

HALLMARK PAPER PRODUCTS PLC

REPORTS AND ACCOUNTS

YEAR ENDED DECEMBER 31, 2020



Advisory | Assurance | Audit | Consulting | Tax & Regulatory

SHOBO HOUSE

3rd Floor, 5 Simpson Street,
Off Igboere Road, Lagos Island
P. O. Box 6519, Marina Lagos, Nigeria.
Tel: +234-1-4530785, +234 8142374794
E-mail: enquiry@onyemaosueke.com
Website: www.onyemaosueke.com



An Independent Member of
BOKS International
www.boks.international.com

HALLMARK PAPER PRODUCTS PLC

TABLE OF CONTENTS

	2020	2019	2018
	Page	Page	Page
Corporate Information	2	61	115
Financial Highlights	3	62	116
Notice of Annual General Meeting	4	-	--
Chairman Address	5-7	--	--
Report of the Directors	8 – 11	63 – 66	117 – 120
Report of the Statutory Audit Committee	12	67	121
Statement of Directors' Responsibilities	13 – 14	68 – 69	122 – 123
Report of the Independent Auditors	15 – 17	70 – 72	124 – 126
Audited Financial Statements			
Statement of Financial Position	18	73	127
Statement of Profit or Loss and Other Comprehensive Income	19	74	128
Statement of Changes in Equity	20	75	129
Statement of Cash Flow	21	76	130
Notes to Financial Statement	22 – 56	77 – 110	131 – 177
Statement of Value Added	57	111	178
Financial Summary	58	112	179
Proxy Form	59	113	180

HALLMARK PAPER PRODUCTS PLC

CORPORATE INFORMATION

BOARD OF DIRECTORS

B. T Bello	-	Chairman
D. O. Adeliyi	-	Managing Director
S. A. Akande	-	Director
H. M. K. Olaitan	-	Director

REGISTERED OFFICE

46, Ilogbo Road
Sango Ota
Ogun State.

SECRETARY/LEGAL ADVISER

Saheed Agbelese
114/116 Ogba Road
Agege
Lagos.

BANKERS

First Bank of Nigeria Plc
Unity Bank Plc
Zenith Bank of Nigeria Plc

AUDITORS

Onyema Osueke & Co
5, Simpson Street
Lagos Island
Lagos.

REGISTRARS

Unity Registrars Limited
25, Ogunlana Drive
Surulere
Lagos.

REGISTERED NUMBER

RC 74243

HALLMARK PAPER PRODUCTS PLC

FINANCIAL HIGHLIGHTS

	2020 ₦	2019 ₦
Revenue	196,194,268	199,494,886
(Loss)/Profit before taxation	(82,831,096)	814,321
(Loss)/Profit after taxation	(82,129,359)	455,129
(Loss)/Profit for the year	(82,129,359)	455,129

At Year End:

Share capital	25,000,000	25,000,000
Shareholders' funds	(80,867,216)	1,262,143

Per ₦1.00 share data:

Based on
Ordinary shares of ₦1.00 each:

Earnings per share (₦)	(3.29)	0.02
Net assets per share (₦)	(3.23)	0.05

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hallmark Paper Products Plc will be held at the Company Premises, 46, Ilogbo Road Ota, Ogun State on Tuesday, September 21st, 2021 at 10.00am to transact the following business.

ORDINARY BUSINESS

- 1 To receive and consider the financial statements for the year ended December 31st 2018 – 2020 and the Directors' Auditors' and Audit Committee Reports thereon.
- 2 To re-elect retiring Director
- 3 To authorize the Directors to fix the remuneration of the Auditors.
- 4 To elect members of the Audit Committee.

NOTES: PROXY

- (i) A shareholder of the company who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. All proxies should be deposited at the office of the Registrars, Unity Registrar Limited, 25, Ogunlana Drive, Surulere Lagos not less than 48 hours before the time of holding the meeting.
 - (ii) **CLOSURE OF REGISTER OF MEMBERS**
The Register of members and transfer books of the Company will be closed from September 7th, 2021 to September 14th, 2021.
 - (iii) **AUDIT COMMITTEE**
Pursuant to Section 356 (5) of the Companies and Allied Matters Act 1990, any shareholder may nominate another shareholder as a member of the audit committee by notice of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.
- E-ANNUAL REPORT**
- (iv) The electronic Annual Reports and Proxy Form are available at the Registrars website at www.unityregistrarsng.com

BY ORDER OF THE BOARD


Sabeed O. Agbelese

Company Secretary

FRC/2019/NBA/0000001983

Dated August 10th, 2021

CHAIRMAN'S ADDRESS.

Distinguished shareholders, I would like to welcome you to the Annual General Meeting of Hallmark Paper Products Plc holding here today at the company's Premises, 46, Ilogbo Road, Ota, Ogun State. Today's AGM is to present the audited accounts and reports of the company for the three years ended 31st December, 2018, 2019 and 2020.

OPERATING ENVIROMENT

The company keeps operating under uncommon challenges bothering on negative capital resources as a result of continued financial losses over the years. These challenges are compounded by poor infrastructural facilities, inconsistency and uncertainty in the policy environment and heightened security concerns. The advent of Covid – 19 all over the world affected Nigeria. All efforts by the government could not curtail its adverse effects on the health of the masses which eventually led to the lockdown of business activities all over the country and other protocols were put in place effective March 2020, to contain the effects of the pandemic.

It was an unprecedented total closure of all activities, including movement restriction, shut down of all business premises. Factories were not spared except some considered essential like security, foods, pharmaceutical and allied products. Our organization, luckily came under essential as foods and pharmaceutical products could only reach consumers after packaging for delivery, therefore corrugated carton was included. However, the overall effect led to sharp drop in the nation's GDP, social dislocation – protests against the government, upsurge in security crisis and low productivity in the real sector of the economy. It was under this pathetic and depressed environment that we operated, especially in 2020.

As you will recall, in our previous report that having exited recovership /liquidation management through the support of the board financially we resolved to raise N250million from the capital market via right issues. Unity Bank was appointed co-issuing house to facilitate the process. The exercise failed due to the negligence of the bank as It's operating license to carry out such transaction had expired which they failed to disclose. The bank equally advised us to participate in the Federal Government Intervention Fund for Refinancing/Restructuring multiple facilities scheme that they further mismanaged. This compounded our operational challenges leading to temporary closure.

We eventually took the bank to court after various meetings and negotiations aimed at the resolution of the debt exposure failed. While the bank foundation argument was that they were never appointed as co issuing house, and based on overwhelming evidences adduced by us, the

court ruled that they were duly appointed. Yet, judgment was pronounced against us resulting in judgment debt of N129,636,950. Hallmark had filed an appeal against the judgment at Federal Court of Appeal sitting in Lagos.

The board has been holding out trying to keep the company active, as much as possible, with the support of the Directors and strong belief that judgment will be in the company's favour.

COMPANY PERFORMANCE:

Over the years, the company has been operating under difficulty conditions on a "start and stop" basis depending on fund availability. In fact, the continuous operation depends greatly on the outcome of the matter in Appeal Court hoping it will be in favour of Hallmark.

Our turnover in the years 2018, 2019 and 2020 stood at N160.25million, N199.49million and N196.19million respectively. The Covid – 19 induced lockdown actually took toll on 2020 turnover as we expected to achieve better result. The company sustained loss of N0.16million in 2018, profit of N0.46million in 2019 and a loss of N82.10million in 2020. The 2020 loss was a result of accumulated interest provision for the court debt judgment accrued from the judgment date to end of 2020. This is in compliance with IFRS provision. This is clearly explained under Note 21 of the audited report.

FUTURE:

The board is putting in place concerted efforts to ensure that the company keeps managing the difficult and challenging situation with continuous support from the board and self-denials pending the final determination of the appeal filed at the Court of Appeal. We hope it would be dispensed with in no distant future.

Our Industry – the pulp and paper industry is one of the largest industries in the entire world and one with very strong prospects for future growth due to the following reasons:

- The growing needs for cardboard (instead of plastic) packaging in line manufacturing and skyrocketing e-commerce activities, new market outlets stemming from rising middle class in emerging markets and rising demand for hygiene products all over the world.

Our product, paper corrugated carton is enjoying high market growth which could easily be exploited, especially with access to latest technology. If we could resolve the court case, there are abundant opportunities to attract funds from development banks and also from existing and new investors. This will put us in a comfortable position to achieve the goal of the company as a frontline and strong player in the industry. We do understand the terrain to achieve and perform better.

APPRECIATION:

We are grateful to the shareholders for your continued support, understanding and co-operation during these challenging years. The board is committed to doing all that is needed to keep the company afloat with the belief that there is light at the end of the tunnel and that there are better and brighter years ahead. We still call for your support and the encouragement to see us through this trying period.

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE DIRECTORS

For the year ended December 31, 2020

The Directors submit herewith the audited financial statements of the Company for the year ended December 31, 2020

1. Legal Status

Hallmark Paper Products Plc was incorporated on August 1, 1985. It is a public limited liability company established under the Companies & Allied Matters Act 2020 Cap C20 Laws of the Federation of Nigeria (LFN) 2004 and wholly owned by Nigerians. The address of its registered office is 46, Ilogbo Road, Sango Ota, Ogun State and its registered number is RC 74243. It was incorporated to carry on, among others, business of design and printing of specialized business forms and paper corrugated cartons. The Company was admitted into the second tier of securities market of the Nigerian Stock Exchange in 1993 and was elevated to first tier in 1997. The Company was delisted by the Nigerian Stock Exchange in 2011.

2. Principal Activities and Business Review

During the year under review, the principal activities of the company remained business of manufacturing of papers corrugated cartons and partitions.

3. Operational Results

The Company made a loss after tax amounting to ₦82,129,359 for the year ended December 31, 2020.

The following is a summary of the Company's operating results for the year ended December 31, 2020:

	2020
	₦
Loss before taxation	(82,831,096)
Tax Credit	701,737

Loss after taxation	(82,129,359)
Retained earnings, beginning of the year	(73,990,786)

Retained earnings, end of the year	(156,120,145)
	=====

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE DIRECTORS

For the year ended December 31, 2020 (Cont'd)

4 Directors and Their Interests

The names of the Directors and their interests at the date of this report and those who have held office during the year were as follows:

		Ordinary Shares of 50 Kobo each		
		%	Called-up	Paid-up
D. O. Adeliyi	- Director	27.57	13,782,350	13,782,350
S. A. Akande	- Director	2.00	1,000,000	1,000,000
B. T. Bello	- Chairman	0.02	10,000	10,000
H. M. K. Olaitan	- Director	0.20	100,000	100,000
		-----	-----	-----
		29.79	14,892,350	14,892,350
		=====	=====	=====

None of the directors has notified the Company for the purposes of Section 277 of the Companies and Allied Matters Act 2020 CAP C20 LFN 2004 of any disclosable interests in any contract in which the Company was involved as at December 31, 2020.

5. Shareholding structure

The shareholding structure of the Company is as follows:

Ordinary Shares of 50 kobo each Range					
			No of Holding	No of Shares	%Holding
1	-	500	2308	839,150	1.68
501	-	1,000	1,323	1,242,914	2.48
1,001	-	5,000	1,155	2,885,058	5.77
5,001	-	10,000	153	1,340,642	2.68
10,001	-	50,000	107	2,428,650	4.85
50,001	-	100,000	18	1,422,586	2.85
100,001	-	500,000	11	2,653,850	5.31
500,001	-	1,000,000	4	4,000,000	8.00
1,000,001	-	10,000,000	5	19,404,800	38.81
10,000,001	-	Above	1	13,782,350	27.57
			-----	-----	-----
			5,085	50,000,000	100
			=====	=====	=====

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE DIRECTORS

For the year ended December 31, 2020 (Cont'd)

6. **Statement of Directors' Responsibilities**

This statement, which should be read in conjunction with the Auditors' Report, is made with a view to setting out for the shareholders, the responsibilities of the Directors of the Company with respect to the financial statements.

In accordance with the provisions of the Companies and Allied Matters Act 2020 CAP C20 LFN 2004, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the company and of the profit or loss for the financial year.

The responsibilities include ensuring that:

- (a) appropriate internal controls are established both to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- (b) the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act 2020 CAP C20 LFN 2004
- (c) the Company has used suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed; and
- (d) it is appropriate for the financial statements to be prepared on a going concern basis.

7. **Property, Plant & Equipment**

Information relating to property, plant and equipment is disclosed in Note 4 to the financial statements. According to the directors, no item of property, plant and equipment was impaired as at 31 December 2020.

8. **Charitable Gifts**

The Company did not make any gifts and donations to charitable institutions and organizations during the year ended December 31, 2020.

In accordance with Section 38(2) of the Companies and Allied Matters Act 2020 CAP C20 LFN 2004, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year under review.

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE DIRECTORS

For the year ended December 31, 2020 (Cont'd)

9. Employment of Disabled Persons

The Company has no disabled persons in its employment. However, applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

10. Employee Consultation and Training

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company.

11. Health, Safety and Welfare at Work

The Company places a high premium on the health, safety and welfare of its employees in their place of work. In order to protect staff and other persons against risk to health and safety hazards arising out of or in connection with the Company's activities, the Company has taken various forms of insurance policies, including employees' compensation insurance, to adequately secure and protect its employees.

12. Auditors

The Auditors, Messrs Onyema Osueke & Co., have indicated their willingness to continue in office as auditors in accordance with Section 357 (2) of the Companies and Allied Matters Act 2020 CAP C20 LFN 2004.

By Order of the Board



Saheed Agbelese, FRC/2019/NBA/0000001983

Company Secretary

June 22, 2021.

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE STATUTORY AUDIT COMMITTEE

For the year ended December 31, 2020

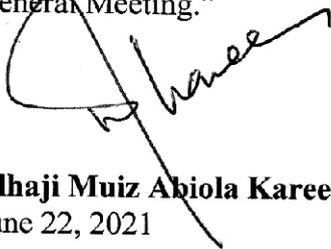
In accordance with Section 359 (6) of the Companies and Allied Matters Act 2020 CAP C20 LFN 2004, the members of the Statutory Audit Committee of Hallmark Paper Products Plc hereby report as follows:

“We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act 2020 CAP C20 LFN 2004 and we acknowledge the cooperation of the Board, management and staff in the conduct of these responsibilities. After careful consideration of the report of the external auditors, we accepted the report that the Financial Statements give a true and fair view of the state of the Company’s financial affairs as at 31st December 2020, except for the effects of the matter described in the Basis for Qualified Opinion section of the external auditors’ report.

We confirm that:

- i. The accounting and reporting policies of the Company are in accordance with legal and regulatory requirements as well as agreed ethical practices;
- ii. We reviewed the scope and planning of audit requirements and found them adequate;
- iii. We reviewed the findings on the management letter prepared by the external auditors and found management responses to the findings satisfactory;
- iv. The accounting and internal controls system is constantly and effectively being monitored through an effective internal audit function;
- v. We made recommendations to the Board on the re-appointment and remuneration of the external auditors and also reviewed the provision made in the Financial Statements for the remuneration of the external auditors; and
- vi. We considered that the external auditors are independent and qualified to perform their duties effectively.

The Committee therefore recommends that the Audited Financial Statements for the year ended 31st December, 2020 and the External Auditors’ report thereon be presented for adoption at the Annual General Meeting.”



Alhaji Muiz Abiola Kareem
June 22, 2021

Chairman, Statutory Audit Committee

Members of Audit Committee

Alhaji Muiz Abiola Kareem
Alhaji Jimoh K. Balogun
Mr. Solomon Bayo Egbeleye FCA
Mr. Simeon Akande
Mr. Kola Olaitan

HALLMARK PAPER PRODUCTS
For the year ended December 31, 2020 (Cont'd)

Statement of Directors' Responsibilities for the preparation and approval of Financial Statements

The Directors of **Hallmark Paper Products Plc** are responsible for the preparation of financial statements that give a true and fair view of the financial position of the Company as at 31 December 2020, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act 2020 CAP C20 LFN 2004 and the Financial Reporting Council of Nigeria Act 2011.

In preparing the 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 Company's financial position and financial performance; and
- Making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the 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 company; and
- Preventing and detecting fraud and other irregularities.

HALLMARK PAPER PRODUCTS PLC
For the year ended December 31, 2020 (Cont'd)

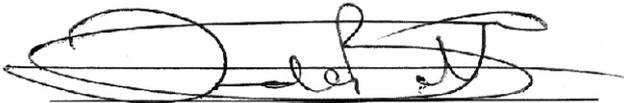
Statement of Directors' Responsibilities for the preparation and approval of Financial Statements (cont'd)

Going Concern:

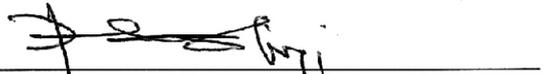
As stated in the note 29 to the financial statements, the Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

The financial statements of the Company for the year ended 31 December 2020 were approved by directors on June 22, 2021.

On behalf of the Directors of the Company



B. T. Bello, FRC/2016/NIM/00000014632
Chairman
June 22, 2021.



D.O. Adeliyi, FRC/2016/ICAN/00000014580
Managing Director
June 22, 2021.



