

THIRD QUARTER ACCOUNTS FOR THE PERIOD ENDED 31 JANUARY 2020

| Contents | Page |
|--|-------------|
| Corporate information | 2 |
| Result at a glance | 3 |
| Statement of Profit or Loss and other comprehensive income | 4 |
| Statement of financial position | 5 |
| Statement of cash flows | 6 |
| Statement of changes in equity | 7 |
| Statement of value added | 8 |
| Notes to the accounts | 9 - 25 |

Corporate Information

Directors: Amb Odi Nwosu > **Chairman**
Mrs. Ijeoma Oduonye > **Chief Executive Officer**
Barr. (Mrs) Ifeoma Nwahiri
Barr. (Mrs) Ogechukwu Maduka
Mr. Nnamdi Ike
Sir Mathias Umego
Dr. Chidozie Nsoedo

Registered Office: 17, Osita Onyejianya Street,
Umuanuka, Otolu, Nnewi,
Anambra State.
www.cutixplc.com.ng

Postal Address: P. M. B. 5040
Nnewi, Anambra State.

Company Secretary: Mrs. Chinwendu Nwokporo
17, Osita Onyejianya Street,
Umuanuka, Otolu, Nnewi,
Anambra State.

Registrars: EDC Registrars,
23, Olusoji Idowu Street Ilupeju
Lagos.

Independent Auditors: Alatta Nzewi Oyeka & Co.,
The Unaudited Financial Statements (*Chartered Accountants*)
1, Oyediran Street,
Surulere,
Lagos - Nigeria.

Bankers: Access Bank Plc
Ecobank Limited
Fidelity Bank Plc
First Bank Plc
Guaranty Trust Bank Plc
Polaris Bank Plc
Sterling Bank Plc
Union Bank of Nigeria Plc
United Bank for Africa Plc
Zenith Bank Plc

Results at a Glance

FOR THE PERIOD ENDED 31ST JANUARY 2020

| | 31-Jan-20 N'000 | 31-Jan-19 N'000 | Increase / (Decrease) N'000 | % |
|--------------------------------------|--------------------|--------------------|-----------------------------------|---------|
| Total assets | 3,184,720 | 2,537,412 | 647,308 | 25.51 |
| Total liabilities | 1,452,037 | 944,394 | 507,643 | 53.75 |
| Net assets | 1,732,683 | 1,593,018 | 139,665 | 8.77 |
| Capital expenditure | 92,538 | 179,306 | (86,768) | (48.39) |
| Authorized share capital | 2,871,603 | 1,435,802 | 1,435,801 | 100.00 |
| Paid-up share capital | 880,661 | 880,661 | - | - |
| Total equity | 1,732,683 | 1,593,018 | 139,665 | 8.77 |
| No. of shares in issue (units) | 1,761,322 | 1,761,322 | - | - |
| Revenue | 3,750,898 | 4,131,577 | (380,679) | (9.21) |
| Profit before taxation | 339,555 | 462,873 | (123,318) | (26.64) |
| Taxation - Income tax | (118,844) | (162,006) | 43,161 | (26.64) |
| Taxation - Deferred tax | - | - | - | - |
| Profit after taxation | 220,711 | 300,867 | (80,157) | (26.64) |
| Per Share Data: | | | | |
| Earnings per share - Actual (kobo) | 13 | 17 | (4.55) | (26.64) |
| Earnings per share - Adjusted (kobo) | 13 | 17 | (1.92) | (11.23) |
| Total assets per share (kobo) | 181 | 144 | 37 | 25.51 |
| Share price as at 31st Oct (Kobo) | 141 | 180 | (39) | (21.67) |

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31ST JANUARY 2020

| | Notes | 9 months 1/11/19-31/01/20 N'000 | 3rd Quarter ended 31/01/20 N'000 | 9 months 1/11/18-31/01/19 N'000 | 3rd Quarter ended 31/1/19 N'000 | Audited May'18 -Apr'19 N'000 |
|--|-------|---------------------------------------|--|---------------------------------------|---------------------------------------|------------------------------------|
| Revenue | 6 | 1,311,661 | 3,750,898 | 1,347,930 | 4,131,577 | 5,434,107 |
| Cost of sales | 7 | <u>(965,568)</u> | <u>(2,722,655)</u> | <u>(1,000,723)</u> | <u>(2,932,978)</u> | <u>(3,789,320)</u> |
| Gross profit | | 346,093 | 1,028,243 | 347,207 | 1,198,599 | 1,644,787 |
| Other income | 8 | <u>5,167</u> | <u>29,203</u> | <u>12,925</u> | <u>37,395</u> | <u>13,944</u> |
| | | 351,260 | 1,057,446 | 360,132 | 1,235,994 | 1,658,731 |
| Distribution costs | | (23,655) | (115,887) | (47,791) | (135,644) | (168,155) |
| | | - | | | | |
| Administration expenses | | <u>(144,065)</u> | <u>(463,525)</u> | <u>(171,615)</u> | <u>(560,796)</u> | <u>(704,059)</u> |
| Profit before tax and interest expense | | 183,540 | 478,034 | 140,726 | 539,554 | 786,517 |
| Finance costs | 9 | <u>(61,342)</u> | <u>(138,479)</u> | <u>(22,557)</u> | <u>(76,681)</u> | <u>(107,185)</u> |
| Profit before taxation | 10 | 122,198 | 339,555 | 118,169 | 462,873 | 679,332 |
| Income tax expense | 11 | (42,769) | (118,844) | (41,359) | (162,006) | (202,262) |
| Profit for the Period | | <u>79,429</u> | <u>220,711</u> | <u>76,810</u> | <u>300,867</u> | <u>477,070</u> |
| Total Comprehensive Income for the period | | <u>79,429</u> | <u>220,711</u> | <u>76,810</u> | <u>300,867</u> | <u>477,070</u> |
| Earnings per share (kobo) - Actual | | 5 | 13 | 4 | 17 | 27 |
| Earnings per share (kobo) - Adjusted | | 5 | 13 | 4 | 17 | 27 |

