In thousands of naira</i> | Group | | Company | |
|--------------------------------|---------|---------|---------|---------|
| | 2024 | 2023 | 2024 | 2023 |
| Highest paid Director received | 206,433 | 189,944 | 206,433 | 189,944 |

Notes to the consolidated and separate financial statements

31.4 Personnel expenses

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

| <i>In thousands of naira</i> | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Salaries, wages and other employee expenses | 8,005,790 | 7,117,585 | 6,048,128 | 5,443,649 |
| Pension costs - defined contribution plan | 610,641 | 548,634 | 450,192 | 410,964 |
| Pension costs - gratuity scheme | 337,029 | 344,939 | 268,296 | 276,095 |
| Total | 8,953,460 | 8,011,158 | 6,766,616 | 6,130,708 |

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 | |
|-------------------------|----------------|----------------|----------------|----------------|
| | 2024 Number | 2023 Number | 2024 Number | 2023 Number |
| N1,500,000 and below | 5 | - | 3 | - |
| N1,500,001 - N2,000,000 | 10 | 44 | 9 | 3 |
| N2,000,001 - N2,500,000 | 58 | 559 | 35 | 404 |
| N2,500,001 - N3,000,000 | 357 | 135 | 240 | 82 |
| N3,000,001 - N3,500,000 | 210 | 9 | 137 | 6 |
| N3,500,001 - N4,000,000 | 45 | 25 | 27 | 25 |
| N4,000,001 and above | 261 | 224 | 201 | 172 |
| | 946 | 996 | 652 | 692 |

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

| | Group | | Company | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2024 Number | 2023 Number | 2024 Number | 2023 Number |
| Production | 683 | 688 | 465 | 488 |
| Sales and distribution | 170 | 190 | 100 | 95 |
| Administration | 93 | 118 | 87 | 109 |
| | 946 | 996 | 652 | 692 |

Notes to the consolidated and separate financial statements

32 Contingencies

a Assets

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 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.

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.

Negotiable Duty Credit Certificate (NDCC)

In thousands of naira

| | Group | |
|---|------------------|------------------|
| | 2024 | 2023 |
| NDCC with NEPC (awaiting conversion to ECC) | 297,492 | 297,492 |
| New ECC issued yet be utilised | 2,608 | 2,608 |
| Export Rebate filed with Government | 3,807,636 | 3,807,636 |
| | 4,107,736 | 4,107,736 |
| NDCC with NEPC (awaiting conversion to ECC) held on behalf related entities | | 352,508 |
| Total - NDCC and Export rebates receivable | 4,107,736 | 4,460,244 |

b Liabilities

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 N1.5 billion as at 31 May 2024 (2023: N0.52 billion). 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.

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 2024 was N34.3 billion (2023: N38.3 billion).

Notes to the consolidated and separate financial statements

32 Contingencies (Continued)

Capital commitments

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

| <i>In thousands of naira</i> | Group | | Company | |
|-------------------------------|----------------|------------------|----------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Authorised and contracted | - | 1,675,000 | - | 1,173,000 |
| Authorised but not contracted | 274,290 | 411,000 | 274,290 | 411,000 |
| Total | 274,290 | 2,086,000 | 274,290 | 1,584,000 |

33 Technical service fee

The technical, IT and trade mark agreements, basis and amounts are presented below. The amount recognised in these financial statements is inclusive of VAT which is payable to the government. All agreements are subject to the approval of the National Office for Technology Acquisition and promotion (NOTAP).

| NOTAP Approved Items | Bases | Rates | 2024 | 2023 |
|--|-------------------------------|--------------|------------------|------------------|
| Technical Knowhow | Net Sales of Company Sales | 3% | 2,606,794 | 2,136,336 |
| Technical service (Research and Development) | Net Sales of Company Sales | 1% | 868,931 | 723,300 |
| Trade mark | Net Sales of Company Sales | 0.5% | 434,466 | 361,650 |
| Sub total | | | 3,910,191 | 3,221,286 |
| IT Recharge | | | 3,517,493 | 2,990,168 |
| Total | | | 7,427,684 | 6,211,454 |

* Net Sales is Gross sales price less (i) value added taxes or sales tax payable; (ii) bonafide packing, transport and insurance cost; and (iii) trade discounts and re-imbursements actually granted to customer in respect of such invoice.