Advisory | Assurance | Audit | Consulting | Tax & Regulatory

SHOBO HOUSE
3rd Floor 5 Simpson Street,
Off Igboere Road, Lagos Island
P.O. Box 6519, Marina Lagos, Nigeria.
Tel: +234-1-4530785, +234 8142374794
GSM: 08091919383
E-mail: enquiry@onyemaosueke.com
Website: www.onyemaosueke.com
RC: 131660

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HALLMARK PAPER PRODUCTS PLC

Report on the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Hallmark Paper Products Plc, which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year ended 31 December 2020 and a summary of significant accounting policies and other explanatory information as set out on pages 18 to 58

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report below, the Company has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies and Allied Matters Act 2020 CAP C20 Laws of the Federation of Nigeria (LFN) 2004 and the Financial Reporting Council of Nigeria Act 2011. The financial statements give a true and fair view of the financial position of Hallmark Paper Products Plc as at 31 December 2020 and of its financial performance and its cash flows for the year ended, in accordance with the International Financial Reporting Standards.

Basis for Qualified Opinion

As stated in note 29 to the financial statements, the Company made a loss after taxation of ₦82,129,359 for the year ended December 31, 2020 and as at that date, the Company had a negative net assets of ₦80,867,216. The Company has defaulted in meeting its loans obligation from Unity Bank Plc and is currently in litigation with the Bank. The continued operation of the Company depends on the financial support of its lenders, related companies and the directors. However, the Directors believe that the Company will continue to enjoy the financial support of its lenders in the year ahead. Consequently, these financial statements have been prepared in accordance with the basis of accounting principles applicable to a going concern.

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in *the auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current year. We have not identified any key audit matter that requires inclusion in the financial statements.



An Independent Member of
BOKS International
www.boks-international.com



Advisory | Assurance | Audit | Consulting | Tax & Regulatory

Other Information

The Directors are responsible for the other information. Other information comprises information included in the Corporate Information, the Financial Highlights and the Report of the Directors but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact; we have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act 2020 CAP C20 LFN 2004 and the Financial Reporting Council of Nigeria Act 2011. These responsibilities include designing, implementing and maintaining internal control systems relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue in operation 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercised professional judgement and maintained scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the 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



An Independent Member of
BOKS International
www.boks-international.com



Advisory | Assurance | Audit | Consulting | Tax & Regulatory

- resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations or the override of internal controls.
- Obtain an understanding of the internal controls 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 Company's internal controls.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 business activities of the Company to express an opinion on the financial statements. 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 the significant audit findings and significant deficiencies in internal controls, which we identify during our audit.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act 2020 CAP C20 LFN 2004

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and the statements of profit or loss and other comprehensive income are in agreement with the books of account.

Hope Osueke, FCA, FRC/2013/ICAN/00000002306

For: **Onyema Osueke & Co.**

Lagos, Nigeria.

June 22, 2021.



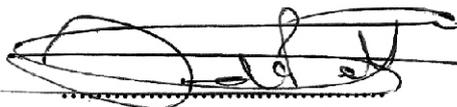
An Independent Member of
BOKS International
www.boks-international.com

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

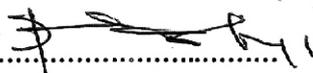
	NOTE	2020 ₦	2019 ₦
ASSETS			
Property, Plant and Equipment	4	163,793,016	160,864,576
Deferred Tax Assets	5	11,545,545	9,862,837
Total non-current assets		175,338,561	170,727,413
Inventories	6	43,511,183	42,069,913
Trade & Other Receivables	7	27,075,941	35,869,045
Cash and Cash Equivalents	8	4,024,999	2,897,434
Total current assets		74,612,123	80,836,392
TOTAL ASSETS		249,950,684	251,563,805
LIABILITIES			
Deposit for Shares	9	-	51,700,000
Loans & Borrowings	10	90,700,000	16,000,000
Total non-current liabilities		90,700,000	67,700,000
Trade and Other Payables	11	76,940,922	96,019,058
Loans and Borrowings	10	162,196,008	85,893,290
Current Tax Liabilities	12(ii)	980,971	689,315
Total current liabilities		240,117,901	182,601,662
TOTAL LIABILITIES		330,817,901	250,301,662
EQUITY			
Share Capital	13	25,000,000	25,000,000
Revaluation Reserve	14	50,252,929	50,252,929
Retained Earnings	15	(156,120,145)	(73,990,786)
TOTAL EQUITY		(80,867,216)	1,262,143
TOTAL LIABILITIES AND EQUITY		249,950,684	251,563,805

The notes on pages 22 to 56 and non-IFRS statements on pages 57 to 58 form an integral part of these financial statements.

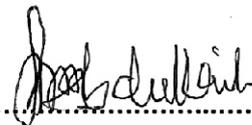
These financial statements were approved and authorised for issue by the Board of Directors on June 22, 2021 and were signed on its behalf by:



Chairman
 FRC/2016/NIM/00000014632
 B. T. Bello



Managing Director
 FRC/2016/ICAN/00000014580
 D. O. Adeliyi



Financial Officer
 FRC/2016/ICAN/00000014584
 Akangbe Lawal

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	NOTE	2020 ₹	2019 ₹
Revenue	16	196,194,268	199,494,886
Cost of Sales	17	<u>(163,020,881)</u>	<u>(166,831,805)</u>
Gross Profit		33,173,387	32,663,081
Sales & Distribution Expenses	18	(4,800,539)	(5,341,602)
Administrative Expenses	19	(31,554,490)	(27,472,940)
Other Income	20	<u>6,413,260</u>	<u>8,925,777</u>
Profit from Operating Activities		3,231,618	8,774,317
Finance Cost	21	<u>(86,062,714)</u>	<u>(7,959,996)</u>
(Loss)/Profit Before Taxation	22	(82,831,096)	814,321
Income Tax Credit/(Expense)	12(i)	<u>701,737</u>	<u>(359,192)</u>
(Loss)/Profit for the Year		<u>(82,129,359)</u>	<u>455,129</u>
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to statement of profit or loss:		-	-
Items that may never be reclassified to statement of profit or loss:			
Revaluation Reserves	14	<u>-</u>	<u>-</u>
Other Comprehensive Income for the Year		<u>-</u>	<u>-</u>
Total (Loss)/Profit for the Year		<u>(82,129,359)</u>	<u>455,129</u>
(Loss)/Profit for the Year Attributable to Owners		<u>(82,129,359)</u>	<u>455,129</u>
Earnings Per Share: Basic	23	(3.29)	0.02

The notes on pages 22 to 56 and non-IFRS statements on pages 57 to 58 form an integral part of these financial statements.

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	Share Capital ₤	Revaluation Reserves ₤	Retained Earnings ₤	Total Equity ₤
Balance as at 1 January 2020		<u>25,000,000</u>	<u>-</u>	<u>(73,990,786)</u>	<u>(48,990,786)</u>
<i>Statement of profit or loss:</i>					
Loss for the Year		-	-	(82,129,359)	(82,129,359)
<i>Other comprehensive income:</i>					
Revaluation Reserve	14	-	-	-	-
Total Loss for the Year		<u>-</u>	<u>-</u>	<u>(82,129,359)</u>	<u>(82,129,359)</u>
Transactions with equity holders, recorded directly in equity:		-	-	-	-
Total Transactions with Equity Owners		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 31st December, 2020		<u>25,000,000</u>	<u>-</u>	<u>(156,120,145)</u>	<u>(131,120,145)</u>
Balance as at 1 January 2019		<u>25,000,000</u>	<u>-</u>	<u>(74,445,915)</u>	<u>(49,445,915)</u>
<i>Statement of profit or loss:</i>					
Profit for the Year		-	-	455,129	455,129
<i>Other comprehensive income:</i>					
Revaluation Reserve		-	50,252,929	-	50,252,929
Total Profit for the Year		<u>-</u>	<u>50,252,929</u>	<u>455,129</u>	<u>50,708,058</u>
Transactions with equity holders, recorded directly in equity:		-	-	-	-
Total Transactions with Equity Holders		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 31st December, 2019		<u>25,000,000</u>	<u>50,252,929</u>	<u>(73,990,786)</u>	<u>1,262,143</u>

The notes on pages 22 to 56 and non-IFRS statements on pages 57 to 58 form an integral part of these financial statements.

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	₹	₹
Profit from Operating Activities	3,231,618	8,774,317
Adjustments for Non-Cash Items and Non-Operating Activities:		
Depreciation and Amortisation	<u>5,609,026</u>	<u>4,930,446</u>
	<u>5,609,026</u>	<u>4,930,446</u>
CASH GENERATED BEFORE CHANGES IN WORKING CAPITAL	8,840,644	13,704,762
CHANGES IN WORKING CAPITAL		
Change in Inventories	(1,441,271)	(872,969)
Change in Trade & Other Receivables	8,793,104	(23,911,790)
Change in Trade & Other Payables	<u>(19,078,135)</u>	<u>21,002,745</u>
CASH FLOW FROM WORKING CAPITAL	(11,726,302)	(3,782,015)
Tax Paid	<u>(689,315)</u>	<u>(411,317)</u>
CASH(USED)/GENERATED FROM OPERATING ACTIVITIES	(3,574,973)	9,511,431
INVESTING ACTIVITIES		
Purchase of Property, Plant & Equipment	<u>(8,537,466)</u>	<u>(8,164,000)</u>
CASH USED IN INVESTING ACTIVITIES	(8,537,466)	(8,164,000)
FINANCING ACTIVITIES		
Change in Loans & Borrowings	99,302,718	2,000,000
Interest Payments	<u>(86,062,714)</u>	<u>(7,959,996)</u>
CASH GENERATED/(USED) FROM FINANCING ACTIVITIES	<u>13,240,004</u>	<u>(5,959,996)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,127,566	(4,612,566)
OPENING CASH AND CASH EQUIVALENTS	<u>2,897,434</u>	<u>7,509,997</u>
CLOSING CASH AND CASH EQUIVALENTS	<u><u>4,024,999</u></u>	<u><u>2,897,434</u></u>

The notes on pages 22 to 56 and non-IFRS statements on pages 57 to 58 form an integral part of these financial statements.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2020

1 GENERAL INFORMATION

Hallmark Paper Products Plc was incorporated on August 1, 1985. It is a public limited liability company established under the Companies & Allied Matters Act Cap C20 Laws of the Federation of Nigeria (LFN) 2004 and wholly owned by Nigerians. The address of its registered office is 46, Ilogbo Road, Sango Ota, Ogun State and its registered number is RC 74243. It was incorporated to carry on, among others, business of design and printing of specialized business forms and paper corrugated cartons. The Company was admitted into the second tier of securities market of the Nigerian Stock Exchange in 1993 and was elevated to first tier in 1997. The Company was delisted by the Nigerian Stock Exchange in 2011.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of new and amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020.

Impact of initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

The application of this amendment has had no effect on the Company's financial statements as the Company did not hedge any of its financial instruments carried at fair value.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER, 2020

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

The application of this amendment has had no effect on the Company's financial statements as the Company did not receive any rent concession.

Amendments to IFRS 3 - Definition of a Business

The Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 - Definition of Material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER, 2020

Amendments to References to the Conceptual Framework in IFRS Standards

The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32.

2.2 New and Revised IFRSs in Issue but Not Yet Effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 - Insurance Contracts
Effective for annual periods beginning on or after 1 January 2023 with earlier application permitted
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Effective for annual periods beginning on or after a date yet to be set with earlier application permitted
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current
Effective for annual periods beginning on or after 1 January 2023 with earlier application permitted
- Amendments to IFRS 3 - Reference to the Conceptual Framework
Effective for annual periods beginning on or after 1 January 2022 with earlier application permitted
- Amendments to IAS 6 - Property, Plant and Equipment - Proceeds before Intended Use
Effective for annual periods beginning on or after 1 January 2022 with earlier application permitted
- Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract
Effective for annual periods beginning on or after 1 January 2022 with earlier application permitted
- Annual Improvements to IFRS Standards 2018-2020 Cycle
Effective for annual periods beginning on or after 1 January 2022 with earlier application permitted

IFRS 17 Insurance Contracts

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

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

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

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER, 2020

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Directors do not anticipate that the application of these amendments will have an impact on the Company's financial statements in future periods.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER, 2020

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 6 - Property, Plant and Equipment - Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER, 2020

Annual Improvements to IFRS Standards 2018-2020 Cycle

The Annual Improvements include amendments to four Standards:

a) IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

b) IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

c) IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

d) IAS 14 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial Period

These financial statements cover the period from 1st January 2020 to 31st December 2020 with comparatives for the year ended 31st December 2019.

3.2 Basis of Preparation

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act CAP C20 LFN 2004 and the Financial Reporting Council of Nigeria Act 2011, to the extent that they do not conflict with the requirements of IFRSs.

3.3 Statement of Compliance

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act 2011.

3.4 Basis of Measurement

The financial statements have been prepared under the historical cost basis except for the following:

- inventories at lower of cost and net realisable value;
- Financial instruments at amortised cost, or at fair value through other comprehensive income or at fair value through profit or loss; depending on the Company's business model for managing the financial instruments and the contractual cash flows characteristics of the financial instruments.

3.5 Functional and Presentation Currency

Items included in these financial statements using the currency that best reflects the primary economic environment in which the entity operates ("functional currency"). These financial statements are presented in Nigerian Naira ("presentation currency"), which is the Company's functional currency.

3.6 Presentation

The financial statements are prepared on going concern basis of accounting. The statement of financial position is presented based on current and non-current distinction. The statement of profit or loss is presented on the function of expense method, with sub-classification by nature provided in the notes. In the statement of cash flows, the cash flows from operating activities are reported on the indirect method. These financial statements are presented in Nigerian Naira ("presentation currency"), which is the Company's functional currency.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

3.7 Use of Judgment and Estimate

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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 and in any future periods affected.

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

3.7.1 Income Taxes

The Company is subject to various forms of taxes. Significant judgement is required in determining the provision for income and other related taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

3.7.2 Impairment of Trade Receivables

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company'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 as the forecast director of condition at the reporting date, including time value of money where appropriate.

3.7.3 Review of the Useful Lives of Tangible Assets

The Directors believe that the consumption pattern on items of Property, Plant and Equipment is such that the book value is spread equally over the useful life of the assets. The judgement exercised is based on past experience with similar assets, technological obsolescence and declining residual values.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

3.8 Property, Plant and Equipment

3.8.1 Recognition and Measurement

On initial recognition, items of property, plant and equipment are recognized at cost, which includes the purchase price as well as all costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of construction recognized includes the cost of material and direct labour, any other cost directly attributable to bringing the assets to the working condition for the intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and borrowing cost of qualifying assets.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized as profit or loss in the statement of profit or loss.

3.8.2 Subsequent Measurement

After initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. On-going repair and maintenance are expensed as incurred.

3.8.3 Depreciation

Items of property, plant and equipment are depreciated from the date they are available or ready for use or, in respect of capital-work-in-progress, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using a straight-line basis over their estimated useful lives. Depreciation is generally recognized in the statement of profit or loss, unless the amount is included in the carrying amount of another asset.

When parts of an item of property, plant and equipment have different useful lives, the depreciation is calculated using different useful lives appropriate to different parts.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Items of Property, Plant & Equipment	Depreciation Rate
Land & Building	2%
Plant and Machinery	10%
Motor Vehicles	20%
Furniture & Equipment	12.5%

Capital work in progress is not depreciated. Upon completion, it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

3.8.4 Derecognition

The carrying value of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss (determined by comparing net disposal proceeds with carrying amount) arising on derecognition of the asset is included in the statement of profit or loss in the year the item is derecognized.

3.8.5 Impairment

The carrying amount of an item of property, plant and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sale and value in use. According to the directors, no item of property, plant and equipment was impaired as at 31st December 2020 (2019: nil)

3.9 Financial Assets

3.9.1 Recognition and Measurement

The Company recognizes a financial asset in the statement of financial position when, and only when, it becomes a party to the contractual provision of the instrument. With exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, financial assets are initially measured at their fair value or amortised cost. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regulatory occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as inactive. For example, a market is inactive when there is a wild bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOX yield curve, FX rates volatilities and counterparty so spreads) existing at the reporting date.

3.9.2 Classification

The Company classifies financial assets into; *amortised cost, fair value through other comprehensive income and fair value profit or loss, based on:*

- (a) the Company's business model for managing the financial assets, and
- (b) the contractual cash flow characteristics of the financial assets

3.9.3 Financial Assets at Amortised Cost

The Company classifies a financial asset at amortised cost if the asset is held with the objective of collecting the contractual cash flows associated with the asset and the contractual terms of the asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

Loans and receivable are classified at amortised cost. Loans and receivables are recognized initially at fair value plus any directly attributed transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any accumulated impairment losses. Loans granted at below market rates are fair valued by reference to expected future cash flow and current market interest rate for instruments in a comparable or similar risk class and the difference between the historical cost and fair value is accounted for in the statement of profit or loss.

3.9.4 Financial Assets at Fair Value Through Other Comprehensive Income

The Company classifies a financial asset at fair value through other comprehensive income if the asset is held with the objective of collecting the contractual cash flows associated with the asset and selling the assets, and the contractual terms of the asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. The Company does not currently have financial assets that meet this classification.