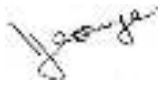
**STATEMENT OF FINANCIAL POSITION
AS AT JANUARY 31, 2020**

| | Notes | Unaudited As at January 31, 2020 N'000 | Unaudited As at January 31, 2019 N'000 | Audited As at April 30, 2019 N'000 |
|--------------------------------------|-------|---|---|---|
| Non-Current Assets: | | | | |
| Property, plant and equipment | 12 | 805,980 | 886,345 | 874,219 |
| Long term prepayment | 13 | <u>2,723</u> | <u>11,118</u> | <u>6,206</u> |
| Total non-current assets | | <u>808,703</u> | <u>897,463</u> | <u>880,425</u> |
| Current Assets | | | | |
| Inventories | 14 | 1,805,611 | 1,140,828 | 1,579,698 |
| Trade and other receivables | 15 | 370,890 | 373,556 | 248,371 |
| Prepayments | 16 | 18,004 | 17,611 | 40,233 |
| Cash and cash equivalent | 17 | <u>181,512</u> | <u>107,954</u> | <u>112,612</u> |
| Total current assets | | <u>2,376,017</u> | <u>1,639,949</u> | <u>1,980,914</u> |
| Total Assets | | <u>3,184,720</u> | <u>2,537,412</u> | <u>2,861,339</u> |
| Equity: | | | | |
| Paid up share capital | 18 | 880,661 | 880,661 | 880,661 |
| Retained earnings | 19 | <u>852,022</u> | <u>712,357</u> | <u>732,430</u> |
| Total Equity | | <u>1,732,683</u> | <u>1,593,018</u> | <u>1,613,091</u> |
| Non Current Liabilities: | | | | |
| Long term borrowings | 20 | 271,461 | 35,115 | 30,103 |
| Deferred tax liabilities | 11b | <u>185,651</u> | <u>171,120</u> | <u>185,651</u> |
| Total Non Current Liabilities | | <u>457,112</u> | <u>206,235</u> | <u>215,754</u> |
| Current Liabilities | | | | |
| Short term borrowings | 21 | 669,031 | 401,246 | 656,230 |
| Trade and other payables | 22 | 191,055 | 229,080 | 145,048 |
| Current tax payable | 11ii | <u>134,839</u> | <u>107,833</u> | <u>231,216</u> |
| Total current liabilities | | <u>994,925</u> | <u>738,159</u> | <u>1,032,494</u> |
| Total Liabilities | | <u>1,452,037</u> | <u>944,394</u> | <u>1,248,248</u> |
| Total Equity and Liabilities | | <u>3,184,720</u> | <u>2,537,412</u> | <u>2,861,339</u> |

The Unaudited Financial Statements on pages 4 to 25 were approved by the Board of Directors on 27th February 2020 and signed on its behalf by:



Amb. Okwudili Nwosu
Chairman
FRC/2019/NSE/00000019801



Ijeoma Oduonye
Chief Executive Officer
FRC/2016/ICSAN/00000015363



Favour Oti
Chief Financial Officer
FRC/2018/ICAN/00000017811

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 JANUARY 2020

| | | 3rd Quarter ended 31/01/20 | 3rd Quarter ended 31/01/19 |
|---|-----------|-------------------------------|-------------------------------|
| | Notes | Nov 2019 - Jan 2020 | Nov 2019 - Jan 2019 |
| | | N'000 | N'000 |
| Cash Flows From Operating Activities: | | | |
| Cash receipts from customers | | 3,657,582 | 4,320,474 |
| Cash paid to suppliers and employees | | (3,339,655) | (3,580,847) |
| Value added tax - Input | | 126,774 | 87,117 |
| Value added tax - (Output) | | <u>(82,604)</u> | <u>(75,657)</u> |
| Cash generated from operations | 23 | 362,097 | 751,087 |
| Income taxes paid through withholding tax | 11 | (8,710) | - |
| Income taxes paid | 11 | <u>(87,667)</u> | <u>(121,226)</u> |
| Net cash flows from operating activities | | <u>265,720</u> | <u>629,861</u> |
| Cash Flows From Investing Activities: | | | |
| Purchase of property, plant & equipment | 12 | (92,538) | (179,306) |
| Proceeds from sale of property, plant & equipment | | <u>-</u> | <u>-</u> |
| Net cash flows from investing activities | | <u>(92,538)</u> | <u>(179,306)</u> |
| Cash Flows From Financing activities: | | | |
| Finance costs | 9 | (138,479) | (76,681) |
| Dividend paid | 19 | (220,165) | (176,132) |
| Unclaimed dividend written back/Revalidated dividend paid | 19 | 202 | 6,986 |
| Long-term borrowings | 20 | 241,358 | 28,778 |
| Short-term borrowings | 21 | <u>12,801</u> | <u>(229,908)</u> |
| Net cash provided by financing activities | | <u>(104,283)</u> | <u>(446,957)</u> |
| Net Increase in cash and cash equivalents | | 68,900 | 3,598 |
| Opening cash and cash equivalent | | <u>112,612</u> | <u>104,356</u> |
| Cash and cash equivalents | 17 | <u>181,512</u> | <u>107,954</u> |

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31ST JANUARY 2020

PERIOD ENDED 31ST JANUARY 2020

| Notes | Issued Share Capital N'000 | Retained Earnings N'000 | Total Equity N'000 |
|---|----------------------------------|-------------------------------|--------------------------|
| At 01 May 2019 | 880,661 | 732,430 | 1,613,091 |
| Changes in equity for 2019 | | | |
| Profit for the period | <u> </u> | <u>339,555</u> | <u>339,555</u> |
| Capitalization of Bonus shares | | | - |
| Revalidated dividend paid | | | - |
| Total comprehensive income for the period | - | <u>339,555</u> | <u>339,555</u> |
| Transactions with owners recorded directly in equity | | | |
| Dividends paid during the year | | (220,165) | (220,165) |
| Unclaimed dividend written back/Revalidated dividend paid | <u>-</u> | <u>202</u> | <u>202</u> |
| Total transactions with owners | - | <u>(219,964)</u> | <u>(219,964)</u> |
| At 31ST January 2020 | <u><u>880,661</u></u> - | <u><u>852,021</u></u> | <u><u>1,732,682</u></u> |

PERIOD ENDED 31 JANUARY 2019

| Notes | Issued Share Capital N'000 | Retained Earnings N'000 | Total Equity N'000 |
|---|----------------------------------|-------------------------------|--------------------------|
| At 01 May 2018 | 440,331 | 858,961 | 1,299,292 |
| Changes in equity for 2019 | | | |
| Profit for the period | <u>-</u> | <u>462,873</u> | <u>462,873</u> |
| Capitalization of Bonus shares | 440,331 | (440,331) | - |
| Revalidated dividend paid | | | 0 |
| Total comprehensive income for the period | <u>-</u> | <u>462,873</u> | <u>462,873</u> |
| Transactions with owners recorded directly in equity | | | |
| Dividends paid during the year | | (176,132) | (176,132) |
| Unclaimed dividend written back/Revalidated dividend paid | - | 6,985 | 6,985 |
| Total transactions with owners | <u>-</u> | <u>(169,147)</u> | <u>(169,147)</u> |
| At 31 JANUARY 2019 | <u><u>880,662</u></u> - | <u><u>1,152,687</u></u> | <u><u>1,593,018</u></u> |