34 Related party transactions

34.1 Group and company

The Group and Company are controlled by PZ Cussons (Holdings) Limited, incorporated in the UK, which owns 73.27% (2023: 73.27%) of the group and company's shares. The remaining 26.73% (2023: 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 2024 (31 May 2023: Nil) and no charges to the income statement in respect of doubtful related party receivables for the years then ended.

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 | Joint venture of parent company |
| - PZ Coolworld Limited | Fellow subsidiary |

Notes to the consolidated and separate financial statements

34 Related party transactions (Continued)

34.2 Transactions with related parties

Purchase of goods and services

| <i>In thousands of naira</i> | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Purchases of goods from joint ventures and subsidiaries of PZ Cussons (Holdings) Limited (parent company)**: | | | | |
| - Seven Scent Limited | 483,609 | 2,883,116 | 483,609 | 2,883,116 |
| - PZ Cussons Singapore Private Limited | 37,400,490 | 14,175,844 | 20,146,397 | 10,007,582 |
| - PZ Cussons Indonesia | 6,057 | 8,961 | 6,057 | 8,961 |
| - PZ Cussons Thailand | 34,363 | - | 34,363 | - |
| - PZ Wilmar Limited | 5,623,523 | 7,885,217 | 5,623,523 | 7,885,217 |
| | 43,548,042 | 24,953,138 | 26,293,949 | 20,784,876 |

| <i>In thousands of naira</i> | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Purchases of services from PZ Cussons (Holdings) Limited (parent company)**: | | | | |
| - R& D Support - PZ Cussons International Limited | 2,606,794 | 672,837 | 2,606,794 | 672,837 |
| - Technical Knowhow fees - PZ Cussons | 868,931 | 2,212,030 | 868,931 | 2,212,030 |
| - Trade Mark - PZ Cussons International Limited | 434,466 | 336,419 | 434,466 | 336,419 |
| | 3,910,191 | 3,221,286 | 3,910,191 | 3,221,286 |

Recharge of services from PZ Cussons (Holdings) Limited

| | | | | |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| - Global shared services support | 3,517,493 | 2,990,168 | 3,517,493 | 2,990,168 |
| Total | 50,975,726 | 31,164,592 | 33,721,633 | 26,996,330 |

Sales of goods

| | | | | |
|----------------------------|------------------|------------------|------------------|------------------|
| - PZ Cussons Ghana Limited | 3,610,290 | 2,084,710 | 3,610,290 | 2,084,710 |
| | 3,610,290 | 2,084,710 | 3,610,290 | 2,084,710 |

Recharge of services - PZ Wilmar Ltd

| | | | | |
|--|----------------|----------------|----------------|----------------|
| | 756,978 | 567,578 | 756,978 | 567,578 |
|--|----------------|----------------|----------------|----------------|

Recharge of service cost recovery- Distribution fees:

| | | | | |
|--|---------------|----------------|----------------|------------------|
| - HPZ Limited (Subsidiary) | - | - | 698,406 | 3,858,318 |
| - Harefield Industrial Nigeria Limited | 84,746 | 807,174 | 84,746 | 807,174 |
| Sub -total A | 84,746 | 807,174 | 783,152 | 4,665,492 |

Recharge of local shared services by PZ Cussons Nigeria Plc

| | | | | |
|--|---------------|----------------|----------------|------------------|
| - HPZ Limited (Subsidiary) | - | - | 698,406 | 3,672,781 |
| - Harefield Industrial Nigeria Limited | 84,746 | 768,359 | 84,746 | 768,359 |
| Sub -total B | 84,746 | 768,359 | 783,152 | 4,441,140 |

Net recharge/recovery of service cost (A-B)*

| | | | | |
|--------------|------------------|------------------|------------------|------------------|
| | - | 38,815 | - | 224,352 |
| Total | 4,367,268 | 2,691,103 | 4,367,268 | 2,876,640 |

* Net recharge/recovery of service is included in cost of sales.

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 31. No loans were advanced to any key personnel management during the year.