3.9.5 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

For any other financial assets, other than those classified at amortised cost and those classified at fair value through other comprehensive income, the Company classifies a financial asset at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets held for trading or assets designated as such on initial recognition. Financial assets classified as held for trading are acquired principally for the purpose of selling in the short term. Financial assets designed at fair value through profit or loss are investments the Company manages and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets included in this category are recognized initially at fair value and changes therein, including any interest, dividend income are recognized in the statement of profit or loss. Directly attributable transaction costs are recognized in the statement of profit or loss as incurred. The Company does not currently have financial assets that meet classification at fair value through profit or loss.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

3.9.6 Impairment of Financial Assets

The Company recognises a loss allowance of expected credit losses (ECL) on debt instruments that are measured at amortised cost (trade receivables). The amount of expected credit losses is updated at each reporting date to reflect the changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company'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 condition at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company 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 Company 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 asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk: In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, government bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

- significant increase in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when the contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company consider a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3.9.7 Derecognition of Financial Assets

The Company derecognizes a financial asset only 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 entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial assets, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On derecognition of a financial asset measured to amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

3.10 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short term, highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of change in value.

3.11 Financial Liabilities

3.11.1 Recognition and Measurement

The Company recognises a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provision of the instrument. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

3.11.2 Subsequent Measurement

Financial liabilities are measured subsequently at amortised cost using the effective interest method. Financial liabilities measured subsequently at amortised cost are financial liabilities that are not contingent consideration of an acquirer in a business combination, not held-for-tradeing or not designated as at FVTPL. They are measured subsequently 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 amortised cost of a financial liability.

3.11.3 Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest (EIR) amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

3.11.4 Derecognition of Financial Liabilities

The company derecognizes financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss. When the company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company 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:

- a. the carrying amount of the liability before the modification; and
- b. the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

3.11.5 Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities.

3.12 Employee Benefits

3.12.1 Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts in respect of all employment benefits relating from employee services in current and prior periods.

3.12.2 Pension Scheme

In line with the provisions of the Pension Reform Act 2004 as amended, the Company has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions. Obligations for contributions to the defined contribution plan are recognized as employee benefit expense in the statement of profit or loss in the periods which related services are rendered by the employees. While employees contribute 8%, employer contributes 10%, of basic salary, transport & housing allowances to the fund on a monthly basis. The Company does not operate a defined pension plan.

3.12.3 Short-Term Benefits

Wages, salaries, paid annual leave, sick leave, bonuses and non-monetary benefits are recognized as employee benefit expenses and accrued when the associated services are rendered by the employee to the Company have not been paid. The Company does not have a policy of making share-based payment to employees.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

3.13 Provisions, Contingent Liabilities And Contingent Assets

3.13.1 Provisions

Provisions are liabilities that are uncertain in amount and timing. A provision is recognized if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future pre-tax cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3.13.2 Contingent Liabilities

A contingent liability is a possible obligation that arises from past event 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 the Company has a present obligation as a result of past event. It is not recognized because it is not likely that an outflow of resources will be required to settle the obligation or the amount cannot be reliably estimated. Contingent liabilities normally comprises of legal claims under arbitration or court process in respect of which a liability is likely to occur. Contingent liabilities are disclosed in the financial statements when they arise.

3.13.3 Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized but are disclosed in financial statements when they arise.

3.14 Equity

3.14.1 Share Capital and Share Premium

Equity instruments are contracts that give a residual interest in the net assets of the Company. Ordinary share are classified as equity when there is no obligation to transfer cash and other assets. Equity instruments are recognized at the amount of proceeds received net of incremental costs directly attributable to the transaction. To the extent those proceeds exceed the par value of the shares issued they are credited to a share premium account. However, the Company did not have share premium for the years ended 31st December, 2020 and 2019 respectively.

3.14.2 Dividends on Ordinary Shares

Dividends on ordinary shares are recognized as liabilities in the period when they are declared (i.e. the dividends are appropriately authorized and no longer at the discretion of the entity) and approved by the shareholders at annual general meeting. Dividends for the year that are declared after the date of the statement of financial position are disclosed in the subsequent events note.

Dividends proposed but not yet approved are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act. No dividend was proposed for the year ended 31 December 2020 and 2019 respectively.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

3.14.3 Retained Earnings

The retained earning comprised of undistributed profit/(loss) from previous years and current year. Retained earnings are classified as part of equity in the statement of financial position.

3.15 Revenue

Revenue from Contracts with Customers IFRS 15

The Company is into manufacturing, marketing and distribution of paper products. Sales are recognized when control of the products has been transferred, being when the products are delivered to the customer. Sales occur when the products are delivered in accordance with the sales contract, or the company has objective evidence that all criteria for acceptance have been satisfied.

3.16 Related Parties

Parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operationg decisions. 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 Company, directly or indirectly, including all Executive and Non-Executive Directors. Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.

3.17 Earnings Per Share

The company presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share are calculated using fully diluted shares outstanding (i.e. including the impact of stockoption grants and convertible bonds).

3.18 Direct Costs

Direct Costs are accounted for on accrual basis and recognised when the related revenue is earned. One of the conditions for recognition of revenue is that the costs incurred or to be incurred in respect of the transaction can be measured reliably. Upon recognition of revenue, costs are also measured and recognised.

3.19 Administration and Operating Expenses

Administrative and operating expenses are accounted for on accrual basis. This include auditors' remuneration, consulting fees, bank charges, depreciation, electricity, fines and penalties, staff costs, indirect taxes, transport expenses, repairs and maintenance and other expenses not separately disclosed.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

3.2 Foreign Exchange Transactions

Transactions dominated in foreign currencies are translated and recorded in Naira at the actual exchange rate as of the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated at the rates of exchange prevailing at the reporting date. The foreign currency gain or loss on a monetary item is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, the amortized cost in foreign currency translated at exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognized in the statement of profit or loss, except for qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in items of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

3.21 Income Tax

Income tax expense represents the sum of current tax expense. Current tax and deferred tax are recognized in the statement of profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3.21.1 Current Income Tax

Current tax is expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company is subject to the following types of current income tax;

Company income tax – this relates to tax on revenue and profit generated by the Company during the year, to be taxed under the Companies Income Tax Act Cap C21, LFN 2004 as amended to date.

Tertiary Education tax – Tertiary education tax (simply called education tax) is based on the assessable income of the Company and is governed by the Tertiary Education Fund (Establishment) Act CAP E4 LFN 2004.

3.21.2 Deferred Income Tax

Deferred tax is recognized in respect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences relating to investments in subsidiaries, associate and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable, future; and

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflect the tax consequences that will follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rate enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.21.3 Tax Exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expenses in the period that such a determination is made.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

4 PROPERTY, PLANT & EQUIPMENT

	Land & Buildings	Plant & Machinery	Motor Vehicles	Furniture & Equipment	TOTAL
	₹	₹	₹	₹	₹
Cost or Deemed Cost					
At January 1, 2019	107,581,210	49,310,906	10,463,500	5,051,875	172,407,491
Additions in the Year 2019	-	8,140,000	-	24,000	8,164,000
Revaluation in 2019	50,252,929	-	-	-	50,252,929
Balance at 31 December 2019	157,834,139	57,450,906	10,463,500	5,075,875	230,824,420
Depreciation & Impairment Loss					
At January 1, 2019	9,267,872	44,457,613	7,063,500	4,240,413	65,029,398
Depreciation for the Year 2019	3,156,683	989,329	680,000	104,434	4,930,446
Disposal in the Year 2019	-	-	-	-	-
Impairment for the Year 2019	-	-	-	-	-
Balance at 31 December 2019	12,424,555	45,446,942	7,743,500	4,344,847	69,959,844
Carrying Amount					
At January 1, 2019	98,313,338	4,853,293	3,400,000	811,462	107,378,093
At December 31, 2019	145,409,584	12,003,964	2,720,000	731,028	160,864,576
Cost or Deemed Cost					
At January 1, 2020	157,834,139	57,450,906	10,463,500	5,075,875	230,824,420
Additions in the Year 2020	-	8,507,466	-	30,000	8,537,466
Revaluation in 2020	-	-	-	-	-
Balance at 31 December 2020	157,834,139	65,958,372	10,463,500	5,105,875	239,361,886
Depreciation and Impairment Loss					
At January 1, 2020	12,424,555	45,446,942	7,743,500	4,344,847	69,959,844
Depreciation for the Year 2020	3,156,683	1,667,284	680,000	105,059	5,609,026
Impairment for the Year 2020	-	-	-	-	-
At December 31, 2020	15,581,238	47,114,226	8,423,500	4,449,906	75,568,870
Carrying Amount					
At January 1, 2020	145,409,584	12,003,964	2,720,000	731,028	160,864,576
At December 31, 2020	142,252,901	18,844,145	2,040,000	655,969	163,793,016

NOTE:

As at 31st December 2020, there was no indication of impairment of any of the items of property, plant and equipment. Hence, no provision was made for impairment losses. All the items of property, plant and equipment have been carried at their historical costs or deemed cost less accumulated depreciation as at 31st December,

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

5 DEFERRED TAXATION	2020	2019
	₹	₹
At 1st January	9,862,837	9,532,714
Charged to Profit or Loss (See Note 12.1)	1,682,708	330,123
At 31st December	<u>11,545,545</u>	<u>9,862,837</u>

5.1 Reconciliation of Deferred Tax Balance

	Opening Balance	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Closing Balance
	₹	₹	₹	₹
For the Year Ended 31 December 2020				
Deferred tax liabilities relating to:				
Property, plant and equipment	9,862,837	1,682,708	-	11,545,545
	<u>9,862,837</u>	<u>1,682,708</u>	<u>-</u>	<u>11,545,545</u>
For the Year Ended 31 December 2019				
Deferred tax liabilities relating to:				
Property, plant and equipment	9,532,714	330,123	-	9,862,837
	<u>9,532,714</u>	<u>330,123</u>	<u>-</u>	<u>9,862,837</u>

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The balance above is the deferred tax balances (after offset) for financial reporting purposes.

6 INVENTORIES	2020	2019
	₹	₹
Raw Materials	41,120,727	38,329,335
Work-in-Progress	1,901,636	3,188,257
Spare Parts	488,820	552,321
	<u>43,511,183</u>	<u>42,069,913</u>

7 TRADE & OTHER RECEIVABLES	2020	2019
	₹	₹
Trade Receivables	31,820,183	37,095,312
Allowance for Expected Credit Loss	(4,814,242)	(1,296,267)
	27,005,941	35,799,045
Staff Loan & Advances	70,000	70,000
	<u>27,075,941</u>	<u>35,869,045</u>

Allowance for expected credit losses are recognised against trade receivables outstanding beyond 180 days based on estimated irrecoverable amounts. Previous experience has shown that receivables that are past due after 180 days are doubtful of recovery. Allowance for expected credit losses are recognised against trade receivables due over 180 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of their current position.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

8 CASH AND CASH EQUIVALENTS	2020	2019
	₦	₦
Cash at Hand	346,540	543,355
Demand Deposits with Banks	3,678,459	2,354,078
	<u>4,024,999</u>	<u>2,897,434</u>

For the purposes of the statement of cash flows, cash and cash equivalents include cash at hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position (as shown above).

9 DEPOSIT FOR SHARES

	2020	2019
	₦	₦
Deposit for Shares	-	51,700,000
	<u>-</u>	<u>51,700,000</u>

Deposit for shares was converted to long term loans during the year. It represents cash lodged into the Company's bank accounts and the expenses incurred by the Company but paid for by a related entity, which the entity is desirous of converting to fully paid-up share capital.

Deposit for shares was recognized initially at fair value and has not been re-measured. It bears interest of 10% per annum. Settlement of the deposit for shares can be made either in shares issued to the provider or in cash repayment when the Company is liquid enough to do so, at the option of the Company.

The deposit for shares was converted to loan during the year.

10 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. Loans and borrowings as at 31 December 2020 is as follows:

	2020	2019
	₦	₦
Loans & Overdraft Facility from Unity Bank Plc	129,636,950	85,893,290
Accrued Interest on Loans & Overdraft Facility from Unity Bank Plc	32,559,057	
Loan from Davolad	14,000,000	14,000,000
Loan from Three Circles Investment & Security Limited	25,000,000	2,000,000
Deposit for Shares Converted to Loan	51,700,000	-
	<u>252,896,008</u>	<u>101,893,290</u>

The Unity Bank facilities (i.e the Overdraft and the Loan from Unity Bank) are secured by fixed charges on the Company's Property, Plant & Equipment. They Company is having financial difficulty in repaying the facilities and the interest thereon. The Company is currently in litigation with Unity Bank regarding the facilities.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

Davolad is a related company. The loan from Davolad is provided at 12% rate per annum with no fixed repayment period. The loan shall be repaid when the Company is liquid to do so.

Three Circles Investment & Security Limited is also a related company. The loan from Three Circles Investment & Security Limited is provided at 23% rate per annum. It was agreed that the loan should be repaid with a year with no specific or fixed repayment amount.

Loans and Borrowings are analysed into short and long term liabilities based on the time the repayment obligation falls due as follows:

Analysis:

Non-Current	90,700,000	16,000,000
Current	162,196,008	85,893,290
	<u>252,896,008</u>	<u>101,893,290</u>

11 TRADE AND OTHER PAYABLES

	2020	2019
	₹	₹
Trade Payables	22,098,410	41,317,036
Accrued Expenses	6,074,388	8,449,823
Staff Pension Payable	160,000	210,720
Directors' Current Accounts	13,225,060	13,315,410
Other Payables	6,544,268	5,957,359
Interest Payable	28,838,796	26,768,709
	<u>76,940,922</u>	<u>96,019,058</u>

12 INCOME TAXATION

	2020	2019
	₹	₹
(i) Per Statement of Profit or Loss:		
Current Tax Expense		
Company Income Tax	980,971	574,419
Tertiary Education Tax	-	114,895
Capital Gain Tax	-	-
Current Tax Expense	<u>980,971</u>	<u>689,315</u>
Deferred Tax Expense		
Deferred Tax (see note 5)	(1,682,708)	(330,123)
Deferred Tax Credit	<u>(1,682,708)</u>	<u>(330,123)</u>
Tax (Credit)/Expense	<u>(701,737)</u>	<u>359,192</u>

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	₦	₦
(ii) Per Statement of Financial Position:		
Current Tax Liabilities		
Current Tax Liabilities as at 1st January	689,315	411,317
Current Tax Expenses for the Year	980,971	689,315
	<u>1,670,286</u>	<u>1,100,632</u>
Payment of Tax in the Year	<u>(689,315)</u>	<u>(411,317)</u>
Current Tax Liabilities as at 31st December	<u><u>980,971</u></u>	<u><u>689,315</u></u>

(iii) The charge for taxation in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004, Education Tax Act, CAP E4 LFN 2004 and Capital Gains Tax Act CAP C1 LFN 2004.

(iv) Reconciliation of Income Tax

The income tax (credit)/expense for the year can be reconciled to the accounting loss as follows:

	2020	2019
	₦	₦
(Loss)/Profit Before Tax	<u>(82,831,096)</u>	<u>814,321</u>
Income tax expense at 30%	(24,849,329)	244,296
Education tax expense at 2%	(1,656,622)	16,286
Effect of expenses not allowable in determining income tax	90,398	-
Effect of expenses not allowable in determining education tax	118,207	98,609
Effect of minimum tax	980,971	-
Effect of unutilised tax losses	24,614,638	-
Tax (Credit)/Expense	<u><u>(701,737)</u></u>	<u><u>359,192</u></u>

13 SHARE CAPITAL

	2020	2019
	₦	₦
(i) Issued & Paid Up:		
50,000,000 Ordinary shares of 50k each	<u>25,000,000</u>	<u>25,000,000</u>
	<u><u>25,000,000</u></u>	<u><u>25,000,000</u></u>

(ii) Ordinary Shares

Holders of these shares are entitled to dividends as may be declared from time to time and are entitled to one vote per share at general meetings of the Company.

(iv) Dividends

No dividend was declared during the years ended 31st December, 2020 and 2019 respectively. Also, no interim dividend was paid during the years 2020 and 2019 respectively.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

(v) **Capital Management**

The Company manages its capital to ensure the entity will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remain unchanged from 2019.

The Company and Allied Matters Acts CAP C20 LFN 2004 requires that the amount of a company's share capital shall not be less than the authorised minimum share capital.