OTHER NATIONAL DISCLOSURE

STATEMENT OF VALUE ADDED PERIOD ENDED 31 JANUARY 2020

| | May'19 -Jan'20 | | May'18 - Jan'19 | |
|--|-----------------------|----------------------|-----------------------|----------------------|
| | N'000 | % | N'000 | % |
| Revenue | 3,750,898 | | 4,131,577 | |
| Other income | 29,203 | | 37,395 | |
| Revenue and other income | 3,780,101 | | 4,168,972 | |
| Bought-in-materials and services - Foreign | (1,152,567) | | (1,743,498) | |
| Bought-in-materials and services - Local | <u>(1,728,850)</u> | | <u>(1,426,498)</u> | |
| Value Added | <u>898,684</u> | <u>100.00</u> | <u>998,976</u> | <u>100.00</u> |
| To pay employees' wages: | | | | |
| Salaries and other benefits | 259,873 | 28.92 | - | - |
| To pay providers of Capital: | | | | |
| Interest on facilities and finance charges | 138,479 | 15.41 | 76,681 | 7.68 |
| Dividend to Shareholders | | - | 176,132 | 17.63 |
| To pay Government: | | | | |
| Income tax | 118,844 | 13.22 | 121,226 | 12.14 |
| To provide for enhancement of assets and expansion: | | | | |
| Depreciation | 160,777 | 17.89 | 162,064 | 16.22 |
| Retained earnings | 220,711 | 24.56 | 462,873 | 46.33 |
| Deferred tax | | - | - | - |
| | <u>898,684</u> | <u>100.00</u> | <u>998,976</u> | <u>100.00</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2020

1 The Company

1.1 Legal Form

The Company was incorporated on November 4, 1982 as a private limited liability company. The company was initially quoted in the second tier of the Nigerian Stock Exchange on August 12, 1987 and later migrated to the first tier of the Stock Exchange on February 18, 2008. The address of Company is 17, Osita Onyejanya Street, Anuka, Otolu Nnewi, Anambra State.

1.2 Principal Activities

The principal activities of the Company is manufacturing and marketing of electrical, automobile and telecommunication wires, cables and related products.

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except for the financial instruments and valuation of plan assets in defined benefit pension schemes. These financial statements are presented in Naira (N) and all values are rounded to the nearest thousands except when otherwise indicated.

(c) Functional and presentation currency

These financial statements are presented in Naira, which is the Company's functional currency.

(d) Use of judgments and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a going concern basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about assumptions and estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described below:

(i) *Recognition of deferred tax assets*

The recognition of deferred tax assets requires an assessment of future taxable profit. Deferred tax assets are only recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. The availability of future taxable profits depend on several factors of the group's future financial performance and if necessary implementation of tax planning strategies.

(ii) *Contingencies*

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

(iii) *Impairment losses on receivables*

The Company reviews its receivables to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be reported in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

2.1 Going Concern:

The directors have at the time of preparing the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, hence going concern concept of accounting was adopted in the preparation of these financial statements.

2.2 Summary of Standards and Interpretations

2.2.1 IAS 1 Presentation of Financial Statements

This clarifies that entities may present the analysis of each component of other comprehensive income either in the statements of changes in equity or in the notes to the financial statements.

2.2.2 IAS 24 Related Parties

The revised standard provides some exemptions for certain government related entities, clarifies the definition of a related party and includes an explicit requirement to disclose commitment to related parties. The revised standard specifically defines associates of the ultimate parent company as related parties of the entity and they have been treated as such in these financial statements. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the company are also considered to be related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

2.3 Basis of Measurement

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the account which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for financial assets/ (liabilities) measured at fair value. The financial statements are presented in Naira, which is the Company's presentation currency, and all values are rounded to the nearest thousand (N'000), except when otherwise indicated.

3 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly.

10

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are 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.

4 Significant Accounting Policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and /or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its costs is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Land is carried at cost, less any recognized impairment loss.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

4.1.1 Subsequent Costs

Cost arising subsequent to the acquisition of an asset are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial year in which they are incurred.

4.1.2 De-recognition

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement in the year the asset is derecognized.

4.1.3 Depreciation of Property, Plant and Equipment

Depreciation is calculated on a straight-line basis to write-off assets over their estimated useful lives. Land and assets under construction (work-in-progress) are not depreciated.

Depreciation starts when an asset is ready for use and ends when derecognized or classified as held for sale. Depreciation does not cease when the asset becomes idle or retired from use unless the asset is fully depreciated.

The annual rates used are as follows:

| | |
|------------------------------|----------------|
| Leasehold Land | Lease period |
| Buildings and infrastructure | 15 to 40 years |
| Shops | 5 to 30 years |
| Borehole and tanks | 10 years |
| Furniture and fittings | 10 years |
| Machinery and equipment | 10 years |
| Generator | 5 years |
| Motor vehicles | 4 years |
| Machine Component | 4 years |
| Computer equipment | 2 years |
| Land | Nil |

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets or where shorter over the period of the lease.

4.1.4 Asset Useful Lives and Residual Values

Property, plant and equipment are depreciated over their useful lives taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually. In reassessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4.1.5 Provision for Dismantling \ Restoration Cost

The provisions are computed by reference to estimates of future anticipated dismantling costs and the corresponding amounts added to the asset under property, plant and equipment for assets measure using the cost model. For assets measured using the revaluation model, subsequent changes in the liability are recognised in revaluation reserves through OCI to the extent of any credit balances existing in the revaluation surplus reserve in respect of that asset. The present values are determined using pre-tax rate which reflects current market assessments of the time value of money and the risk specific to the obligation.

Provisions are recognised whenever a legal or constructive obligation arising from past events, the outflow of resources to settle the liability can be estimated reliably. Provisions are discounted if the effect is material.

However, no provision was made in the financial statements.

4.2 Intangible Assets

Intangible assets acquired separately are shown at historical cost less accumulated amortization and impairment losses.