Notes to the consolidated and separate financial statements*In thousands of naira***34 Related party transactions****34.2 Transactions with related parties (Continued)**

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

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Due to: | | | | |
| - Subsidiaries of PZ Cussons Nigeria Plc | | | | |
| - HPZ Limited | - | - | - | 1,564,398 |
| Sub Total | - | - | - | 1,564,398 |
| - Joint ventures and subsidiaries of PZ Cussons | | | | |
| - PZ Cussons International Limited | 34,195,103 | 25,279,300 | 34,073,567 | 25,241,245 |
| - Seven Scent Limited | 892,805 | 6,000,923 | 892,805 | 6,000,923 |
| - PZ Cussons Singapore Private Limited | 20,431,534 | 23,489,533 | 12,287,378 | 9,152,439 |
| - PZ Cussons (Holdings) Limited | 8,646,622 | 3,586,501 | 8,646,622 | 3,586,501 |
| - PZ Cussons Indonesia | 1,456 | - | 1,456 | - |
| - PZ Cussons (Thailand) Limited | - | 2,235 | - | 2,234 |
| Sub Total | 64,167,520 | 58,358,492 | 55,901,828 | 43,983,342 |
| Total | 64,167,520 | 58,358,492 | 55,901,828 | 45,547,740 |
| Due from: | | | | |
| - Subsidiaries of PZ Cussons Nigeria Plc | | | | |
| <u>Joint ventures of PZ Cussons</u> | | | | |
| HPZ limited | - | - | 1,323,999 | - |
| | - | - | 1,323,999 | - |
| ** Joint ventures and subsidiaries of PZ Cussons (Holdings) Limited, UK | | | | |
| - PZ Cussons Ghana Limited | 1,265,307 | 97,218 | 1,265,307 | 97,218 |
| - Harefield Industrial Nigeria Limited | 2,836,661 | 1,898,941 | 2,836,661 | 1,854,776 |
| - PZ Wilmar Limited | 737,686 | 888,448 | 737,686 | 888,448 |
| Sub Total | 4,839,654 | 2,884,607 | 4,839,654 | 2,840,442 |
| Total | 4,839,654 | 2,884,607 | 6,163,653 | 2,840,442 |
| Loan due from: | | | | |
| - Subsidiaries of PZ Cussons Nigeria Plc | | | | |
| - HPZ Limited | - | - | - | 6,580,862 |
| | - | - | - | 6,580,862 |

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

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

Local entities: Nutricima Limited, Harefield Industrial Nigeria Limited, PZ Coolworld Limited, PZ Wilmar Limited and PZ Wilmar Food Limited.**Foreign entities:** PZ Cussons International Limited, PZ Cussons Singapore Private Limited, PZ Cussons (Thailand) Limited, PZ Cussons Ghana Limited, PZ Cussons East Africa Limited, PZ Cussons Mesa, PZ Cussons Indonesia, PZ Cussons India Private Limited and Seven Scent Limited.

Notes to the consolidated and separate financial statements**34 Related party transactions (Continued)****34.2 Transactions with related parties****PZ Cussons Foundation**

PZ Cussons Foundation is not a related party within the definition of IAS 24. The Foundation was established in 2007 to improve the quality of life of people living in Nigeria especially in areas around our operations across the country by building roads, schools, health centres, sport facilities, providing portable water, etc. As a corporate social responsibility outfit, it's affairs is managed by a Board of trustees who are responsible for the delivery of the Foundation objectives. During the year, donation from PZ Cussons Nigeria Plc to the Foundation amounted to N60m (2023:N50m). However, the Foundation is at liberty to receive donations from other sources. Disclosure made in this section is on voluntary basis in the interest of transparency.

35 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 average rate of 9.75% p.a. from and to related parties. The advances have been fully liquidated at 2024 and 2023 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 2024 and 31 May 2023.