14 REVALUATION RESERVES	2020	2019
	₦	₦
Opening Balance	50,252,929	-
Surplus on Revaluation of Building During the Year	-	50,252,929
Closing Balance	<u>50,252,929</u>	<u>50,252,929</u>
15 RETAINED EARNINGS	2020	2019
	₦	₦
Opening Balance	(73,990,786)	(74,445,915)
(Loss)/Profit for the Year	(82,129,359)	455,129
Closing Balance	<u>(156,120,145)</u>	<u>(73,990,786)</u>
16 REVENUE	2020	2019
	₦	₦
Corrugated Carton	180,850,410	198,261,886
Business Form	-	185,000
Rubber Stereo	2,248,000	1,028,000
Die Cutting	12,963,858	20,000
Impression	37,000	-
Die Cutting Blade	95,000	-
Total Revenue	<u>196,194,268</u>	<u>199,494,886</u>
17 DIRECT COSTS	2020	2019
	₦	₦
Raw Materials	138,057,854	141,491,110
Other Costs	5,426,925	2,999,952
Production Overheads	19,536,101	22,340,742
Total Costs	<u>163,020,881</u>	<u>166,831,805</u>

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

18 SALES & DISTRIBUTION EXPENSES	2020	2019
	₹	₹
Delivery & Loading	285,800	297,750
Diesel	1,160,700	1,477,410
Fueling	-	48,600
Insurance	7,500	-
Printing & Stationery	-	600
Registration Fee	40,000	193,000
Repairs & Maintenance	1,291,150	1,361,500
Sales Commission	516,677	528,325
Sales Personnel Costs	1,205,612	858,417
Telephone & Postages	23,000	25,000
Transport	270,100	551,000
	<u>4,800,539</u>	<u>5,341,602</u>
19 ADMINISTRATIVE EXPENSES	2020	2019
	₹	₹
Advertisement	-	75,630.47
Auditors' Remuneration	322,500	322,500
Annual Meeting Expense	947,525	-
Bad Debts	-	2,708,661
Balances Written Off	301,326	-
Bank Charges	323,229	307,262
Computer Expenses	426,700	307,500
Depreciation	5,609,026	3,941,117
Directors' Remuneration	3,600,000	3,600,000
Directors' Sitting Allowance	415,500	135,000
Electricity	217,850	70,661
Entertainment	71,355	30,685
Fuel, Lubricants & Diesel	875,500	908,500
Insurances	985,817	825,317
Provision for Bad Debts - Specific	3,517,974	927,383
Internet Subscriptions	-	17,458
Legal, Secretarial & Professional Fees	705,338	640,150
License & Renewals / Rates, Levies & Taxes	221,168	30,974
Office Consumables	375,150	44,600
Printing & Stationery	333,703	123,195
Registration Fee	47,500	45,000
Repairs & Maintenance	646,200	1,400,900
Security	546,000	792,000
Staff Costs (Note 24)	10,263,172	8,823,397
Staff Entitlement	106,887	-
Sundry	28,000	42,000
Telephone & Postages	367,020	378,150
Travelling & Transport	300,050	974,900
	<u>31,554,490</u>	<u>27,472,940</u>

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

20	OTHER INCOME	2020	2019
		₦	₦
	Waste & Tears - Off	2,649,300	1,857,651
	Insurance Claim	-	7,068,126
	Liabilities No Longer Required	3,763,960	-
		<u>6,413,260</u>	<u>8,925,777</u>

21	FINANCE COST	2020	2019
		₦	₦
	Interest on Unity Bank Plc Loans Before the Judgement	43,743,661	-
	Interest on Unity Bank Plc Loans after the Judgement	32,559,057	-
	Interest on other Loans	9,759,996	7,959,996
		<u>86,062,714</u>	<u>7,959,996</u>

The Company owed Unity Bank Plc disputed loans for which it went into litigation with the Bank. The trial court awarded ₦129,636,950 against the Company in favour of the Bank. Interest of ₦43,743,661 was accrued before the judgement day and also interest of ₦32,559,057 was accrued after the judgement day till 31 December 2020. The Company has however appealed the decision of trial court and awaits the judgement of appeal.

22	(LOSS)/PROFIT BEFORE TAX	2020	2019
	(Loss)/Profit before tax is stated after charging:	₦	₦
	Depreciation (see note 4)	5,609,026	4,930,446
	Staff Costs	10,263,172	8,823,397
	Auditors' Remuneration	322,500	322,500
		<u>16,194,698</u>	<u>14,076,343</u>

23 EARNINGS PER SHARE
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2020	2019
	₦	₦
(Loss)/Profit for the Year	<u>(82,129,359)</u>	<u>455,129</u>
Earnings used in the calculation of basic earnings per share	<u>(82,129,359)</u>	<u>455,129</u>
Weighted Average Number of Ordinary Shares in Issue	<u>25,000,000</u>	<u>25,000,000</u>
Earnings Per Share: Basic and Diluted	<u>(3.29)</u>	<u>0.02</u>

Basic earnings per share were calculated by dividing net (loss)/Profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding at the statement of financial position date.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

24 STAFF COST	2020	2019
	₦	₦
Salaries & Wages	7,590,207	7,186,696
Pension Fund Contribution	2,313,728	1,327,800
Productivity Allowance	72,500	98,000
Medicals	176,380	95,200
Nigeria Social Insurance Trust Fund	110,357	115,701
	<u>10,263,172</u>	<u>8,823,397</u>

24.1 Employees of the Company, other than Directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions and certain benefits) in the following

	2020	2019
Range (per annum)	Number	Number
₦100,000 - ₦500,000	21	21
₦500,001 - ₦1,000,000	2	2
₦1,000,001 - Above	2	2
Total Number of Employees	<u>25</u>	<u>25</u>

24.2 Directors' Remuneration

Remuneration (excluding pension contribution) for the directors of the Company included in salaries and wages and charged to statement of profit or loss are as follows:

	2020	2019
	₦	₦
Non-Executive	-	-
Executive	3,600,000	3,600,000
	<u>3,600,000</u>	<u>3,600,000</u>

The directors' remuneration shown above includes:

Chairman's Remuneration	-	-
Highest paid director	3,600,000	3,600,000

**HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020**

25 RELATED PARTIES

25.1 Identity of Related Entities

The Company did not transact with any related entity during the year.

25.2 Key Management Personnel

Name	Designation
D. O. Adeliyi	Managing Director/Chief Executive Officer

25.3 Outstanding balances

	2020	2019
	₦	₦
Due to related entities		
Due to Directors	13,225,060	13,315,410

25.4 Key Management Compensation

	2020	2019
	₦	₦
Remuneration of Executive	3,600,000	3,600,000

26 SEGMENT INFORMATION

Information reported to the Chief Operating Decision Maker (the Managing Director) for the purposes of resource allocation and assessment of segment performance is based on the entity as a whole as there is no other distinguishable component of the entity that engage in business activities from which it earns revenue and incurs expenses whose operating results are regularly reviewed by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

27 EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period which could have had a material effect on the financial position of the Company as at 31st December 2020 and the results for the year then ended, which have not been adequately provided for in the financial statements.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

28 FINANCIAL INSTRUMENTS

(a) Financial Risk Management

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

- . Credit risk
- . Liquidity risk
- . Market risk
- . Operational risk

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. During the year, the Board did not have a Risk Management Committee and so the Board is responsible for developing and monitoring the Company's risk management policies.

28.1 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Company's principal exposure to credit risk is influenced mainly by the individual characteristics of each customer.

In order to minimise credit risk, the Board develop and maintain the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Board use other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Management has established a customer activation process under which each new customer is analysed individually for creditworthiness before the Company's sales agreement standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retailer end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Company has no significant concentration of credit risk, with exposure spread over a large number of parties. Cash and cash equivalents are placed with banks and financial institutions which are regulated.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Credit risk from balances with banks and financial institutions is managed by the Board in accordance with the Company's policy. Investments of surplus funds, if any, are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed periodically, and may be updated at any point in the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

i Exposure to credit risk

The maximum exposure to credit risk at the reporting date was:

		2020	2019
	note	₪	₪
Trade and Other Receivables	7	27,075,941	35,869,045
Cash and Cash Equivalent	8	4,024,999	2,897,434
		<u>31,100,940</u>	<u>38,766,479</u>

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:

Due from Customers	27,005,941	35,799,045
Due from Staff	70,000	70,000
	<u>27,075,941</u>	<u>35,869,045</u>

ii Impairment Losses on Trade Receivables

For trade receivables, the Company applied the simplified approach in computing expected credit losses (ECL). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 28(i). The Company does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Company's trade receivables as at 31 December 2020 using a provision matrix:

	Trade Receivables Days Past Due					
	Current	31-60 Days	61-90 Days	91-120 Days	> 120 Days	Total
Expected Credit Loss Rate	0.10%	5%	10%	30%	50%	
Gross Carrying Value	10,006,027	10,049,896	7,078,004	227,274	4,458,982	31,820,183
Expected Credit Loss	(34,847)	(874,929)	(1,031,161)	(384,267)	(2,489,038)	(4,814,241)
	<u>9,971,180</u>	<u>9,174,967</u>	<u>6,046,843</u>	<u>156,993</u>	<u>1,969,944</u>	<u>27,005,941</u>

	Trade Receivables Days Past Due					
	Current	31-60 Days	61-90 Days	91-120 Days	> 120 Days	Total
Expected Credit Loss Rate	0.10%	5%	10%	30%	50%	
Gross Carrying Value	24,840,321	7,448,676	3,233,605	1,053,615	519,094	37,095,312
Expected Credit Loss	(24,841)	(372,434)	(323,361)	(316,085)	(259,547)	(1,296,267)
	<u>24,815,480</u>	<u>7,076,243</u>	<u>2,910,245</u>	<u>737,531</u>	<u>259,547</u>	<u>35,799,045</u>

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

	2020	2019
	₦	₦
Balance at 1 January	1,296,267	368,884
Additional Allowance in the Year	4,814,241	927,383
Balance at 31 December	<u>6,110,508</u>	<u>1,296,267</u>

28.2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will 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.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company is currently having a liquidity problem as it has not been able to meet some certain liabilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying Amount	Contractual Cash Flow	6 Months or Less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
<u>31 December 2020</u>							
Deposit for Shares	-	-	-	-	-	-	-
Secured Unity Bank Loans	162,196,008	162,196,008	(162,196,008)	-	-	-	-
Related Parties' Loans	90,700,000	90,700,000	-	-	-	(90,700,000)	-
Trade & Other Payables	76,940,922	76,940,922	(76,940,922)	-	-	-	-
	<u>329,836,930</u>	<u>329,836,930</u>	<u>(239,136,930)</u>	-	-	<u>(90,700,000)</u>	-
<u>31 December 2019</u>							
Deposit for Shares	51,700,000	51,700,000	-	-	-	(51,700,000)	-
Secured Overdraft	45,893,289	45,893,289	(45,893,289)	-	-	-	-
Secured Bank Loans	40,000,000	40,000,000	(40,000,000)	-	-	-	-
Related Parties' Loans	16,000,000	16,000,000	-	-	-	(16,000,000)	-
Trade & Other Payables	96,019,058	96,019,058	(96,019,058)	-	-	-	-
	<u>249,612,347</u>	<u>249,612,347</u>	<u>(181,912,347)</u>	-	-	<u>(67,700,000)</u>	-

Settlement of the deposit for shares can be made either in shares issued to the provider or in cash repayment when the Company is liquid enough to do so, at the option of the Company. The Company expects that the liability would be settled within 2 to 5 years. See note 9.

Secured bank loans are from Unity Bank Plc, which are already due for repayment. The Company is having financial difficulty in repaying the facilities and the interest thereon. The Company is currently in litigation with Unity Bank Plc regarding the facilities.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

Related Parties' loans were ₦14,000,000 and ₦25,000,000 loans provided by Davolad at 12% rate per annum and Three Circles Investment & Security Limited at 23% rate per annum respectively. Both loans have no fixed repayment period. The loan shall be repaid when the Company is liquid to do so. The Company expects that the liability would be settled within 2 to 5 years. See note 10.

28.3 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, while optimising the return.

The Company manages market risks by keeping costs low to keep prices within profitable range, foreign exchange risks are managed by maintaining foreign denominated bank accounts and keeping Letters of Credit (LC) facility lines with the Company's bankers. Also interest rates are benchmarked to NIBOR (for local loans) and LIBOR (for foreign denominated loans) with a large margin thereof at fixed rates while not foreclosing the possibility of taking interest rate hedge products should there be need to do so. The Company is not exposed to any equity risk.

Currency risk

The currency risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company is not exposed to currency risk as all its transactions during the year were carried out at its primary currency i.e Nigerian Naira. The Company did not have any asset or liability denominated in foreign currency.

Interest rate risk

The Company adopts a policy of ensuring that a significant element of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into loan arrangements with mixed interest rate sources. Variable interest rates are marked against the ruling NIBOR rates to reduce the risk arising from interest rates.

Interest rate risk comprises interest price risk that results from borrowings at fixed rates and the interest cashflow risk that results from borrowings at variable rates. The Board of Directors are responsible for setting the overall duration and interest management targets. The Company's objective is to manage its interest rate exposure through careful borrowing profiling and use of heterogeneous borrowing sources.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying Amount	
	2020	2019
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	252,896,008	153,593,290
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

28.4 ***Operational Risk***

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risks is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for the appropriate segregation of duties, including the authorisation of transactions
- requirements for the reconciliations and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remediation action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when it is effective

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2020

29 GOING CONCERN

*The Company made a loss after taxation of ₦82,129,359 for the year ended December 31, 2020 and as at that date, the Company had a negative net assets of ₦80,867,216. The Company has defaulted in meeting its loans obligation from Unity Bank Plc and is currently in litigation with the Bank. The continued operation of the Company depends on the financial support of its other lenders and the directors. However, the Directors believe that the Company will continue to enjoy the financial support of its lenders in the year ahead. Consequently, these financial statements have been prepared in accordance with the basis of accounting principles applicable to a going concern.

30 APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board of Directors and authorised for issue on June 22, 2021.

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020		2019	
	₹	%	₹	%
Revenue	196,194,268	1,027	199,494,886	886
Other Income	6,413,260	34	8,925,777	40
Bought - in goods and other costs	(183,503,712)	(951)	(185,892,504)	(825)
Value Added	19,103,816	100	22,528,159	100

APPLIED AS FOLLOWS:

To pay employees:				
- Salaries, Wages and Benefits	10,263,172	54	8,823,397	39
To pay providers of funds				
- Interest	86,062,714	451	7,959,996	35
- Dividend	-	-	-	-
Government:				
- Tax	(701,737)	(4)	359,192	2
Retained in the business				
- Depreciation & Amortisation	5,609,026	29	4,930,446	22
- Retained for growth	(82,129,359)	(430)	455,129	2
Value Added	19,103,816	100	22,528,159	100

Value added represents the additional wealth which the Company 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 finance and shareholders, plus the amount retained for future creation of more wealth.

HALLMARK PAPER PRODUCTS PLC
FINANCIAL SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2020

		IFRS 2020	IFRS 2019	IFRS 2018	IFRS 2017	NIG GAAP 2016
		₦	₦	₦	₦	₦
FINANCIAL POSITION:						
Net Assets						
Non-Current Assets	a	<u>175,338,561</u>	<u>170,727,413</u>	<u>116,910,807</u>	<u>114,749,438</u>	<u>113,003,724</u>
Current Assets	b	<u>74,612,123</u>	<u>80,836,392</u>	<u>60,664,197</u>	<u>46,269,848</u>	<u>43,384,908</u>
Current Liabilities	c	<u>240,117,901</u>	<u>182,601,662</u>	<u>161,320,919</u>	<u>91,294,094</u>	<u>80,552,654</u>
Net Current Assets	d=b-c	<u>(165,505,777)</u>	<u>(101,765,270)</u>	<u>(100,656,722)</u>	<u>(45,024,246)</u>	<u>(37,167,746)</u>
Non-Current Liabilities	e	<u>90,700,000</u>	<u>67,700,000</u>	<u>65,700,000</u>	<u>119,015,410</u>	<u>124,754,006</u>
Total Net Assets	f=a+d-e	<u>(80,867,216)</u>	<u>1,262,142</u>	<u>(49,445,915)</u>	<u>(49,290,218)</u>	<u>(48,918,028)</u>
Equity						
Share Capital		25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Revaluation Reserves		50,252,929	50,252,929	-	-	-
Retained Earnings		<u>(156,120,145)</u>	<u>(73,990,786)</u>	<u>(74,445,915)</u>	<u>(74,290,218)</u>	<u>(73,918,028)</u>
Total Equity		<u>(80,867,216)</u>	<u>1,262,143</u>	<u>(49,445,915)</u>	<u>(49,290,218)</u>	<u>(48,918,028)</u>
PROFIT OR LOSS:						
Income						
Revenue		196,194,268	199,494,886	160,245,825	194,357,593	143,933,672
Other Income		<u>6,413,260</u>	<u>8,925,777</u>	<u>2,078,875</u>	<u>2,562,580</u>	<u>1,262,130</u>
		<u>202,607,528</u>	<u>208,420,663</u>	<u>162,324,700</u>	<u>196,920,173</u>	<u>145,195,802</u>
Expenses						
Cost of Sales		163,020,881	166,831,805	131,977,751	157,053,587	107,028,230
Sales and Distribution Expenses		4,800,539	5,341,602	5,034,975	4,879,725	4,190,840
Admin & Operating Expenses		31,554,490	27,472,940	18,578,777	23,085,057	20,607,945
Finance Cost		86,062,714	7,959,996	6,849,996	12,150,000	12,450,000
Income Tax Credit		<u>(701,737)</u>	<u>359,192</u>	<u>38,898</u>	<u>123,995</u>	<u>838,072</u>
		<u>284,736,887</u>	<u>207,965,534</u>	<u>162,480,397</u>	<u>197,292,364</u>	<u>145,115,087</u>
(Loss)/Profit		<u>(82,129,359)</u>	<u>455,129</u>	<u>(155,697)</u>	<u>(372,191)</u>	<u>80,715</u>
STATISTIC:						
Earnings Per Share (Basic)		(3.29)	0.02	(0.01)	(0.01)	0.00
Net Assets Per Share		(3.23)	0.05	(1.98)	(1.97)	(1.96)

Proxy Form

HALLMARK PAPER PRODUCTS PLC

Annual General Meeting to be held at the Company Premises
46, Ilogbo Road Ota, Ogun State on Tuesday, September 21st,
2021 at 11:00am

I/We -----

Being a member/members of Hallmark Paper
Products Plc appoint**

Or failing him. Mr. B. T. Bello or failing him Mr.
D.O. Adeliyi as my/our proxy to act and vote for me/us
and on my/our behalf at the Annual General Meeting of the
company to be held on Tuesday, September 21st, 2021 and any
adjournment
thereof Date this ----- day of -----

Shareholder's Signature

To be effective, this proxy form should be dully stamped
By the Commissioner for Stamp Duties and signed before
Posting it to reach the registered address of the company not
Later than September 17th, 2021. Please note that action should
not be taken on the Proxy Form if the member will be attending the meeting

NUMBER OF SHARES HELD	
--------------------------	--

RESOLUTION	FOR	AGAINST
1 To receive the report and Accounts for year ended 31 st December 2020		
2. (a) To relect Mr. H.M Olaitan a Director retiring by rotation.		
3. To authorize directors to fix auditor's remuneration.		
4. To elect members of the Audit committee		

Please indicate "X" in the appropriate column how you wish your
vote to be cast on the resolutions set out above. Unless otherwise
instructed. The proxy will vote or abstain from acting at his
discretion

NOTE: Notice of AGM Annual Reports and Proxy
Form can be downloaded from the Registrars
website at www.unityregistrarsng.com

(Before posting the above card, tear this part and retain it)

Admission Card

Please admit *** ----- to the Annual General Meeting of Hallmark
Paper Products Plc to be held at 46, Ilogbo Road, Ota Ogun State on September 21st, 2021 at 11:00am
IF YOU ARE UNABLE TO ATTEND THE MEETING

A member (Shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy and the above
form has been prepared to vote in case you cannot personally attend the meeting.