Amortization is charged to income statement on a straight line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. These charges are included in other expenses in the income statement. Intangible assets with an indefinite useful life are tested for impairment annually. Other intangible assets are amortized from the date they are available for use.

4.2.1 Subsequent Expenditure

Subsequent expenditure on computer software and development cost are capitalized only when the future economic benefits embodied in the specific asset to which it relates, all other expenditure is expensed as incurred.

4.2.3 Amortization

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in income statement on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this must closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

4.2.4 Non-current Assets Held for Sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the company's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell,

If their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

4.3 Inventory

Inventories are valued at the lower of cost and net realizable value. Cost is generally determined on a weighted average basis. Costs that are incurred in bringing each product to its present location and condition are accounted for as follows:

Raw Materials

* Purchase cost on a weighted average cost basis.

Finished Goods and Work-in-Progress

* Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Other Inventories and Spares

* The cost of other inventories is based on weighted average. Spare parts are valued at the lower of cost and net realizable value. Value reduction and usage of spare parts are charged to statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The production costs comprise direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads.

Allowance is made for obsolete, slow moving or defective items where appropriate.

4.3.1 Treatment of Goods in Transit

Goods in transit are recognized in the books as soon as significant risk and rewards of ownership is transferred to the company i.e., date of shipment.

4.4 Receivables

4.4.1 Trade Receivables

Trade receivables are carried at the original amount due from customers, which is considered to be fair value, less allowances for doubtful accounts. Allowance for doubtful accounts is based on a periodic review of all outstanding amounts, where significant doubt about collectability exists, including an analysis of historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms. Significant debt balances are provided for based on the criteria mentioned above and non-significant debts are tested collectively for impairment. Bad debts are written off when identified as uncollectible, and are included within other operating expenses. Subsequent recoveries of amounts previously provided for are credited to the statement of comprehensive income.

4.5 Financial Instruments

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity, investments and available for sale. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

Financial instruments carried at the financial position date include the loans and receivables, accounts receivable, cash and cash equivalents, borrowings and accounts payables. Financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

4.5.1 Financial Assets

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The financial assets carried at statement of financial position date are classified as 'loans and receivables'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as fair value through profit or loss or available for sale. The Company does not use derivative financial instruments.

Loans and Receivables

Loans and receivables include loans to staff and are initially measured at cost but subsequently at amortized cost using the effective interest rate method less impairment. Loans are subject to regular and thorough review as to their collectability and as to available collateral. In the event that any loan is deemed not fully recoverable, an impairment is made to reflect the shortfall between the carrying amount and the present value of the expected cash flows. Interest income on loans receivable is recognized by applying the effective interest rate. The long term portion of loans receivable is included on the statement of financial position under long-term loans receivable and the current portion under current portion of long-term loans receivable. However, where the impact of measuring these loans at amortized cost is not significant, the receivables are carried at cost.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investment in money market instruments. In the statement of financial position and statement of cash flows, bank overdrafts and commercial papers are included in short term borrowings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2020 (CONTINUED)

4.5.2 Financial Liabilities

The company's financial liabilities at statement of financial position date include 'Borrowings' and Trade payables' (excluding VAT and employee related payables). These financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial liabilities are included in current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date. However, where the impact of measuring trade payable at amortized cost is insignificant, trade payables are carried at cost.

Trade Payables

Trade payable are stated at their original invoiced value. If there is an agreement that interest or premium be paid, it will be calculated and added to the initial amount.

Borrowings

Borrowings, inclusive of transaction cost, are recognized initially at fair value. Borrowings are subsequently stated at amortized costs using the effective interest rate method, any difference between proceeds and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest rate method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

4.6 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

4.7 Impairment of Financial Assets

All financial assets, except for those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date.

4.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the Company. All other leases are classified as operating leases.

4.8.1 Finance Leases

Leases of assets where the company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at inception at the lower of the fair value of the leased property and the present value of the minimum lease payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in finance lease obligation. The interest element of the lease payment is charged to the income statement over the lease period. The assets acquired under finance leasing contracts are depreciated over the shorter of the useful life of the asset and of the lease period. Where a lease has an option to be renewed, the renewal period is considered when the period over which the asset will be depreciated is determined.

4.8.2 Operating Leases

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognized as an expense in the period in which termination takes place.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST JANUARY 2020(CONTINUED)

4.9 Revenue

This relates to the sale of goods to customers, exclusive of value added tax and less any discounts. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, recovery of the consideration is possible, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

4.9.1 Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

4.1 Income Recognition

Income is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Income is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

4.10.1 Income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expenses is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

4.10.2 Interest Expenses

Interest expenses on bank overdrafts, related party loans, borrowings and impairment losses recognized on financial liabilities are included under finance costs of the company.

4.11 Cost of Sales

This item represents the full absorption cost of products sold. The full absorption cost comprises cost of direct materials, labour and the proportion of manufacturing overhead based on normal operating capacity and borrowing costs. The costs of raw materials and consumables are calculated based on the weighted averaged cost principle.

4.12 Post Employment Benefits:

4.12.1 Pension Fund Scheme

In accordance with the provisions of the Pension Reform Act, 2014 the Company has instituted a Contributory Pension Scheme for its employees, where the employees contributes 8% and the Company contributes 10% of the employee emoluments (basic salary, housing and transport allowances). The company's contribution under the scheme is charged to the income statement while employee contributions are funded through payroll deductions.

4.12.2 Productivity Incentive and bonus plans

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

4.12.3 Defined Contribution Scheme:

The company complies with the provisions of the Pension Fund Reform Act 2014 whereby the employer and employee contribute 10% and 8% respectively of basic, housing and transport allowances on monthly basis. Both employer and employee contributions are remitted monthly to the employees' chosen Pension Fund Administrators (PFA).

4.13 Contingent Liabilities

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

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST JANUARY 2020 (CONTINUED)

4.13 Taxation

Income tax for the year is based on the taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income for the period as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other periods.

4.13.1 Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are determined in accordance with the Companies Income Tax Act (CITA). CITA is assessed at 30% of adjusted profit while Education Tax at 2% of assessable profit.