The Group and company earned N160.3 million (2023: N367.1 million) and N776.3 million (2023: N939.1million) respectively on short-term advances to related parties. All inter-company interest have been eliminated on consolidation. The un-eliminated interest income and interest expense on consolidation relates to interest earned and interest paid on transactions with other related parties (i.e. Nutricima Limited, Harefield Industrial Nigeria Limited and PZ Wilmar Limited) outside of the PZ Cussons Nigeria Plc Group.

| <i>In thousands of naira</i> | Group | | Company | |
|--|---------------------------|-------------------------|-------------------------|-------------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Interest paid to related companies | | | | |
| Harefield Industrial Nigeria limited | (11,803) | - | - | - |
| | <u>(11,803)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Interest paid to banks | <u>(4,086,306)</u> | <u>(334,961)</u> | <u>(416,482)</u> | <u>(1,456)</u> |
| Total interest Cost | <u>(4,098,109)</u> | <u>(334,961)</u> | <u>(416,482)</u> | <u>(1,456)</u> |
| Interest earned from related companies; | | | | |
| HPZ Limited | - | - | 615,969 | 674,068 |
| PZ Wilmar Limited | 160,328 | 367,068 | 160,328 | 265,068 |
| | <u>160,328</u> | <u>367,068</u> | <u>776,297</u> | <u>939,136</u> |
| Interest earned from banks | <u>5,947,843</u> | <u>4,866,048</u> | <u>3,520,289</u> | <u>3,210,193</u> |
| Total Interest income | <u>6,108,171</u> | <u>5,233,116</u> | <u>4,296,586</u> | <u>4,149,329</u> |
| Net finance Income | <u>2,010,062</u> | <u>4,898,155</u> | <u>3,880,104</u> | <u>4,147,873</u> |

36 Dividends**Amounts recognised as dividends to ordinary shareholders in the year:**

Dividend for the year ended 31 May 2022 was paid during the year ended 31 May 2023. 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 23, dividend proposed in respect of the year ended 31 May 2024 was Nil (2023:Nil). 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. Accordingly, there is no provision for the dividend in these financial statements.

37 Board changes

| | |
|------------------------------|---|
| Prof. Fabian Ajogwu OFR, SAN | Independent Non-Executive Director (Resigned w.e.f 4 March 2024) |
| Mr Kamar Bakrin | Non Executive Director (Resigned w.e.f 14 October 2023) |
| Dr Suleyman Abdu Ndanusa | Independent Non-Executive Director (Appointed w.e.f 16 November 2023) |
| Mr. Duncan Anniss | Non Executive Director (Resigned w.e.f 30 October 2023) |

Notes to the consolidated and separate financial statements²³

38 Securities trading policy

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of The Exchange 2015 (Issuers' Rule), PZ Cussons Nigeria Plc maintains a Security Trading Policy (Policy) which guides Directors, Audit Committee members, employees and all individuals categorized as insiders in relation to their dealings in the Company's shares. The Policy undergoes periodic review by the Board and is updated accordingly. The Company has made specific inquiries of all its Directors and other insiders and is not aware of any infringement of the Policy during the period.

39 Events after reporting date

There are no significant subsequent events, which could have had a material effect on the Financial Statements of the Company as at 31 May 2024 that have not been adequately provided for or disclosed in the financial statements.

40 PZ Cussons (Holdings) Limited's offer to acquire shares held by other shareholders of PZ Cussons Nigeria Plc

On the 4th of September 2023, PZ Cussons Nigeria Plc notified the Nigerian Exchange Limited ("NGX") and the investing public that PZ Cussons (Holdings)Limited,UK (the"Core Shareholder") has informed the Board of Directors of the Company (the"Board") of its intention to acquire the shares held by all the other shareholders of the Company, subject to prevailing market conditions,at an offer price of ₦21 per share (the"Proposed Transaction"). The Proposed Transaction is however,subject to the consideration and approval of the Board, the Company's shareholders and requisite regulatory authorities.

The offer was increased from N21 per share to N23 per share as announced on November 9, 2023. However, on March 19, 2024, PZ Cussons Nigeria Plc ("PZCN" or the "Company") notified the Nigerian Exchange Limited ("NGX") and the investing public that the Securities and Exchange Commission ("SEC") has declined the Company's request for its No Objection to PZ Cussons (Holdings) Limited's ("the majority shareholder") intention to acquire the shares held by all the other shareholders of PZCN at an offer price of ₦23 per share (the "Proposed Transaction"). The Board will communicate further developments to shareholders in due course.