Following the normal practice, the names of two Directors of the Company have been entered on the form to ensure that
someone will at the meeting act as your proxy, you may insert on the blank space on the form (Marketed") the name of any
person, whether a member (shareholder) of this company or not who will attend the meeting and vote on your behalf instead
of one of the Directors.

IMPORTANT

- (a) The name of the shareholder must be written in BLOCK CAPITALS on the proxy form where marked. Please stamp and
sign the proxy form if you are not attending the meeting and post it so as to reach the registered address of the
company not less than 48 hours before the time for holding the meeting. If executed by corporation, the proxy form
should be sealed with the Common Seal.
- (b) The admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual
General Meeting.
- (c) Shareholders or their proxies are requested to sign the admission card before attending the meeting.

Signature or person attending-----

(Please sign before attending Meeting)

Number of
Shares held


Saheed O. Agbelesé
Company Secretary
FRC/2019/NBA/0000001983

HALLMARK PAPER PRODUCTS PLC

REPORTS AND ACCOUNTS

YEAR ENDED DECEMBER 31, 2019



Advisory | Assurance | Audit | Consulting | Tax & Regulatory

SHOBO HOUSE

3rd Floor, 5 Simpson Street,
Off Igbosere Road, Lagos Island
P. O. Box 6519, Marina Lagos, Nigeria.
Tel: +234-1-4530785, +234 8142374794
E-mail: enquiry@onyemaosueke.com
Website: www.onyemaosueke.com



An Independent Member of
BOKS International
www.boks.international.com

HALLMARK PAPER PRODUCTS PLC

CORPORATE INFORMATION

BOARD OF DIRECTORS

B. T Bello	-	Chairman
D. O. Adeliyi	-	Managing Director
S. A. Akande	-	Director
H. M. K. Olaitan	-	Director

REGISTERED OFFICE

46, Ilogbo Road
Sango Ota
Ogun State.

SECRETARY

Saheed Agbelese
114/116 Ogba Road
Agege
Lagos.

BANKERS

Guaranty Trust Bank Plc
First Bank of Nigeria Plc
Unity Bank Plc
Zenith Bank of Nigeria Plc

AUDITORS

Onyema Osueke & Co
5, Simpson Street
Lagos Island
Lagos.

REGISTRARS

Unity Registrars Limited
25, Ogunlana Drive
Surulere
Lagos.

REGISTERED NUMBER

RC 74243

HALLMARK PAPER PRODUCTS PLC

FINANCIAL HIGHLIGHTS

	2019 ₦	2018 ₦
Revenue	199,494,886	160,245,825
Profit/(Loss) before taxation	814,321	(116,799)
Profit/(Loss) after taxation	455,129	(155,697)
Profit/(Loss) for the year	455,129	(151,697)
<hr/>		
At Year End:		
Share capital	25,000,000	25,000,000
Shareholders' funds	1,262,143	(49,077,031)
<hr/>		
Per ₦1.00 share data:		
Based on Ordinary shares of ₦1.00 each:		
Earnings per share (₦)	0.02	(0.01)
Net assets per share (₦)	0.05	(1.98)
<hr/>		

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE DIRECTORS

For the year ended December 31, 2019

The Directors submit herewith the audited financial statements of the Company for the year ended December 31, 2019.

1. Legal Status

Hallmark Paper Products Plc was incorporated on August 1, 1985. It is a public limited liability company established under the Companies & Allied Matters Act Cap C20 Laws of the Federation of Nigeria (LFN) 2004 and wholly owned by Nigerians. The address of its registered office is 46, Ilogbo Road, Sango Ota, Ogun State and its registered number is RC 74243. It was incorporated to carry on, among others, business of design and printing of specialized business forms and paper corrugated cartons. The Company was admitted into the second tier of securities market of the Nigerian Stock Exchange in 1993 and was elevated to first tier in 1997. The Company was delisted by the Nigerian Stock Exchange in 2011.

2. Principal Activities and Business Review

During the year under review, the principal activities of the company remained business of design and printing of specialized business forms and paper corrugated cartons.

3. Operational Results

The Company made a profit after tax amounting to ₦455,129 for the year ended December 31, 2019.

The following is a summary of the Company's operating results for the year ended December 31, 2019:

	2019 ₦
Profit before taxation	814,321
Taxation	(359,192)

Profit after taxation	455,129
Retained earnings, beginning of the year	(74,445,915)

Retained earnings, end of the year	<u><u>(73,990,786)</u></u>

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE DIRECTORS

For the year ended December 31, 2019 (Cont'd)

4 Directors and Their Interests

The names of the Directors and their interests at the date of this report and those who have held office during the year were as follows:

		Ordinary Shares of 50 Kobo each		
		%	Called-up	Paid-up
D. O. Adeliyi	- Director	27.57	13,782,350	13,782,350
S. A. Akande	- Director	2.00	1,000,000	1,000,000
B. T. Bello	- Chairman	0.02	10,000	10,000
H. M. K. Olaitan	- Director	0.20	100,000	100,000
		-----	-----	-----
		29.79	14,892,350	14,892,350
		=====	=====	=====

None of the directors has notified the Company for the purposes of Section 277 of the Companies and Allied Matters Act CAP C20 LFN 2004 of any disclosable interests in any contract in which the Company was involved as at December 31, 2019.

5. Shareholding structure

The shareholding structure of the Company is as follows:

		Ordinary Shares of 50 kobo each		
Range		No. of Holders	No. of Shares	% Holding
1	- 500	2,308	839,150	1.68
501	- 1,000	1,323	1,242,914	2.48
1,001	- 5,000	1,155	2,885,058	5.77
5,001	- 10,000	153	1,340,642	2.68
10,001	- 50,000	107	2,428,650	4.85
50,001	- 100,000	18	1,422,586	2.85
100,001	- 500,000	11	2,653,850	5.31
500,001	- 1,000,000	4	4,000,000	8.00
1,000,001	- 10,000,000	5	19,404,800	38.81
10,000,001	- Above	1	13,782,350	27.57
		-----	-----	-----
		5,085	50,000,000	100
		=====	=====	=====

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE DIRECTORS

For the year ended December 31, 2019 (Cont'd)

6. **Statement of Directors' Responsibilities**

This statement, which should be read in conjunction with the Auditors' Report, is made with a view to setting out for the shareholders, the responsibilities of the Directors of the Company with respect to the financial statements.

In accordance with the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the company and of the profit or loss for the financial year.

The responsibilities include ensuring that:

- (a) appropriate internal controls are established both to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- (b) the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004
- (c) the Company has used suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed; and
- (d) it is appropriate for the financial statements to be prepared on a going concern basis.

7. **Property, Plant & Equipment**

Information relating to property, plant and equipment is disclosed in Note 4 to the financial statements. According to the directors, no item of property, plant and equipment was impaired as at 31 December 2019.

8. **Charitable Gifts**

The Company did not make any gifts and donations to charitable institutions and organizations during the year ended December 31, 2019.

In accordance with Section 38(2) of the Companies and Allied Matters Act CAP C20 LFN 2004, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year under review.

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE DIRECTORS

For the year ended December 31, 2019 (Cont'd)

9. **Employment of Disabled Persons**

The Company has no disabled persons in its employment. However, applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

10. **Employee Consultation and Training**

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company.

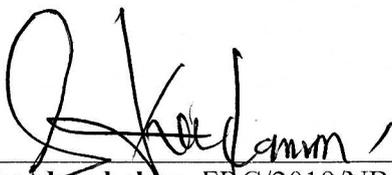
11. **Health, Safety and Welfare at Work**

The Company places a high premium on the health, safety and welfare of its employees in their place of work. In order to protect staff and other persons against risk to health and safety hazards arising out of or in connection with the Company's activities, the Company has taken various forms of insurance policies, including employees' compensation insurance, to adequately secure and protect its employees.

12. **Auditors**

The Auditors, Messrs Onyema Osueke & Co., have indicated their willingness to continue in office as auditors in accordance with Section 357 (2) of the Companies and Allied Matters Act CAP C20 LFN 2004.

By Order of the Board



Saheed Agbelese, FRC/2019/NBA/0000001983

Company Secretary

June 26, 2020.

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE STATUTORY AUDIT COMMITTEE

For the year ended December 31, 2019

In accordance with Section 359 (6) of the Companies and Allied Matters Act CAP C20 LFN 2004, the members of the Statutory Audit Committee of Hallmark Paper Products Plc hereby report as follows:

“We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act CAP C20 LFN 2004 and we acknowledge the cooperation of the Board, management and staff in the conduct of these responsibilities. After careful consideration of the report of the external auditors, we accepted the report that the Financial Statements give a true and fair view of the state of the Company’s financial affairs as at 31st December 2019, except for the effects of the matter described in the Basis for Qualified Opinion section of the external auditors’ report.

We confirm that:

- i. The accounting and reporting policies of the Company are in accordance with legal and regulatory requirements as well as agreed ethical practices;
- ii. We reviewed the scope and planning of audit requirements and found them adequate;
- iii. We reviewed the findings on the management letter prepared by the external auditors and found management responses to the findings satisfactory;
- iv. The accounting and internal controls system is constantly and effectively being monitored through an effective internal audit function;
- v. We made recommendations to the Board on the re-appointment and remuneration of the external auditors and also reviewed the provision made in the Financial Statements for the remuneration of the external auditors; and
- vi. We considered that the external auditors are independent and qualified to perform their duties effectively.

The Committee therefore recommends that the Audited Financial Statements for the year ended 31st December, 2019 and the External Auditors’ report thereon be presented for adoption at the Annual General Meeting.”

Alhaji Y. A. Abass
June 26, 2020


Chairman, Statutory Audit Committee

Members of Audit Committee

Alhaji Y. A. Abass
Mr. S. A. Akande
Mr. B. T. Bello
Mr. J. K. Balogun

HALLMARK PAPER PRODUCTS PLC
For the year ended December 31, 2019 (Cont'd)

Statement of Directors' Responsibilities for the preparation and approval of Financial Statements

The Directors of **Hallmark Paper Products Plc** are responsible for the preparation of financial statements that give a true and fair view of the financial position of the Company as at 31 December 2019, 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 CAP C20 LFN 2004 and the Financial Reporting Council of Nigeria Act 2011.

In preparing the 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 Company's financial position and financial performance; and
- Making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the 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 company; and
- Preventing and detecting fraud and other irregularities.

HALLMARK PAPER PRODUCTS PLC
For the year ended December 31, 2019 (Cont'd)

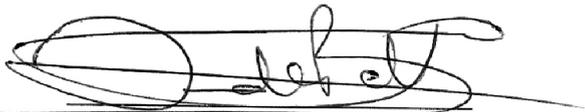
Statement of Directors' Responsibilities for the preparation and approval of Financial Statements (cont'd)

Going Concern:

As stated in the note 29 to the financial statements, the Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

The financial statements of the Company for the year ended 31 December 2019 were approved by directors on 26 June 2020.

On behalf of the Directors of the Company



B. T. Bello
Chairman
June 26, 2020.



D.O. Adeliyi
Managing Director
June 26, 2020.



Advisory | Assurance | Audit | Consulting | Tax & Regulatory

SHOBO HOUSE
3rd Floor 5 Simpson Street,
Off Igboere Road, Lagos Island
P.O. Box 6519, Marina Lagos, Nigeria.
Tel: +234-1-4530785, +234 8142374794
GSM: 08091919383
E-mail: enquiry@onyemaosueke.com
Website: www.onyemaosueke.com
RC: 131660

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HALLMARK PAPER PRODUCTS PLC

Report on the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Hallmark Paper Products Plc, which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year ended 31 December 2019 and a summary of significant accounting policies and other explanatory information as set out on pages 73 to 112

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report below, the Company has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria (LFN) 2004 and the Financial Reporting Council of Nigeria Act 2011. The financial statements give a true and fair view of the financial position of Hallmark Paper Products Plc as at 31 December 2019 and of its financial performance and its cash flows for the year ended, in accordance with the International Financial Reporting Standards.

Basis for Qualified Opinion

As stated in note 29 to the financial statements, the Company had a negative net current assets of ₦101,765,270 as at December 31, 2019. The Company has defaulted in meeting its loans obligation from Unity Bank Plc and is currently in litigation with the Bank. The continued operation of the Company depends on the financial support of its lenders, related companies and the directors. However, the Directors believe that the Company will continue to enjoy the financial support of its lenders in the year ahead. Consequently, these financial statements have been prepared in accordance with the basis of accounting principles applicable to a going concern.

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in *the auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current year. We have not identified any key audit matter that requires inclusion in the financial statements.



An Independent Member of
BOKS International
www.boks-international.com

Other Information

The Directors are responsible for the other information. Other information comprises information included in the Corporate Information, the Financial Highlights and the Report of the Directors but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact; we have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act CAP C20 LFN 2004 and the Financial Reporting Council of Nigeria Act 2011. These responsibilities include designing, implementing and maintaining internal control systems relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue in operation 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that include 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercised professional judgement and maintained scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the 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



Advisory | Assurance | Audit | Consulting | Tax & Regulatory

resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations or the override of internal controls.

- Obtain an understanding of the internal controls 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 Company's internal controls.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 business activities of the Company to express an opinion on the financial statements. 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 the significant audit findings and significant deficiencies in internal controls, which we identify during our audit.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act CAP C20 LFN 2004

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and the statements of profit or loss and other comprehensive income are in agreement with the books of account.

Hope Osueke, FCA, FRC/2013/ICAN/00000002306

For: Onyema Osueke & Co.

Lagos, Nigeria.

June 26, 2020.