4.13.2 Deferred Tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- > the carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.
- > deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
- > a deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.
- > the carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

4.14. Provisions

4.14.1 General

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4.14.2 Restructuring Provisions

Restructuring provisions are only recognized when general recognition criteria for provisions are fulfilled. Additionally, the company needs to have in place a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and appropriate time-line. The people affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

4.15 Foreign Currency

Transactions in foreign currencies are initially recorded by the company at the functional currency rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that form part of a net investment in a foreign operation. These are recognized in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST JANUARY 2020 (CONTINUED)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on transaction of non-monetary items is recognized in line with the gain or loss of the item that gave rise to the transaction difference (translation differences on items whose gain or loss recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss respectively).

4.16 Dividend Distributions

Dividend distributions to the company's shareholders are recognized as a liability in the company's financial statements in the period in which the dividends are declared.

Unclaimed dividends are amounts payable to shareholders in respect of dividend previously declared by the company, which have remained unclaimed by the shareholders. In compliance with Section 285 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria, unclaimed dividends after fifteen months are transferred to retained earnings.

4.17 Employment of Disabled Persons

It is the policy of the company that there should be no discrimination in considering applications for employment including those for disabled persons. As at 31st January 2020, there was one disabled person in the employment of the company.

4.18 Health, Safety at Work and Welfare of Company's Employees

Health and safety regulations are in force within the company and employees are aware of existing regulations. The company provides subsidy to all levels of employees for medical, transportation, housing, etc.

4.19 Earnings Per Share

The company presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Company by the number of shares outstanding during the year. Adjusted earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares adjusted for the bonus shares issued.

4.20 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects and costs directly attributable to the issue of the instruments.

4.21 Impairment of Non-financial Assets

Goodwill and indefinite life intangible assets are considered for impairment at least annually. Property, plant and equipment, other intangible assets, available-for-sale investments and non-current assets held for sale are considered for impairment if there is a reason to believe that an impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic entity, the viability of the unit itself.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. If the information to project future cash flows is not available or could not be reliably estimated management uses the best alternative information available to estimate a possible impairment.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An impairment loss in respect of goodwill is not reversible. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST JANUARY 2020(CONTINUED)**

4.22 Segment Reporting

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of head office expenses, and tax assets and liabilities.

A segment is a distinguishable component of the company that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) which is subject to result and returns that are different from those of other segments. Segment information is required to be presented in respect of the company's business and geographical segment where applicable. Nigeria is the company's primary geographical segment as all the company's income is derived in Nigeria. Additionally, the company operates only in one business segment and accordingly, no further business or geographical information is required.

4.23 New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January, 2020 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The extent of the impact of these standards is yet to be determined. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

IFRS 17 'Insurance Contracts (2017) effective for annual period beginning January 2020.

On 31st October, 2012 IASB issued Definition of Material (Amendments to IAS 1 and IAS 8) to clarify the definition of materials and to align the definition used in the conceptual framework and the standards themselves. The Amendments are effective annual reporting periods beginning on or after January 1, 2020.

| | 31-Jan-20 N'000 | Jan 31, 2019 N'000 | Audited Apr 30 2019 N'000 |
|--|-------------------------|-------------------------|---------------------------------|
| 6 Revenue | | | |
| Revenue represents the net amount invoiced to customers for goods supplied within Nigeria. | | | |
| Cables & Wire Sales | 2,875,710 | 2,653,476 | 3,644,492 |
| Metal Product Sales | 5,299 | 481 | 871 |
| Armoured cable sales | <u>869,889</u> | <u>1,477,620</u> | <u>1,788,744</u> |
| | <u>3,750,898</u> | <u>4,131,577</u> | <u>5,434,107</u> |
| 6.i Analysis of revenue by geographical location (within Nigeria) | | | |
| Aba | 163,552 | 122,374 | 170,606 |
| Abuja | 452,319 | 482,773 | 644,305 |
| Warri | - | - | |
| Enugu | 142,425 | 8,620 | 50,368 |
| Lagos | 148,965 | 156,888 | 211,074 |
| Nnewi | 2,176,394 | 2,419,770 | 3,186,695 |
| Port Harcourt | 396,770 | 648,015 | 790,104 |
| Uyo | <u>270,474</u> | <u>293,137</u> | <u>380,955</u> |
| | <u>3,750,898</u> | <u>4,131,577</u> | <u>5,434,107</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST JANUARY 2020 (CONTINUED)**

| | 31-Jan-20 N'000 | Jan 31, 2019 N'000 | Audited Apr 30 2019 N'000 |
|---|-------------------------|-------------------------|---------------------------------|
| 7 Cost of Sales | | | |
| Depreciation expenses -Production | 105,016 | 76,307 | 108,038 |
| Insurance - Production | 8,494 | 3,534 | 4,902 |
| Maintenance -Production | 67,257 | 53,961 | 70,512 |
| Power charges | 41,421 | 32,255 | 43,890 |
| Production wages | 87,155 | 92,310 | 209,795 |
| Production supplies | 103,843 | 144,443 | 125,346 |
| Raw material cost | 2,286,989 | 2,509,003 | 3,199,355 |
| Motor Vehicle-COS | <u>22,480</u> | <u>21,165</u> | <u>27,482</u> |
| | <u>2,722,655</u> | <u>2,932,978</u> | <u>3,789,320</u> |
| 8 Other income | | | |
| (Loss) on sale of property, plant and equipment | | - | (24,738) |
| Foreign exchange difference | - | - | 1,473 |
| Sales of scrap | <u>29,203</u> | <u>37,395</u> | <u>37,209</u> |
| | <u>29,203</u> | <u>37,395</u> | <u>13,944</u> |
| 9 Finance cost | | | |
| Interest on term loans | 36,178 | 6,938 | 25,063 |
| Interest on commercial papers | 50,712 | 22,504 | 32,322 |
| Interest on overdraft | <u>51,589</u> | <u>47,239</u> | <u>49,800</u> |
| | <u>138,479</u> | <u>76,681</u> | <u>107,185</u> |
| 10 Profit Before Taxation | | | |
| The profit for the period is arrived at after charging: | | | |
| Directors' fees | 537 | 537 | 895 |
| Directors' other emoluments | 6,372 | 6,108 | 9,275 |
| Auditors' remuneration | 2,700 | 2,250 | 3,000 |
| Finance charges | 138,479 | 76,681 | 107,185 |
| Depreciation | <u>160,777</u> | <u>162,064</u> | <u>167,673</u> |
| And after crediting: | | | |
| Other income | <u>29,203</u> | <u>37,395</u> | <u>13,944</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST JANUARY 2020 (CONTINUED)**