41 Going Concern

The Financial Statements of PZ Cussons Nigeria Plc have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

However, the Group and Company incurred a net loss of ₦76.0 billion (2023: ₦14.3 billion profit) and ₦45.6 billion (2023: ₦ 8.5 billion net profit) respectively for the year ended 31 May 2024 and as at that date, the Group and the Company's total liabilities exceeded its total assets by ₦27.5 billion (2023: net asset of ₦48.3 billion) and ₦16.8 billion (2023: net asset of ₦28.6 billion) respectively. These events or conditions increases the risk of going concern of the Group and Company.

In responding to this risk, management has carried out several actions to return the Group and Company to profitability by sustaining the revenue growth rate recorded in 2024 while aggressively controlling cost. The Group and Company have also obtained support from the Parent Company that it will continue to fund and support the Group and Company's operations as may be required for the foreseeable

Based on the foregoing, the Directors are confident that the Group and the Company would be able to continue to operate and be in a position to settle all its obligations in the normal course of business. Accordingly, the Directors considered it appropriate to prepare the financial statements on the basis of accounting policies applicable to a going concern.

OTHER NATIONAL DISCLOSURES

Statement of value added
for the year ended 31 May 2024

| <i>In thousands of naira</i> | Group | | | | Company | | | |
|--|---------------------|-------------|-------------------|-------------|---------------------|-------------|-------------------|-------------|
| | 2024 | % | 2023 | % | 2024 | % | 2023 | % |
| Revenue | 152,249,309 | | 113,964,309 | | 90,810,486 | | 67,413,111 | |
| Other income | 2,931,740 | | 7,341,557 | | 1,792 | | 7,311,800 | |
| Interest income | 6,108,171 | | 5,233,116 | | 4,296,586 | | 4,149,329 | |
| Brought-in-materials and | | | | | | | | |
| - Imported | | | (67,759,222) | | (115,291,074) | | (44,935,622) | |
| - Local | (73,943,713) | | (27,813,563) | | (36,407,708) | | (14,190,196) | |
| Value eroded/ added | (92,795,680) | 100 | 30,966,197 | 100 | (56,589,918) | 100 | 19,748,422 | 100 |
| Applied as follows: | | | | | | | | |
| To pay employees: | | | | | | | | |
| - Salaries, wages and other | 8,953,460 | -10% | 8,011,158 | 26% | 6,766,616 | -12% | 6,130,708 | 31% |
| To pay government: | | | | | | | | |
| - Income and education taxes | 1,563,507 | -2% | 7,631,861 | 25% | 1,044,426 | -2% | 4,011,214 | 20% |
| To pay providers of capital: | | | | | | | | |
| - Interest cost | 4,098,109 | -4% | 334,961 | 1% | 416,482 | -1% | 1,456 | 0% |
| Retained for replacement of assets and business growth: | | | | | | | | |
| - Deferred taxation | (33,343,654) | 36% | (1,516,466) | -5% | (20,988,901) | 37% | (1,273,823) | -6% |
| - Depreciation | 1,754,485 | -2% | 1,954,256 | 6% | 1,576,344 | -3% | 2,132,763 | 10% |
| - Depreciation - Right-of-use- | 96,121 | 0% | 96,121 | 0% | 65,097 | 0% | 111,707 | 1% |
| - Amortization (Intangible | 105,961 | 0% | 105,961 | 0% | 105,961 | 0% | 105,961 | 1% |
| - Non controlling interest | (7,614,976) | 8% | 1,455,559 | 5% | - | 0% | - | - |
| (Loss)/ profit attributable to equity Profit holders of equity | (68,408,693) | 74% | 12,892,786 | 42% | (45,575,943) | 81% | 8,528,436 | 43% |
| | (92,795,680) | 100% | 30,966,197 | 100% | (56,589,918) | 100% | 19,748,422 | 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, 2020 as amended.