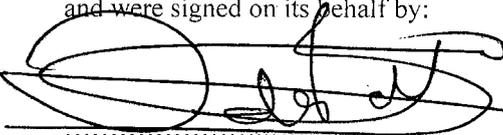
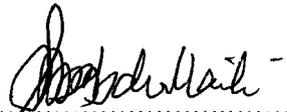
An Independent Member of
BOKS International
www.boks-international.com

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	NOTE	2019 ₦	2018 ₦
ASSETS			
Property, Plant and Equipment	4	160,864,576	107,378,093
Deferred Tax Assets	5	9,862,837	9,532,714
Total non-current assets		170,727,413	116,910,807
Inventories	6	42,069,913	41,196,944
Trade & Other Receivables	7	35,869,045	11,957,255
Cash and Cash Equivalents	8	2,897,434	7,509,998
Total current assets		80,836,392	60,664,197
TOTAL ASSETS		251,563,805	177,575,004
LIABILITIES			
Deposit for Shares	9	51,700,000	51,700,000
Loans & Borrowings	10	16,000,000	14,000,000
Total non-current liabilities		67,700,000	65,700,000
Trade and Other Payables	11	96,019,058	75,016,313
Loans and Borrowings	10	85,893,290	85,893,289
Current Tax Liabilities	12(ii)	689,315	411,317
Total current liabilities		182,601,662	161,320,919
TOTAL LIABILITIES		250,301,662	227,020,919
EQUITY			
Share Capital	13	25,000,000	25,000,000
Revaluation Reserve	14	50,252,929	-
Retained Earnings	15	(73,990,786)	(74,445,915)
TOTAL EQUITY		1,262,143	(49,445,915)
TOTAL LIABILITIES AND EQUITY		251,563,805	177,575,004

The notes on pages 77 to 110 and non-IFRS statements on pages 111 to 112 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on June 26, 2020 and were signed on its behalf by:

		
.....
Chairman	Managing Director	Financial Officer
FRC/2016/NIM/00000014632	FRC/2016/ICAN/00000014580	FRC/2016/ICAN/00000014584
B. T. Bello	D. O. Adeliyi	Akangbe Lawal

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	NOTE	2019 ₹	2018 ₹
Revenue	16	199,494,886	160,245,825
Cost of Sales	17	<u>(166,831,805)</u>	<u>(131,977,751)</u>
Gross Profit		32,663,081	28,268,074
Sales & Distribution Expenses	18	(5,341,602)	(5,034,975)
Administrative Expenses	19	(27,472,940)	(18,578,777)
Other Income	20	<u>8,925,777</u>	<u>2,078,875</u>
Profit from Operating Activities		8,774,317	6,733,197
Finance Cost	21	<u>(7,959,996)</u>	<u>(6,849,996)</u>
Profit/(Loss) Before Taxation	22	814,321	(116,799)
Income Tax Expense	12(i)	<u>(359,192)</u>	<u>(38,898)</u>
Profit/(Loss) for the Year		<u><u>455,129</u></u>	<u><u>(155,697)</u></u>
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to statement of profit or loss:		-	-
Items that may never be reclassified to statement of profit or loss:			
Revaluation Reserves	14	<u>50,252,929</u>	-
Other Comprehensive Income for the Year		<u><u>50,252,929</u></u>	<u><u>-</u></u>
Total Profit/(Loss) for the Year		<u><u>50,708,058</u></u>	<u><u>(155,697)</u></u>
Profit/(Loss) for the Year Attributable to Owners		<u><u>50,708,058</u></u>	<u><u>(155,697)</u></u>
Earnings Per Share: Basic	23	0.02	(0.01)

The notes on pages 77 to 110 and non-IFRS statements on pages 111 to 112 form an integral part of these financial statements.

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	Share Capital ₹	Revaluation Reserves ₹	Retained Earnings ₹	Total Equity ₹
Balance as at 1 January 2019		<u>25,000,000</u>	<u>-</u>	<u>(74,445,915)</u>	<u>(49,445,915)</u>
<i>Statement of profit or loss:</i>					
Profit for the Year		-	-	455,129	-
<i>Other comprehensive income:</i>					
Revaluation Reserve	14	<u>-</u>	<u>50,252,929</u>	<u>-</u>	<u>50,252,929</u>
Total Profit for the Year		<u>-</u>	<u>50,252,929</u>	<u>455,129</u>	<u>50,252,929</u>
Transactions with equity holders, recorded directly in equity:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Transactions with Equity Owners		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 31st December, 2019		<u>25,000,000</u>	<u>50,252,929</u>	<u>(73,990,786)</u>	<u>1,262,143</u>
Balance as at 1 January 2018		<u>25,000,000</u>	<u>-</u>	<u>(74,290,218)</u>	<u>(49,290,218)</u>
<i>Statement of profit or loss:</i>					
Loss for the Year		-	-	(155,697)	(155,697)
<i>Other comprehensive income:</i>					
Other Comprehensive Income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Loss for the Year		<u>-</u>	<u>-</u>	<u>(155,697)</u>	<u>(155,697)</u>
Transactions with equity holders, recorded directly in equity:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Transactions with Equity Holders		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 31st December, 2018		<u>25,000,000</u>	<u>-</u>	<u>(74,445,915)</u>	<u>(49,445,915)</u>

The notes on pages 77 to 110 and non-IFRS statements on pages 111 to 112 form an integral part of these financial statements.

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019		2018	
	₤	₤	₤	₤
Profit from Operating Activities		8,774,317		6,733,197
Adjustments for Non-Cash Items and Non-Operating Activities:				
Depreciation and Amortisation	<u>4,930,446</u>	<u>4,930,446</u>	<u>3,498,376</u>	<u>3,498,376</u>
CASH GENERATED BEFORE CHANGES IN WORKING CAPITAL		13,704,762		10,231,573
CHANGES IN WORKING CAPITAL				
Change in Inventories	(872,969)		(17,818,991)	
Change in Trade & Other Receivables	(23,911,790)		2,335,502	
Change in Trade & Other Payables	<u>21,002,745</u>		<u>17,064,706</u>	
CASH FLOW FROM WORKING CAPITAL		(3,782,015)		1,581,217
Tax Paid		<u>(411,317)</u>		<u>(764,608)</u>
CASH GENERATED FROM OPERATING ACTIVITIES		9,511,431		11,048,182
INVESTING ACTIVITIES				
Purchase of Property, Plant & Equipment	<u>(8,164,000)</u>		<u>(5,287,326)</u>	
CASH USED IN INVESTING ACTIVITIES		(8,164,000)		(5,287,326)
FINANCING ACTIVITIES				
Loan Borrowed	2,000,000		-	
Interest Payments	<u>(7,959,996)</u>		<u>(6,849,996)</u>	
CASH USED FROM FINANCING ACTIVITIES		<u>(5,959,996)</u>		<u>(6,849,996)</u>
CHANGE IN CASH AND CASH EQUIVALENTS		(4,612,565)		(1,089,141)
OPENING CASH AND CASH EQUIVALENTS		<u>7,509,997</u>		<u>8,599,138</u>
CLOSING CASH AND CASH EQUIVALENTS		<u><u>2,897,432</u></u>		<u><u>7,509,997</u></u>

The notes on pages 77 to 110 and non-IFRS statements on pages 111 to 112 form an integral part of these financial statements.

**HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1 GENERAL INFORMATION

Hallmark Paper Products Plc was incorporated on August 1, 1985. It is a public limited liability company established under the Companies & Allied Matters Act Cap C20 Laws of the Federation of Nigeria (LFN) 2004 and wholly owned by Nigerians. The address of its registered office is 46, Ilogbo Road, Sango Ota, Ogun State and its registered number is RC 74243. It was incorporated to carry on, among others, business of design and printing of specialized business forms and paper corrugated cartons. The Company was admitted into the second tier of securities market of the Nigerian Stock Exchange in 1993 and was elevated to first tier in 1997. The Company was delisted by the Nigerian Stock Exchange in 2011.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of new and amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

Impact of application of IFRS 16 Lease

In the current year, the Company has applied IFRS 16 *lease* (as issued by the IASB in January 2016) that is effective for an annual period that begins on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

The application of this standard has had no effect on the Company's financial statements as the Company did not have any lease.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation*

The Company has adopted amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail solely payments of principal and interest (SPPI).

The application of these amendments has had no material impact on the Company's financial statements.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The Company has adopted amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

IAS 12 Income Taxes

The Company has adopted amendments to IAS 12 for the first time in the current year. The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The Company has adopted amendments to IAS 23 for the first time in the current year. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations

The Company has adopted amendments to IFRS 3 for the first time in the current year. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

The Company has adopted amendments to IFRS 11 for the first time in the current year. The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The Company has adopted amendments to IFRS 11 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

2.2 New and Revised IFRSs in Issue but Not Yet Effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 - Insurance Contracts
Effective for annual periods beginning on or after 1 January 2021 with earlier application permitted
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Effective for annual periods beginning on or after a date yet to be set with earlier application permitted
- Amendments to IFRS 3 - Definition of a Business
Effective for annual periods beginning on or after 1 January 2020 with earlier application permitted
- Amendments to IAS 1 and 1 - Definition of Materiality
Effective for annual periods beginning on or after 1 January 2020 with earlier application permitted
- Conceptual Framework - Amendments to References to the Conceptual Framework in IFRS Standards
Effective for annual periods beginning on or after 1 January 2020 with earlier application permitted

IFRS 17 Insurance Contracts

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

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

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

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

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

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company do not anticipate that the application of these amendments will have an impact on the Company's financial statements in future periods.

Amendments to IFRS 3 - Definition of a Business

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

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

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to IAS 1 and 1 - Definition of Materialia

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

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

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

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

Conceptual Framework - Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial Period

These financial statements cover the period from 1st January 2019 to 31st December 2019 with comparatives for the year ended 31st December 2018.

3.2 Basis of Preparation

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act CAP C20 LFN 2004 and the Financial Reporting Council of Nigeria Act 2011, to the extent that they do not conflict with the requirements of IFRSs.

3.3 Statement of Compliance

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act 2011.

3.4 Basis of Measurement

The financial statements have been prepared under the historical cost basis except for the following:

- inventories at lower of cost and net realisable value;
- Financial instruments at amortised cost, or at fair value through other comprehensive income or at fair value through profit or loss; depending on the Company's business model for managing the financial instruments and the contractual cash flows characteristics of the financial instruments.

3.5 Functional and Presentation Currency

Items included in these financial statements using the currency that best reflects the primary economic environment in which the entity operates ("functional currency"). These financial statements are presented in Nigerian Naira ("presentation currency"), which is the Company's functional currency.

3.6 Presentation

The financial statements are prepared on going concern basis of accounting. The statement of financial position is presented based on current and non-current distinction. The statement of profit or loss is presented on the function of expense method, with sub-classification by nature provided in the notes. In the statement of cash flows, the cash flows from operating activities are reported on the indirect method. These financial statements are presented in Nigerian Naira ("presentation currency"), which is the Company's functional currency.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

3.7 Use of Judgment and Estimate

- The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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 and in any future periods affected.

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

3.7.1 Income Taxes

The Company is subject to various forms of taxes. Significant judgement is required in determining the provision for income and other related taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

3.7.2 Impairment of Trade Receivables

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company'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 director of condition at the reporting date, including time value of money where appropriate.

3.7.3 Review of the Useful Lives of Tangible Assets

The Directors believe that the consumption pattern on items of Property, Plant and Equipment is such that the book value is spread equally over the useful life of the assets. The judgement exercised is based on past experience with similar assets, technological obsolescence and declining residual values.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

3.8 Property, Plant and Equipment

3.8.1 Recognition and Measurement

On initial recognition, items of property, plant and equipment are recognized at cost, which includes the purchase price as well as all costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of construction recognized includes the cost of material and direct labour, any other cost directly attributable to bringing the assets to the working condition for the intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and borrowing cost of qualifying assets.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized as profit or loss in the statement of profit or loss.

3.8.2 Subsequent Measurement

After initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. On-going repair and maintenance are expensed as incurred.

3.8.3 Depreciation

Items of property, plant and equipment are depreciated from the date they are available or ready for use or, in respect of capital-work-in-progress, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using a straight-line basis over their estimated useful lives. Depreciation is generally recognized in the statement of profit or loss, unless the amount is included in the carrying amount of another asset.

When parts of an item of property, plant and equipment have different useful lives, the depreciation is calculated using different useful lives appropriate to different parts.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Items of Property, Plant & Equipment	Depreciation Rate
Land & Building	2%
Plant and Machinery	10%
Motor Vehicles	20%
Furniture & Equipment	12.5%

Capital work in progress is not depreciated. Upon completion, it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

3.8.4 Derecognition

The carrying value of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss (determined by comparing net disposal proceeds with carrying amount) arising on derecognition of the asset is included in the statement of profit or loss in the year the item is derecognized.

3.8.5 Impairment

The carrying amount of an item of property, plant and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sale and value in use. According to the directors, no item of property, plant and equipment was impaired as at 31st December 2019 (2018: nil)

3.9 Financial Assets

3.9.1 Recognition and Measurement

The Company recognizes a financial asset in the statement of financial position when, and only when, it becomes a party to the contractual provision of the instrument. With exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, financial assets are initially measured at their fair value or amortised cost. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regulatory occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as inactive. For example, a market is inactive when there is a wild bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOX yield curve, FX rates volatilities and counterparty so spreads) existing at the reporting date.

3.9.2 Classification

The Company classifies financial assets into; *amortised cost, fair value through other comprehensive income and fair value profit or loss, based on:*

- (a) the Company's business model for managing the financial assets, and
- (b) the contractual cash flow characteristics of the financial assets

3.9.3 Financial Assets at Amortised Cost

The Company classifies a financial asset at amortised cost if the asset is held with the objective of collecting the contractual cash flows associated with the asset and the contractual terms of the asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

Loans and receivable are classified at amortised cost. Loans and receivables are recognized initially at fair value plus any directly attributed transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any accumulated impairment losses. Loans granted at below market rates are fair valued by reference to expected future cash flow and current market interest rate for instruments in a comparable or similar risk class and the difference between the historical cost and fair value is accounted for in the statement of profit or loss.

3.9.4 Financial Assets at Fair Value Through Other Comprehensive Income

The Company classifies a financial asset at fair value through other comprehensive income if the asset is held with the objective of collecting the contractual cash flows associated with the asset and selling the assets, and the contractual terms of the asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. The Company does not currently have financial assets that meet this classification.

3.9.5 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

For any other financial assets, other than those classified at amortised cost and those classified at fair value through other comprehensive income, the Company classifies a financial asset at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets held for trading or assets designated as such on initial recognition. Financial assets classified as held for trading are acquired principally for the purpose of selling in the short term. Financial assets designed at fair value through profit or loss are investments the Company manages and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets included in this category are recognized initially at fair value and changes therein, including any interest, dividend income are recognized in the statement of profit or loss. Directly attributable transaction costs are recognized in the statement of profit or loss as incurred. The Company does not currently have financial assets that meet classification at fair value through profit or loss.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

3.9.6 Impairment of Financial Assets

- The Company recognises a loss allowance of expected credit losses (ECL) on debt instruments that are measured at amortised cost (trade receivables). The amount of expected credit losses is updated at each reporting date to reflect the changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company'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 condition at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company 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 Company 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 asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk: In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, government bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

- significant increase in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when the contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company consider a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3.9.7 Derecognition of Financial Assets

The Company derecognizes a financial asset only 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 entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial assets, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On derecognition of a financial asset measured to amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

3.10 Cash and Cash Equivalents

- Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short term, highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of change in value.

3.11 Financial Liabilities

3.11.1 Recognition and Measurement

The Company recognises a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provision of the instrument. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

3.11.2 Subsequent Measurement

Financial liabilities are measured subsequently at amortised cost using the effective interest method. Financial liabilities measured subsequently at amortised cost are financial liabilities that are not contingent consideration of an acquirer in a business combination, not held-for-trading or not designated as at FVTPL. They are measured subsequently 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 amortised cost of a financial liability.

3.11.3 Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest (EIR) amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

3.11.4 Derecognition of Financial Liabilities

* The company derecognizes financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss. When the company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company 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:

- a. the carrying amount of the liability before the modification; and
- b. the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

3.11.5 Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities.

3.12 Employee Benefits

3.12.1 Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts in respect of all employment benefits relating from employee services in current and prior periods.

3.12.2 Pension Scheme

In line with the provisions of the Pension Reform Act 2004 as amended, the Company has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions. Obligations for contributions to the defined contribution plan are recognized as employee benefit expense in the statement of profit or loss in the periods which related services are rendered by the employees. While employees contribute 8%, employer contributes 10%, of basic salary, transport & housing allowances to the fund on a monthly basis. The Company does not operate a defined pension plan.

3.12.3 Short-Term Benefits

Wages, salaries, paid annual leave, sick leave, bonuses and non-monetary benefits are recognized as employee benefit expenses and accrued when the associated services are rendered by the employee to the Company have not been paid. The Company does not have a policy of making share-based payment to employees.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

3.13 Provisions, Contingent Liabilities And Contingent Assets

3.13.1 Provisions

Provisions are liabilities that are uncertain in amount and timing. A provision is recognized if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future pre-tax cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3.13.2 Contingent Liabilities

A contingent liability is a possible obligation that arises from past event 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 the Company has a present obligation as a result of past event. It is not recognized because it is not likely that an outflow of resources will be required to settle the obligation or the amount cannot be reliably estimated. Contingent liabilities normally comprises of legal claims under arbitration or court process in respect of which a liability is likely to occur. Contingent liabilities are disclosed in the financial statements when they arise.

3.13.3 Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized but are disclosed in financial statements when they arise.

3.14 Equity

3.14.1 Share Capital and Share Premium

Equity instruments are contracts that give a residual interest in the net assets of the Company. Ordinary share are classified as equity when there is no obligation to transfer cash and other assets. Equity instruments are recognized at the amount of proceeds received net of incremental costs directly attributable to the transaction. To the extent those proceeds exceed the par value of the shares issued they are credited to a share premium account. However, the Company did not have share premium for the years ended 31st December, 2019 and 2018 respectively.