| | 31-Jan-20 N'000 | Jan 31, 2019 N'000 | Audited Apr 30 2019 N'000 |
|--|--------------------|-----------------------|---------------------------------|
| 11 Taxation: | | | |
| i Income tax recognized in profit or loss | | | |
| Taxation on profit on ordinary activities | 118,844 | 162,006 | 170,651 |
| Education tax | - | - | 17,080 |
| Deferred tax (Note 11b) | - | - | 14,531 |
| Previous years' under provision | - | - | - |
| Balance per income statement | 118,844 | 162,006 | 202,262 |
| ii Current liabilities in the statement of financial position | | | |
| Taxation on profit on ordinary activities | - | 229,059 | 170,651 |
| Education tax | - | - | 17,080 |
| | - | 229,059 | 187,731 |
| Balance brought forward | 231,216 | - | 229,059 |
| Payments during the year | (87,667) | (121,226) | (177,226) |
| Previous years' under provision * | - | - | - |
| Withholding tax utilized | (8,710) | - | (8,348) |
| Balance per statement of financial position | 134,839 | 107,833 | 231,216 |
| 11.1 Deferred Taxation: | | | |
| At May 1, 2019 | 185,651 | 171,120 | 171,120 |
| Charged to profit or loss | - | - | 14,531 |
| At Oct 31st, 2019 | 185,651 | 171,120 | 185,651 |
| 11.2 Reconciliation of effective tax rate | | | |
| Profit for the period | 220,711 | 300,867 | 477,070 |
| Total income tax expense | 118,844 | 162,006 | 187,732 |
| Profit excluding deferred tax | 339,555 | 462,873 | 664,802 |
| Effective tax rate | 35 | 35 | 28 |

The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act, CAP C21, LFN 2004 as amended to date and Education Tax Act CAP E4 LFN 2004. The Company has adopted the International Accounting Standard (IAS) 12 on the Income Taxes.

11.3 Analysis of deferred tax is made up of:

| | Opening Balance N'000 | Recognized in Profit or Loss N'000 | Recognized in OCI N'000 | Closing Balance N'000 |
|---|-----------------------------|--|-------------------------------|-----------------------------|
| 31-Jan-20 | | | | |
| Deferred tax liability or asset in relation to: | | | | - |
| Property plant and equipment | 185,651 | - | - | 185,651 |
| | <u>185,651</u> | <u>-</u> | <u>-</u> | <u>185,651</u> |
| 31-Jan-19 | | | | |
| Deferred tax liability or asset in relation to: | | | | - |
| Property plant and equipment | 151,726 | (647) | - | 151,079 |
| | <u>151,726</u> | <u>(647)</u> | <u>-</u> | <u>151,079</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST JANUARY 2020**

12 Property, Plant and Equipment

| | Land N'000 | Buildings N'000 | Borehole & Shops N'000 | Tanks N'000 | Plant & Machinery N'000 | Generator N'000 | Machine Component N'000 | Motor Vehicles N'000 | Computer Equipment N'000 | Furniture & Fittings N'000 | Work in Progress N'000 | Total N'000 |
|------------------------|---------------|--------------------|------------------------------|----------------|-------------------------------|--------------------|-------------------------------|----------------------------|--------------------------------|----------------------------------|------------------------------|------------------|
| Cost: | | | | | | | | | | | | |
| At May 1, 2019 | 26,254 | 380,720 | 4,200 | 23,353 | 913,853 | 136,538 | 6,505 | 137,804 | 84,160 | 48,308 | 4,438 | 1,766,133 |
| Additions | 36,129 | - | - | - | 10,538 | 98 | 3,864 | 36,900 | 3,206 | 1,803 | - | 92,538 |
| Reclassification | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposal | - | - | - | - | - | - | - | - | - | - | - | - |
| At Oct 31, 2019 | <u>62,383</u> | <u>380,720</u> | <u>4,200</u> | <u>23,353</u> | <u>924,391</u> | <u>136,636</u> | <u>10,369</u> | <u>174,704</u> | <u>87,366</u> | <u>50,111</u> | <u>4,438</u> | <u>1,858,671</u> |
| Depreciation: | | | | | | | | | | | | |
| At May 1, 2019 | - | 84,102 | 980 | 18,959 | 552,226 | 27,690 | 1,626 | 115,828 | 62,337 | 28,167 | - | 891,914 |
| Charge for the year | - | 7,139 | 105 | 1,009 | 64,572 | 22,118 | 8,251 | 27,850 | 27,338 | 2,395 | - | 160,777 |
| Disposal | - | - | - | - | - | - | - | - | - | - | - | - |
| At January 31, 2020 | - | <u>91,241</u> | <u>1,085</u> | <u>19,968</u> | <u>616,798</u> | <u>49,808</u> | <u>9,877</u> | <u>143,678</u> | <u>89,675</u> | <u>30,562</u> | - | <u>1,052,691</u> |
| Carrying Amount | | | | | | | | | | | | |
| At January 31, 2020 | <u>62,383</u> | <u>289,479</u> | <u>3,115</u> | <u>3,385</u> | <u>307,593</u> | <u>86,828</u> | <u>492</u> | <u>31,026</u> | <u>(2,309)</u> | <u>19,549</u> | <u>4,438</u> | <u>805,980</u> |
| At JAN 31, 2019 | <u>26,254</u> | <u>308,517</u> | <u>3,395</u> | <u>7,310</u> | <u>397,911</u> | - | - | <u>69,155</u> | <u>7,642</u> | <u>16,118</u> | <u>4,438</u> | <u>840,740</u> |
| At April 30, 2019 | <u>26,254</u> | <u>296,618</u> | <u>3,220</u> | <u>4,394</u> | <u>361,628</u> | <u>108,848</u> | <u>4,878</u> | <u>21,976</u> | <u>21,823</u> | <u>20,141</u> | <u>4,438</u> | <u>874,219</u> |