Five year financial summary**Group**

| | 2024 | 2023 | 2022 | 2021 Restated | 2020 Restated |
|--|--------------------|--------------------|--------------------|-------------------|-------------------|
| <i>In thousands of naira</i> | | | | | |
| Statement of financial position: | | | | | |
| Non-current assets | 49,614,308 | 18,275,431 | 19,088,568 | 26,730,823 | 28,704,103 |
| Current assets | 107,445,387 | 148,090,455 | 89,793,126 | 60,614,048 | 49,329,595 |
| Assets held for sale | - | - | 590,990 | - | - |
| Total assets | 157,059,695 | 166,365,886 | 109,472,684 | 87,344,871 | 78,033,698 |
| Equity attributable to equity holders of parent | (25,078,945) | 43,329,747 | 34,165,079 | 28,923,439 | 27,760,630 |
| Non-controlling interest | (2,427,890) | 5,030,311 | 3,574,752 | 2,845,542 | 2,625,695 |
| Non-current liabilities | 65,239,090 | 23,322,945 | 5,654,331 | 6,164,221 | 6,718,819 |
| Current liabilities | 119,327,440 | 94,682,883 | 66,078,522 | 49,411,669 | 40,928,554 |
| Total equity and liabilities | 157,059,695 | 166,365,886 | 109,472,684 | 87,344,871 | 78,033,698 |
| | | | | 2021 | 2020 |
| <i>In thousands of naira</i> | 2024 | 2023 | 2022 | Restated | Restated |
| Turnover | 152,249,309 | 113,964,309 | 99,503,320 | 82,577,540 | 66,992,561 |
| (Loss) / profit before taxation | (108,195,002) | 20,463,740 | 10,008,025 | 3,191,562 | (7,938,652) |
| (Loss) / profit after taxation (attributable to owners of the company) | (76,023,669) | 14,348,345 | 6,699,325 | 1,559,857 | (7,208,211) |
| Per 50K Share | | | | | |
| Earnings per share (Naira) | (17.23) | 3.28 | 1.50 | 0.39 | (1.74) |
| Net (liabilities)/ assets per share (Naira) | (6.93) | 10.91 | 8.57 | 8.70 | 8.38 |

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, 2020.

**Five Year Financial Summary
Company**

| <i>In thousands of naira</i> | 2024 | 2023 | 2022 | 2021 Restated | 2020 Restated |
|---|--------------------|--------------------|-------------------|--------------------------|--------------------------|
| Statement of financial position: | | | | | |
| Non-current assets | 35,956,705 | 20,135,803 | 17,930,314 | 24,670,721 | 26,084,725 |
| Current assets | 82,155,812 | 90,690,197 | 61,354,231 | 44,697,987 | 31,532,097 |
| Assets held for sale | - | - | 590,990 | - | - |
| Total assets | 118,112,517 | 110,826,000 | 79,875,535 | 69,368,708 | 57,616,822 |
| Equity attributable to equity holders of parent | (16,746,699) | 28,672,468 | 23,872,147 | 20,816,970 | 20,312,446 |
| Non-current liabilities | 60,471,967 | 22,975,866 | 5,392,049 | 5,874,032 | 6,390,999 |
| Current liabilities | 74,387,249 | 59,177,666 | 50,611,339 | 42,677,706 | 30,913,377 |
| Total equity and liabilities | 118,112,517 | 110,826,000 | 79,875,535 | 69,368,708 | 57,616,822 |
| Profit/(Loss) after taxation | | | | | |
| <i>In thousands of naira</i> | 2024 | 2023 | 2022 | 2021 Restated | 2020 Restated |
| Turnover | 90,810,486 | 67,413,111 | 58,264,660 | 47,832,559 | 38,939,223 |
| Profit/(Loss) before taxation | (65,520,418) | 11,265,827 | 4,875,166 | 1,633,844 | (6,346,857) |
| Profit/(Loss) after taxation (attributable to owners of the | (45,575,943) | 8,528,436 | 3,783,652 | 901,573 | (5,936,025) |
| Per 50K Share | | | | | |
| (Loss)/Earnings per share (Naira) | (11.48) | 2.15 | 0.95 | 0.23 | (1.50) |
| Net (liabilities)/assets per share (Naira) | (4.22) | 7.22 | 6.01 | 5.24 | 5.70 |

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, 2020.