3.14.2 Dividends on Ordinary Shares

Dividends on ordinary shares are recognized as liabilities in the period when they are declared (i.e. the dividends are appropriately authorized and no longer at the discretion of the entity) and approved by the shareholders at annual general meeting. Dividends for the year that are declared after the date of the statement of financial position are disclosed in the subsequent events note.

Dividends proposed but not yet approved are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act. No dividend was proposed for the year ended 31 December 2019 and 2018 respectively.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

3.14.3 Retained Earnings

* The retained earning comprised of undistributed profit/(loss) from previous years and current year. Retained earnings are classified as part of equity in the statement of financial position.

3.15 Revenue

Revenue from Contracts with Customers IFRS 15

The Company is into manufacturing, marketing and distribution of paper products. Sales are recognized when control of the products has been transferred, being when the products are delivered to the customer. Sales occur when the products are delivered in accordance with the sales contract, or the company has objective evidence that all criteria for acceptance have been satisfied.

3.16 Related Parties

Parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operationg decisions. 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 Company, directly or indirectly, including all Executive and Non-Executive Directors. Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.

3.17 Earnings Per Share

The company presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share are calculated using fully diluted shares outstanding (i.e. including the impact of stockoption grants and convertible bonds).

3.18 Direct Costs

Direct Costs are accounted for on accrual basis and recognised when the related revenue is earned. One of the conditions for recognition of revenue is that the costs incurred or to be incurred in respect of the transaction can be measured reliably. Upon recognition of revenue, costs are also measured and recognised.

3.19 Administration and Operating Expenses

Administrative and operating expenses are accounted for on accrual basis. This include auditors' remuneration, consulting fees, bank charges, depreciation, electricity, fines and penalties, staff costs, indirect taxes, transport expenses, repairs and maintenance and other expenses not separately disclosed.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

3.2 Foreign Exchange Transactions

- Transactions dominated in foreign currencies are translated and recorded in Naira at the actual exchange rate as of the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated at the rates of exchange prevailing at the reporting date. The foreign currency gain or loss on a monetary item is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, the amortized cost in foreign currency translated at exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognized in the statement of profit or loss, except for qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in items of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

3.21 Income Tax

Income tax expense represents the sum of current tax expense. Current tax and deferred tax are recognized in the statement of profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3.21.1 Current Income Tax

Current tax is expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company is subject to the following types of current income tax;

Company income tax – this relates to tax on revenue and profit generated by the Company during the year, to be taxed under the Companies Income Tax Act Cap C21, LFN 2004 as amended to date.

Tertiary Education tax – Tertiary education tax (simply called education tax) is based on the assessable income of the Company and is governed by the Tertiary Education Fund (Establishment) Act CAP E4 LFN 2004.

3.21.2 Deferred Income Tax

Deferred tax is recognized in respect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences relating to investments in subsidiaries, associate and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable, future; and

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflect the tax consequences that will follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rate enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.21.3 Tax Exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expenses in the period that such a determination is made.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

4 PROPERTY, PLANT & EQUIPMENT

	Land & Buildings	Plant & Machinery	Motor Vehicles	Furniture & Equipment	TOTAL
	₦	₦	₦	₦	₦
Cost or Deemed Cost					
At January 1, 2018	107,581,210	44,140,580	10,463,500	4,934,875	167,120,165
Additions in the Year 2018	-	5,170,326	-	117,000	5,287,326
Balance at 31 December 2018	<u>107,581,210</u>	<u>49,310,906</u>	<u>10,463,500</u>	<u>5,051,875</u>	<u>172,407,491</u>
Depreciation & Impairment Loss					
At January 1, 2018	7,520,248	43,940,580	5,963,500	4,106,694	61,531,022
Depreciation for the Year 2018	1,747,624	517,033	1,100,000	133,719	3,498,376
Disposal in the Year 2018	-	-	0	-	-
Impairment for the Year 2018	-	-	-	-	-
Balance at 31 December 2018	<u>9,267,872</u>	<u>44,457,613</u>	<u>7,063,500</u>	<u>4,240,413</u>	<u>65,029,398</u>
Carrying Amount					
At January 1, 2018	<u>100,060,962</u>	<u>200,000</u>	<u>4,500,000</u>	<u>828,181</u>	<u>105,589,143</u>
At December 31, 2018	<u>98,313,338</u>	<u>4,853,293</u>	<u>3,400,000</u>	<u>811,462</u>	<u>107,378,093</u>
Cost or Deemed Cost					
At January 1, 2019	107,581,210	49,310,906	10,463,500	5,051,875	172,407,491
Additions in the Year 2019	-	8,140,000	-	24,000	8,164,000
Revaluation in 2019	50,252,929	-	-	-	50,252,929
Balance at 31 December 2019	<u>157,834,139</u>	<u>57,450,906</u>	<u>10,463,500</u>	<u>5,075,875</u>	<u>230,824,420</u>
Depreciation and Impairment Loss					
At January 1, 2019	9,267,872	44,457,613	7,063,500	4,240,413	65,029,398
Depreciation for the Year 2019	3,156,683	989,329	680,000	104,434	4,930,446
Impairment for the Year 2019	-	-	-	-	-
At December 31, 2019	<u>12,424,555</u>	<u>45,446,942</u>	<u>7,743,500</u>	<u>4,344,847</u>	<u>69,959,844</u>
Carrying Amount					
At January 1, 2019	<u>98,313,338</u>	<u>4,853,293</u>	<u>3,400,000</u>	<u>811,462</u>	<u>107,378,093</u>
At December 31, 2019	<u>145,409,584</u>	<u>12,003,964</u>	<u>2,720,000</u>	<u>731,028</u>	<u>160,864,576</u>

NOTE:

As at 31st December 2019, there was no indication of impairment of any of the items of property, plant and equipment. Hence, no provision was made for impairment losses. All the items of property, plant and equipment have been carried at their historical costs or deemed cost less accumulated depreciation as at 31st December, 2019.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

5 DEFERRED TAXATION

	2019	2018
	₹	₹
At 1st January	9,532,714	9,160,295
Charged to Profit or Loss (See Note 12.1)	330,123	372,419
At 31st December	<u>9,862,837</u>	<u>9,532,714</u>

5.1 Reconciliation of Deferred Tax Balance

	Opening Balance	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Closing Balance
	₹	₹	₹	₹
<u>For the Year Ended 31 December 2019</u>				
Deferred tax liabilities relating to:				
Property, plant and equipment	9,532,714	-	-	9,532,714
	<u>9,532,714</u>	<u>-</u>	<u>-</u>	<u>9,532,714</u>
<u>For the Year Ended 31 December 2018</u>				
Deferred tax liabilities relating to:				
Property, plant and equipment	9,160,295	372,419	-	9,532,714
	<u>9,160,295</u>	<u>372,419</u>	<u>-</u>	<u>9,532,714</u>

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The balance above is the deferred tax balances (after offset) for financial reporting purposes.

6 INVENTORIES

	2019	2018
	₹	₹
Raw Materials	38,329,335	38,657,648
Work-in-Progress	3,188,257	1,580,258
Spare Parts	552,321	959,038
	<u>42,069,913</u>	<u>41,196,944</u>

7 TRADE & OTHER RECEIVABLES

	2019	2018
	₹	₹
Trade Receivables	37,095,312	12,296,139
Allowance for Expected Credit Loss	(1,296,267)	(368,884)
	<u>35,799,045</u>	11,927,255
Staff Loan & Advances	70,000	30,000
	<u>35,869,045</u>	<u>11,957,255</u>

Allowance for expected credit losses are recognised against trade receivables outstanding beyond 180 days based on estimated irrecoverable amounts. Previous experience has shown that receivables that are past due after 180 days are doubtful of recovery. Allowance for expected credit losses are recognised against trade receivables due over 180 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of their current position.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

8 CASH AND CASH EQUIVALENTS	2019	2018
	₪	₪
Cash at Hand	543,355	-
Demand Deposits with Banks	<u>2,354,078</u>	<u>7,509,998</u>
	<u><u>2,897,434</u></u>	<u><u>7,509,998</u></u>

For the purposes of the statement of cash flows, cash and cash equivalents include cash at hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position (as shown above).

9 DEPOSIT FOR SHARES	2019	2018
	₪	₪
Deposit for Shares	<u>51,700,000</u>	<u>51,700,000</u>
	<u><u>51,700,000</u></u>	<u><u>51,700,000</u></u>

This represents cash lodged into the Company's bank accounts and the expenses incurred by the Company but paid for by a related entity, which the entity is desirous of converting to fully paid-up share capital.

Deposit for shares was recognized initially at fair value and has not been re-measured. It bears interest of 10% per annum. Settlement of the deposit for shares can be made either in shares issued to the provider or in cash repayment when the Company is liquid enough to do so, at the option of the Company.

10 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. Loans and borrowings as at 31 December 2019 is as follows:

	2019	2018
	₪	₪
Overdraft Facility from Unity Bank Plc	45,893,290	45,893,289
Loan from Unity Bank Plc	40,000,000	40,000,000
Loan from Davolad	14,000,000	14,000,000
Loan from Three Circles Investment & Security Limited	<u>2,000,000</u>	-
	<u><u>101,893,290</u></u>	<u><u>99,893,289</u></u>

The Unity Bank facilities (i.e the Overdraft and the Loan from Unity Bank) are secured by fixed charges on the Company's Property, Plant & Equipment. They Company is having financial difficulty in repaying the facilities and the interest thereon. The Company is currently in litigation with Unity Bank regarding the facilities.

Davolad is a related company. The loan from Davolad is provided at 12% rate per annum with no fixed repayment period. The loan shall be repaid when the Company is liquid to do so.

Three Circles Investment & Security Limited is also a related company. The loan from Three Circles Investment & Security Limited is provided at 23% rate per annum. It was agreed that the loan should be repaid with a year with no specific or fixed repayment amount.

Loans and Borrowings are analysed into short and long term liabilities based on the time the repayment obligation falls due as follows:

Analysis:		
Non-Current	16,000,000	14,000,000
Current	<u>85,893,290</u>	<u>85,893,289</u>
	<u><u>101,893,290</u></u>	<u><u>99,893,289</u></u>

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

11 TRADE AND OTHER PAYABLES

	2019	2018
	₦	₦
Trade Payables	41,317,036	19,378,597
Accrued Expenses	8,449,823	7,801,354
Staff Pension Payable	210,720	131,680
Directors' Current Accounts	13,315,410	13,315,410
Other Payables	5,957,359	12,539,276
Interest Payable	26,768,709	21,849,996
	<u>96,019,058</u>	<u>75,016,313</u>

12 INCOME TAXATION

	2019	2018
	₦	₦
(i) Per Statement of Profit or Loss:		
Current Tax Expense		
Company Income Tax	574,419	343,608
Tertiary Education Tax	114,895	67,709
Capital Gain Tax	-	-
Current Tax Expense	<u>689,315</u>	<u>411,317</u>
Deferred Tax Expense		
Deferred Tax (see note 5)	<u>(330,123)</u>	<u>(372,419)</u>
Deferred Tax Credit	<u>(330,123)</u>	<u>(372,419)</u>
Tax Expense	<u>359,192</u>	<u>38,898</u>
(ii) Per Statement of Financial Position:		
Current Tax Liabilities		
Current Tax Liabilities as at 1st January	411,317	-
Current Tax Expenses for the Year	689,315	411,317
	<u>1,100,632</u>	<u>411,317</u>
Payment of Tax in the Year	<u>(411,317)</u>	-
Current Tax Liabilities as at 31st December	<u>689,315</u>	<u>411,317</u>
(iii)		
The charge for taxation in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004, Education Tax Act, CAP E4 LFN 2004 and Capital Gains Tax Act CAP C1 LFN 2004.		

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

(iv) **Reconciliation of Income Tax**

The income tax (credit)/expense for the year can be reconciled to the accounting loss as follows:

	2019	2018
	₹	₹
Profit/(Loss) Before Tax	<u>814,321</u>	<u>(116,799)</u>
Income tax expense at 30%	244,296	(35,040)
Education tax expense at 2%	16,286	(2,336)
Effect of expenses not allowable in determining income tax	-	-
Effect of expenses not allowable in determining education tax	98,609	76,273
Tax Expense	<u><u>359,192</u></u>	<u><u>38,898</u></u>

13 **SHARE CAPITAL**

	2019	2018
	₹	₹
(i) Authorised:		
200,000,000 Ordinary shares of 50k each	<u>100,000,000</u>	<u>100,000,000</u>
	<u><u>100,000,000</u></u>	<u><u>100,000,000</u></u>
(ii) Issued and Paid Up:		
50,000,000 Ordinary shares of 50k each	<u>25,000,000</u>	<u>25,000,000</u>
	<u><u>25,000,000</u></u>	<u><u>25,000,000</u></u>

(iii) **Ordinary Shares**

Holders of these shares are entitled to dividends as may be declared from time to time and are entitled to one vote per share at general meetings of the Company.

(iv) **Dividends**

No dividend was declared during the years ended 31st December, 2019 and 2018 respectively. Also, no interim dividend was paid during the years 2019 and 2018 respectively.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

(v) **Capital Management**

- * The Company manages its capital to ensure the entity will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remain unchanged from 2018.

The Company and Allied Matters Acts CAP C20 LFN 2004 requires that the amount of a company's share capital shall not be less than the authorised minimum share capital.

14 REVALUATION RESERVES	2019	2018
	₪	₪
Opening Balance	-	-
Surplus on Revaluation of Building During the Year	<u>50,252,929</u>	<u>-</u>
Closing Balance	<u><u>50,252,929</u></u>	<u><u>-</u></u>
15 RETAINED EARNINGS	2019	2018
	₪	₪
Opening Balance	(74,445,915)	(74,290,218)
Profit/(Loss) for the Year	<u>455,129</u>	<u>(155,697)</u>
Closing Balance	<u><u>(73,990,786)</u></u>	<u><u>(74,445,915)</u></u>
16 REVENUE	2019	2018
	₪	₪
Corrugated Carton	198,261,886	157,539,075
Business Form	185,000	1,631,750
Rubber Stereo	1,028,000	20,000
Dycuting Blade	<u>20,000</u>	<u>1,055,000</u>
Total Revenue	<u><u>199,494,886</u></u>	<u><u>160,245,825</u></u>
17 DIRECT COSTS	2019	2018
	₪	₪
Raw Materials	141,491,110	108,590,977
Other Costs	2,999,952	2,736,602
Production Overheads	<u>22,340,742</u>	<u>20,650,172</u>
Total Costs	<u><u>166,831,805</u></u>	<u><u>131,977,751</u></u>

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

18 SALES & DISTRIBUTION EXPENSES	2019	2018
	₹	₹
Delivery & Loading	297,750	177,750
Diesel	1,477,410	958,850
Fueling	48,600	67,725
Printing & Stationery	600	1,000
Registration Fee	193,000	70,900
Repairs & Maintenance	1,361,500	1,134,700
Sales Commission	528,325	293,350
Sales Personel Costs	858,417	1,537,700
Telephone & Postages	25,000	23,000
Transport	551,000	770,000
	<u>5,341,602</u>	<u>5,034,975</u>
19 ADMINISTRATIVE EXPENSES	2019	2018
	₹	₹
Advertisement	75,630	-
Auditors' Remuneration	322,500	300,000
Bad Debts	2,708,661	-
Bank Charges	307,262	222,762
Computer Expenses	307,500	-
Custom & Excise	-	17,535
Depreciation	3,941,117	716,686
Directors' Remuneration	3,600,000	3,600,000
Directors' Sitting Allowance	135,000	270,000
Electricity	70,661	160,048
Entertainment	30,685	54,405
Fuel, Lubricants & Diesel	908,500	930,850
Insurances	825,317	640,670
Provision for Bad Debts - Specific	927,383	3,890
Internet Subscriptions	17,458	440,500
Legal, Secretarial & Professional Fees	640,150	715,000
License & Renewals / Rates, Levies & Taxes	30,974	114,061
Office Consumbles	44,600	-
Printing & Stationery	123,195	130,920
Registration Fee	45,000	75,500
Repairs & Maintenance	1,400,900	749,150
Security	792,000	792,000
Staff Costs (Note 24)	8,823,397	7,249,750
Sundry	42,000	131,160
Telephone & Postages	378,150	336,540
Travelling & Transport	974,900	927,350
	<u>27,472,940</u>	<u>18,578,777</u>

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

20	OTHER INCOME	2019	2018
		₹	₹
	Waste & Tears - Off	1,857,651	2,078,875
	Insurance Claim	<u>7,068,126</u>	<u>-</u>
		<u><u>8,925,777</u></u>	<u><u>2,078,875</u></u>
21	FINANCE COST	2019	2018
		₹	₹
	Interest on on Loans and Borrowings	<u>7,959,996</u>	<u>6,849,996</u>
		<u><u>7,959,996</u></u>	<u><u>6,849,996</u></u>
22	PROFIT/(LOSS) BEFORE TAX	2019	2018
	Profit/(Loss) before tax is stated after charging:	₹	₹
	Depreciation (see note 4)	4,930,446	3,498,376
	Staff Costs	8,823,397	7,249,750
	Auditors' Remuneration	<u>322,500</u>	<u>300,000</u>
		<u><u>14,076,343</u></u>	<u><u>11,048,126</u></u>
23	EARNINGS PER SHARE	2019	2018
	The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:	₹	₹
	Profit/(Loss) for the Year	<u>455,129</u>	<u>(155,697)</u>
	Earnings used in the calculation of basic earnings per share	<u>455,129</u>	<u>(155,697)</u>
	Weighted Average Number of Ordinary Shares in Issue	<u>25,000,000</u>	<u>25,000,000</u>
	Earnings Per Share: Basic and Diluted	<u><u>0.02</u></u>	<u><u>(0.01)</u></u>

Basic earnings per share were calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding at the statement of financial position date.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

24 STAFF COST	2019	2018
	₦	₦
Salaries & Wages	7,186,696	6,123,172
Pension Fund Contribution	1,327,800	920,450
Productivity Allowance	98,000	105,800
Medicals	95,200	10,450
Nigeria Social Insurance Trust Fund	115,701	89,878
	<u>8,823,397</u>	<u>7,249,750</u>

24.1 Employees of the Company, other than Directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions and certain benefits) in the following

	2019	2018
Range (per annum)	Number	Number
₦100,000 - ₦500,000	21	21
₦500,001 - ₦1,000,000	2	2
₦1,000,001 - Above	2	2
Total Number of Employees	<u>25</u>	<u>25</u>

24.2 Directors' Remuneration

Remuneration (excluding pension contribution) for the directors of the Company included in salaries and wages and charged to statement of profit or loss are as follows:

	2019	2018
	₦	₦
Non-Executive	-	-
Executive	3,600,000	3,600,000
	<u>3,600,000</u>	<u>3,600,000</u>

The directors' remuneration shown above includes:

Chairman's Remuneration	-	-
Highest paid director	3,600,000	3,600,000

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

25 RELATED PARTIES

25.1 Identity of Related Entities

The Company did not transact with any related entity during the year.