| | Audited | | |
|---|--------------------|--------------------|----------------------|
| | 31-Jan-20 N'000 | 31-Jan-19 N'000 | Apr 30 2019 N'000 |
| 13 Long Term Prepayments: | | | |
| Prepaid rent | <u>2,723</u> | <u>11,118</u> | <u>6,206</u> |
| This represents unexpired portion of prepaid rent which is due after one year. | | | |
| 14 Inventories: | | | |
| Raw materials | 614,044 | 271,264 | 635,115 |
| Work in progress | 321,433 | 151,975 | 190,532 |
| Finished goods | 654,682 | 505,537 | 556,389 |
| Technical stock and spares | 203,498 | 201,285 | 181,612 |
| Consumables | 2,816 | 2,541 | 2,610 |
| Advert and promotion | 9,138 | 8,226 | 13,439 |
| Advert and promotion represents the value of promotional item in the inventory. | <u>1,805,611</u> | <u>1,140,828</u> | <u>1,579,697</u> |
| 15 Trade and other receivables | | | |
| Trade receivables | 233,234 | 40,280 | 109,524 |
| Deposit for imports (See note 15.1) | 126,217 | 321,333 | 129,172 |
| Staff receivables | 5,872 | 7,729 | 5,262 |
| Other receivables | 5,567 | 4,214 | 4,413 |
| | <u>370,890</u> | <u>373,556</u> | <u>248,371</u> |
| 15.1 Deposit for Imports: | | | |
| Deposits for imports represent foreign currencies purchased for funding of letters of credit in respect of imported raw materials, spare parts and machinery. | | | |
| 16 Prepayments | | | |
| Prepayments due after one year | 20,727 | 28,729 | 46,439 |
| Prepayments due within one year | (2,723) | (11,118) | (6,206) |
| | <u>18,004</u> | <u>17,611</u> | <u>40,233</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST JANUARY 2020**

| | 31-Jan-20 N'000 | Audited | |
|--|--------------------|--------------------|----------------------|
| | | 31-Jan-19 N'000 | Apr 30 2019 N'000 |
| 17 Cash and Cash Equivalent: | | | |
| Cash balances | 199 | 214 | 263 |
| Access Bank Plc. | 26,393 | 20,723 | 29,741 |
| Ecobank Limited. | 1,932 | 13,572 | 6,704 |
| Fidelity bank Plc | 1,024 | 4,377 | 3,287 |
| First bank Plc | 2,228 | | |
| Guaranty Trust Bank Plc. | 4,440 | 26,027 | 4,820 |
| Polaris Bank | 65 | - | 142 |
| Sterling Bank | 2,362 | - | 4,876 |
| Union Bank of Nigeria Plc. | 45,991 | 23,496 | 33,711 |
| United Bank for Africa Plc. | 94,568 | 16,453 | 9,435 |
| Zenith Bank Plc. | 2,310 | 3,092 | 19,631 |
| | 181,512 | 107,954 | 112,612 |
| 18 Share Capital | | | |
| Authorized: 2,871,603,392 | 2,871,603 | 1,435,802 | 2,871,603 |
| Ordinary shares of 50k each | 2,871,603 | 1,435,802 | 2,871,603 |
| Issued and Fully Paid: 1,761,322 Ordinary shares of 50k each | | | |
| Balance brought forward (<i>issued and fully paid of 50k each</i>) | 880,661 | 880,661 | 880,661 |
| Bonus issue | - | - | - |
| Ordinary shares of 50k each | 880,661 | 880,661 | 880,661 |
| 19 Retained Earnings | | | |
| Balance brought forward | 732,430 | 858,961 | 858,963 |
| Transfer from income statement | 339,555 | 462,873 | 477,070 |
| Revalidated dividend paid | 202 | (3,855) | (440,330) |
| Dividend written back | | 10,841 | (11,163) |
| Capitalization of Bonus shares | | (440,331) | 24,023 |
| Dividend paid in the year | (220,165) | (176,132) | (176,132) |
| | 852,022 | 712,357 | 732,430 |
| 20 Long Term Borrowings: | | | |
| Access Bank Plc (<i>Note 20a</i>) | 35,137 | 59,082 | 45,154 |
| Bank of Industry | 252,729 | - | - |
| Additions during the year-Union bank | | | - |
| Current portion (<i>Access Bank</i>) <i>Note 20a</i> | (16,405) | (10,900) | (15,051) |
| Current portion (<i>Union Bank</i>) <i>Note 20b</i> | | (13,067) | |
| | 271,461 | 35,115 | 30,103 |

20a Access Bank Plc

This is term loan facility of N49,124,200 obtained from Access Bank Plc repayable over 36 months with effect from January 2019.

The applicable interest rate on the facility is currently at 23%. The facility is to finance part of the purchase price of 1,000 K.V.A generator from Cummins. Obtained BOI loan at the interest rate of 12.5% and monitoring fee 0.25% payable within 36 months. Repayment will commence March 2020

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST JANUARY 2020**

| | 31-Jan-20 | Audited | |
|---|----------------|--------------------|----------------------|
| | N'000 | 31-Jan-19 N'000 | Apr 30 2019 N'000 |
| 21 Short Term Borrowings: | | | |
| Access Bank Plc | - | 81,747 | 15,051 |
| Current portion (Note 20a) | 16,405 | 13,067 | 88,432 |
| Union Bank of Nigeria Plc. | | 82,306 | - |
| Union Bank of Nigeria -Fx Forward | - | - | - |
| Union Bank of Nigeria Plc. Promissory notes | - | - | 66,234 |
| BOI LOAN | 181,546 | | |
| Current portion | | 10,900 | 215,772 |
| Commercial papers (<i>Note 21a</i>) | 471,080 | 213,226 | 270,740 |
| | 669,031 | 401,246 | 656,230 |

21a The commercial papers were issued to various individuals and Co-operative societies for periods of 90 days renewable at interest rates ranging from 9% to 15%.

22 Trade and other payables

| | | | |
|-------------------------|----------------|----------------|----------------|
| Trade payables | 58,400 | 87,506 | 34,310 |
| Other payables | | 1,749 | 10,505 |
| Accruals | 117,403 | 129,786 | 64,755 |
| Value added tax payable | 14,966 | 9,753 | 4,013 |
| Other credit balances | 286 | 286 | 31,465 |
| | 191,055 | 229,080 | 145,048 |

23 Reconciliation of Net Income to Net Cash Provided by Operating Activities:

| | | | |
|---|----------------|----------------|----------------|
| Profit before finance costs | 478,034 | 539,554 | 786,517 |
| Adjustments for: | | | |
| The Unaudited Financial Statements on pages 4 to 25 were approved by the Board of D | 160,777 | 162,064 | 167,673 |
| Loss on asset disposal | | - | 24,738 |
| Operating profit before working capital changes | 638,811 | 701,618 | 978,929 |
| (Increase)/Decrease in inventories | (225,913) | 177,130 | (261,740) |
| (Increase) Decrease in trade receivables and prepayments | (96,808) | 142,559 | 250,037 |
| Increase/(Decrease) in trade and other payables | 46,007 | (270,220) | (354,252) |
| Cash generated from operations | 362,097 | 751,087 | 612,973 |

24 Staff Cost

| | | | |
|--|----------------|----------------|----------------|
| Salaries and wages | 185,662 | 194,982 | 314,393 |
| Medical, welfare, pension and training | 74,211 | 79,848 | 83,048 |
| | 259,873 | 274,830 | 397,441 |

25 Directors and Employees:

(i) **Chairman's Emoluments:**

| | | | |
|--------------|------------|------------|------------|
| As Executive | | | |
| Fees | 83 | 83 | 153 |
| Other | 275 | 275 | 529 |
| | 358 | 358 | 682 |

(ii) **Other Directors' Emoluments:**

| | | | |
|--------------|--------------|--------------|--------------|
| As Executive | 4,894 | 4,630 | 6,525 |
| Fees | 454 | 454 | 742 |
| Other | 1,204 | 1,204 | 2,221 |
| | 6,551 | 6,288 | 9,488 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST JANUARY 2020**

| | 31-Jan-20 N'000 | 31-Jan-19 N'000 | Audited Apr 30 2019 N'000 |
|--|--------------------|--------------------|---------------------------------|
| (iii) The number of directors excluding the Chairman whose emoluments were within the following ranges were:- | | | |
| N20,000 - N40,000 | - | - | - |
| N40,001 - N60,000 | - | - | - |
| Above N60,001 | 6 | 6 | 6 |
| Number of directors who had no emoluments | None | None | None |
| (iv) Employees remunerated at higher rates: | | | |
| The number of employees in receipt of emoluments within the following ranges were:- | | | |
| N200,000 - N300,000 | 81 | 105 | 73 |
| N300,001 - N400,000 | 47 | 50 | 47 |
| N400,001 - N500,000 | 50 | 19 | 50 |
| N500,001 - N600,000 | 26 | 17 | 26 |
| Above N600,001 | <u>50</u> | <u>57</u> | <u>53</u> |
| (v) Staff Costs: | | | |
| The number of persons employed at 31st Jan 2020 and the staff costs were as follows: | | | |
| Managerial | 16 | 16 | 16 |
| Intermediate staff | 56 | 59 | 59 |
| Junior staff | 182 | 173 | 174 |
| | <u>254</u> | <u>248</u> | <u>249</u> |
| The related staff costs amounted to N 185,662,400 (2019- N 283,139,000) | | | |
| (vi) Key management compensation | | | |
| 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. | | | |
| Key management compensation includes: | | | |
| Short term employee benefits: | | | |
| Wages and salaries: | | | |
| Directors emoluments | 358 | 358 | 682 |
| Post employment benefits: | | | |
| Defined contribution plan | 20,812 | 18,752 | 26,460 |
| | <u>21,170</u> | <u>19,110</u> | <u>27,142</u> |
| 26 Dividends Paid and Proposed | | | |
| Dividends on ordinary shares declared and paid during the year | | | |
| Final dividend for 2019:12.5 kobo per share (2018: 20 kobo per share) | <u>220,165</u> | <u>176,132</u> | <u>176,132</u> |
| 27 Earning Per Share | | | |
| a. Basic | | | |
| Basic earning per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. | | | |
| Weighted average number of shares in issue ('000) | 1,761,324 | 1,761,324 | 1,761,324 |
| Profit attributable to ordinary equity shareholders ('000) | 220,711 | 300,867 | 477,070 |
| Basic earning per share (Kobo) | 12.53 | 17.08 | 27.09 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST JANUARY 2020**

b. Diluted

There were no potentially diluted shares outstanding at 31 Jan 2020

28 Financial Risk Management and Financial Instruments

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

- › credit risk
- › liquidity risk
- › market risk

Risk management framework

The Management Executive Committee (Mexcom) has overall responsibility for the establishment and oversight of the Company's risk management framework. The Mexcom has established the Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies identify and analyze risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its regular training and management standards and procedures, will develop a disciplined and constructive control environment in which all its employees understand their roles and obligations after which regular reviews of risk management controls and procedures are undertaken by the internal audit department, the results of which are reported to the Risk Management Committee .

The Company's Board of Directors will oversee and monitor compliance with the Company's risk management policies and procedures, and will review the adequacy of the risk management framework in relation to the risks faced by the Company.

a. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers and other related parties.

The carrying amount of financial assets represent the maximum credit exposure.

| | 31-Jan-20 N'000 | 31-Jan-19 N'000 | Apr 30 2019 N'000 |
|-----------------------------|--------------------|--------------------|----------------------|
| Trade and other receivables | 370,890 | 373,556 | 248,371 |
| Cash and cash equivalents | 181,512 | 107,954 | 112,612 |
| | 552,402 | 481,510 | 360,983 |

b. Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's general rule is to ensure that cash flow on its contracts is positive or less neutral.

Typically, the Company's credit term with customers are more favourable compared to payment terms to its vendors in order to help provide sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of netting agreements.

Market Risk

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

The Company manages market risks by keeping cost low through various optimization programmes. Moreover, market developments are monitored and discussed regularly and mitigating actions are taken where necessary.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST JANUARY 2020

Currency Risk

d. The Company is exposed to currency risk on revenue and purchases that are denominated in a currency other than its functional currency, the Naira. The currencies in which these transactions primarily are denominated are Pound Sterling (£), Euro (€) and the US Dollar (USD). The currency risk is that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. The Company has no export sales. Thus the exposure to currency risk in that regard is non existence. The Company's significant exposure to currency risk relates to its importation of various materials and other property, plant and equipment. Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the longer term, however, permanent changes in exchange rates would have an impact on profit. The Company monitors the movement in the currency rates on an ongoing basis.

29 Defined Contribution Scheme:

The company complies with the provisions of the Pension Fund Reform Act 2014 whereby employer contributes 10% and employee contributes 8% of basic, housing and transport allowances on monthly basis. Both employer and employee contributions are remitted monthly to the employees' chosen Pension Fund Administrators (PFA). Employers contribution amounting to ₦19.8million (2019: ₦18.8million) has been charged to income statement.

30 Event after Reporting Date:

The Directors are of the opinion that there are no events after the reporting date, which could have had material effect on the state of affairs of the Company at 31st January, 2020 and on the Statement of Profit or Loss and Other Comprehensive Income for the year ended on that date, which have not been adequately provided for or recognized.