25.2 Key Management Personnel

Name	Designation
D. O. Adeliyi	Managing Director/Chief Executive Officer

25.3 Outstanding balances

	2019	2018
	₦	₦
Due to related entities		
Due to Directors	13,315,410	13,315,410

25.4 Key Management Compensation

	2019	2018
	₦	₦
Remuneration of Executive	3,600,000	3,600,000

26 SEGMENT INFORMATION

Information reported to the Chief Operating Decision Maker (the Managing Director) for the purposes of resource allocation and assessment of segment performance is based on the entity as a whole as there is no other distinguishable component of the entity that engage in business activities from which it earns revenue and incurs expenses whose operating results are regularly reviewed by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

27 EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period which could have had a material effect on the financial position of the Company as at 31st December 2019 and the results for the year then ended, which have not been adequately provided for in the financial statements.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

28 FINANCIAL INSTRUMENTS

(a) Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. During the year, the Board did not have a Risk Management Committee and so the Board is responsible for developing and monitoring the Company's risk management policies.

28.1 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Company's principal exposure to credit risk is influenced mainly by the individual characteristics of each customer.

In order to minimise credit risk, the Board develop and maintain the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Board use other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Management has established a customer activation process under which each new customer is analysed individually for creditworthiness before the Company's sales agreement standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retailer end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Company has no significant concentration of credit risk, with exposure spread over a large number of parties. Cash and cash equivalents are placed with banks and financial institutions which are regulated.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Credit risk from balances with banks and financial institutions is managed the Board in accordance with the Company's policy. Investments of surplus funds, if any, are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed periodically, and may be updated at any point in the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

i Exposure to credit risk

The maximum exposure to credit risk at the reporting date was:

	note	2019 ¥	2018 ¥
Trade and Other Receivables	7	35,869,045	11,957,255
Cash and Cash Equivalent	8	2,897,434	7,509,998
		<u>38,766,479</u>	<u>19,467,253</u>

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:

Due from Customers	35,799,045	11,927,255
Due from Staff	70,000	30,000
	<u>35,869,045</u>	<u>11,957,255</u>

ii Impairment Losses on Trade Receivables

For trade receivables, the Company applied the simplified approach in computing expected credit losses (ECL). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in **Note 28(i)**. The Company does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Company's trade receivables as at 31 December 2019 using a provision matrix:

	Trade Receivables Days Past Due					Total
	Current	31-60 Days	61-90 Days	91-120 Days	> 120 Days	
Expected Credit Loss Rate	0.10%	5%	10%	30%	50%	
Gross Carrying Value	24,840,321	7,448,676	3,233,605	1,053,615	519,094	37,095,312
Expected Credit Loss	(24,841)	(372,434)	(323,361)	(316,085)	(259,547)	(1,296,267)
	<u>24,815,480</u>	<u>7,076,243</u>	<u>2,910,245</u>	<u>737,531</u>	<u>259,547</u>	<u>35,799,045</u>

	Trade Receivables Days Past Due					Total
	Current	31-60 Days	61-90 Days	91-120 Days	> 120 Days	
Expected Credit Loss Rate	0.10%	5%	10%	30%	50%	
Gross Carrying Value	8,734,301	2,478,176	692,725	142,725	248,211	12,296,139
Expected Credit Loss	(8,780)	(123,909)	(69,273)	(42,818)	(124,105)	(368,884)
	<u>8,725,521</u>	<u>2,354,268</u>	<u>623,453</u>	<u>99,908</u>	<u>124,105</u>	<u>11,927,255</u>

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

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

	2019	2018
	₦	₦
Balance at 1 January	368,884	364,994
Additional Allowance in the Year	927,383	3,890
Balance at 31 December	<u>1,296,267</u>	<u>368,884</u>

28.2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will 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.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company is currently having a liquidity problem as it has not been able to meet some certain liabilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying Amount	Contractual Cash Flow	6 Months or Less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
31 December 2019							
Deposit for Shares	51,700,000	51,700,000	-	-	-	(51,700,000)	-
Secured Overdraft	45,893,289	45,893,289	(45,893,289)	-	-	-	-
Secured Bank Loans	40,000,000	40,000,000	(40,000,000)	-	-	-	-
Related Parties' Loans	16,000,000	16,000,000	-	-	-	(16,000,000)	-
Trade & Other Payables	96,019,058	96,019,058	(96,019,058)	-	-	-	-
	<u>249,612,347</u>	<u>249,612,347</u>	<u>(181,912,347)</u>	-	-	<u>(67,700,000)</u>	-
31 December 2018							
Deposit for Shares	51,700,000	51,700,000	-	-	-	(51,700,000)	-
Secured Overdraft	45,893,289	45,893,289	(45,893,289)	-	-	-	-
Secured Bank Loans	40,000,000	40,000,000	(40,000,000)	-	-	-	-
Related Parties' Loans	14,000,000	14,000,000	-	-	-	(14,000,000)	-
Trade & Other Payables	75,016,313	75,016,313	(75,016,313)	-	-	-	-
	<u>226,609,602</u>	<u>226,609,602</u>	<u>(160,909,602)</u>	-	-	<u>(65,700,000)</u>	-

Settlement of the deposit for shares can be made either in shares issued to the provider or in cash repayment when the Company is liquid enough to do so, at the option of the Company. The Company expects that the liability would be settled within 2 to 5 years. See note 9.

Secured overdraft and bank loans are from Unity Bank Plc, which are already due for repayment. The Company is having financial difficulty in repaying the facilities and the interest thereon. The Company is currently in litigation with Unity Bank Plc regarding the facilities. Liabilities with respect to these facilities may rise depending on the outcome of the litigation, which could not be ascertained at the reporting date. See note 10.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

Related Parties' loans were ₦14,000,000 and ₦2,000,000 loans provided by Davolad at 12% rate per annum and Three Circles Investment & Security Limited at 23% rate per annum respectively. Both loans have no fixed repayment period. The loan shall be repaid when the Company is liquid to do so. The Company expects that the liability would be settled within 2 to 5 years. See note 10.

28.3 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, while optimising the return.

The Company manages market risks by keeping costs low to keep prices within profitable range, foreign exchange risks are managed by maintaining foreign denominated bank accounts and keeping Letters of Credit (LC) facility lines with the Company's bankers. Also interest rates are benchmarked to NIBOR (for local loans) and LIBOR (for foreign denominated loans) with a large margin thereof at fixed rates while not foreclosing the possibility of taking interest rate hedge products should there be need to do so. The Company is not exposed to any equity risk.

Currency risk

The currency risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company is not exposed to currency risk as all its transactions during the year were carried out at its primary currency i.e Nigerian Naira. The Company did not have any asset or liability denominated in foreign currency.

Interest rate risk

The Company adopts a policy of ensuring that a significant element of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into loan arrangements with mixed interest rate sources. Variable interest rates are marked against the ruling NIBOR rates to reduce the risk arising from interest rates.

Interest rate risk comprises interest price risk that results from borrowings at fixed rates and the interest cashflow risk that results from borrowings at variable rates. The Board of Directors are responsible for setting the overall duration and interest management targets. The Company's objective is to manage its interest rate exposure through careful borrowing profiling and use of heterogeneous borrowing sources.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying Amount	
	2019	2018
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	153,593,290	151,593,289
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

28.4 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risks is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for the appropriate segregation of duties, including the authorisation of transactions
- requirements for the reconciliations and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remediation action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when it is effective

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2019

29 GOING CONCERN

The Company made a profit after taxation of ₦455,129 for the year ended December 31, 2019 and as at that date, the Company had a negative net current assets of ₦101,765,270. The Company has defaulted in meeting its loans obligation from Unity Bank Plc and is currently in litigation with the Bank. The continued operation of the Company depends on the financial support of its other lenders and the directors. However, the Directors believe that the Company will continue to enjoy the financial support of its lenders in the year ahead. Consequently, these financial statements have been prepared in accordance with the basis of accounting principles applicable to a going concern.

30 APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board of Directors and authorised for issue on June 26, 2020.

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019		2018	
	₹	%	₹	%
Revenue	199,494,886	886	160,245,825	917
Other Income	8,925,777	40	2,078,875	12
Bought - in goods and other costs	(185,892,504)	(825)	(144,843,377)	(829)
Value Added	22,528,159	100	17,481,323	100

APPLIED AS FOLLOWS:

To pay employees:				
- Salaries, Wages and Benefits	8,823,397	39	7,249,750	41
To pay providers of funds				
- Interest	7,959,996	35	6,849,996	39
- Dividend	-	-	-	-
Government:				
- Tax	359,192	2	38,898	0
Retained in the business				
- Depreciation & Amortisation	4,930,446	22	3,498,376	20
- Retained for growth	455,129	2	(155,697)	(1)
Value Added	22,528,159	100	17,481,323	100

Value added represents the additional wealth which the Company 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 finance and shareholders, plus the amount retained for future creation of more wealth.

HALLMARK PAPER PRODUCTS PLC
FINANCIAL SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2019

		IFRS 2019	IFRS 2018	IFRS 2017	NIG GAAP 2016	NIG GAAP 2015
		₦	₦	₦	₦	₦
FINANCIAL POSITION:						
Net Assets						
Non-Current Assets	a	<u>170,727,413</u>	<u>116,910,807</u>	<u>114,749,438</u>	<u>113,003,724</u>	<u>107,690,578</u>
Current Assets	b	<u>80,836,392</u>	<u>60,664,197</u>	<u>46,269,848</u>	<u>43,384,908</u>	<u>27,713,243</u>
Current Liabilities	c	<u>182,601,662</u>	<u>161,320,919</u>	<u>91,294,094</u>	<u>80,552,654</u>	<u>65,539,976</u>
Net Current Assets	d=b-c	<u>(101,765,270)</u>	<u>(100,656,722)</u>	<u>(45,024,246)</u>	<u>(37,167,746)</u>	<u>(37,826,733)</u>
Non-Current Liabilities	e	<u>67,700,000</u>	<u>65,700,000</u>	<u>119,015,410</u>	<u>124,754,006</u>	<u>127,254,006</u>
Total Net Assets	f=a+d-e	<u>1,262,143</u>	<u>(49,445,916)</u>	<u>(49,290,218)</u>	<u>(48,918,028)</u>	<u>(57,390,161)</u>
Equity						
Share Capital		<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>
Revaluation Reserves		<u>50,252,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Retained Earnings		<u>(73,990,786)</u>	<u>(74,445,915)</u>	<u>(74,290,218)</u>	<u>(73,918,028)</u>	<u>(82,390,161)</u>
Total Equity		<u>1,262,143</u>	<u>(49,445,915)</u>	<u>(49,290,218)</u>	<u>(48,918,028)</u>	<u>(57,390,161)</u>
PROFIT OR LOSS:						
Income						
Revenue		<u>199,494,886</u>	<u>160,245,825</u>	<u>194,357,593</u>	<u>143,933,672</u>	<u>105,718,599</u>
Other Income		<u>8,925,777</u>	<u>2,078,875</u>	<u>2,562,580</u>	<u>1,262,130</u>	<u>1,277,497</u>
		<u>208,420,663</u>	<u>162,324,700</u>	<u>196,920,173</u>	<u>145,195,802</u>	<u>106,996,096</u>
Expenses						
Cost of Sales		<u>166,831,805</u>	<u>131,977,751</u>	<u>157,053,587</u>	<u>107,028,230</u>	<u>90,191,694</u>
Sales and Distribution Expenses		<u>5,341,602</u>	<u>5,034,975</u>	<u>4,879,725</u>	<u>4,190,840</u>	<u>-</u>
Admin & Operating Expenses		<u>27,472,940</u>	<u>18,578,777</u>	<u>23,085,057</u>	<u>20,607,945</u>	<u>22,220,908</u>
Finance Cost		<u>7,959,996</u>	<u>6,849,996</u>	<u>12,150,000</u>	<u>12,450,000</u>	<u>-</u>
Income Tax Expense		<u>359,192</u>	<u>38,898</u>	<u>123,995</u>	<u>838,072</u>	<u>390,597</u>
		<u>207,965,534</u>	<u>162,480,397</u>	<u>197,292,364</u>	<u>145,115,087</u>	<u>112,803,199</u>
Profit/(Loss)		<u>455,129</u>	<u>(155,697)</u>	<u>(372,191)</u>	<u>80,715</u>	<u>(5,807,103)</u>
STATISTIC:						
Earnings Per Share (Basic)		0.02	(0.01)	(0.01)	0.00	(0.23)
Net Assets Per Share		0.05	(1.98)	(1.97)	(1.96)	(2.30)

Proxy Form

HALLMARK PAPER PRODUCTS PLC

Annual General Meeting to be held at the Company Premises 46, Ilogbo Road Ota, Ogun State on Tuesday, September 21st, 2021 at 11:00am

I/We _____

Being a member/members of Hallmark Paper Products Plc appoint**

Or failing him, Mr. B. T. Bello or failing him Mr. D.O. Adeliyi as my/our proxy to act and vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on Tuesday, September 21st, 2021 and any adjournment thereof Date this _____ day of _____

Shareholder's Signature
 To be effective, this proxy form should be dully stamped By the Commissioner for Stamp Duties and signed before Posting it to reach the registered address of the company not Later than September 17th, 2021. Please note that action should not be taken on the Proxy Form if the member will be attending the meeting

RESOLUTION	FOR	AGAINST
1 To receive the report and Accounts for year ended 31 st December 2019		
2. (a) To relect Mr. H.M Olaitan a Director retiring by rotation.		
3. To authorize directors to fix auditor's remuneration.		
4. To elect members of the Audit committee		

Please indicate "X" in the appropriate column how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed. The proxy will vote or abstain from acting at his discretion

NUMBER OF SHARES HELD	
-----------------------	--

NOTE: Notice of AGM Annual Reports and Proxy Form can be downloaded from the Registrars website at www.unityregistrarsng.com

(Before posting the above card, fear this part and retain it)

Admission Card

Pease admit *** _____ to the Annual General Meeting of Hallmark Paper Products Plc to be held at 46, Ilogbo Road, Ota Ogun State on September 21st, 2021 at 11:00am
 IF YOU ARE UNABLE TO ATTEND THE MEETING

A member (Shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy and the above form has been prepared to vote in case you cannot personally attend the meeting.

Following the normal practice, the names of two Directors of the Company have been entered on the form to ensure that someone will at the meeting act as your proxy, you may insert on the blank space on the form (Marketed") the name of any person, whether a member (shareholder) of this company or not who will attend the meeting and vote on your behalf instead of one of the Directors.

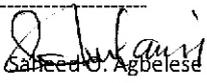
IMPORTANT

- (a) The name of the shareholder must be written in BLOCK CAPITALS on the proxy form where marked. Please stamp and sign the proxy form if you are not attending the meeting and post it so as to reach the registered address of the company not less than 48 hours before the time for holding the meeting. If executed by corporation, the proxy form should be sealed with the Common Seal.
- (b) The admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual General Meeting.
- (c) Shareholders or their proxies are requested to sign the admission card before attending the meeting.

Signature or person attending _____

(Please sign before attending Meeting)

Number of Shares held


 Salcedo O. Agbelese
 Company Secretary
 FRC/2019/NBA/0000001983

HALLMARK PAPER PRODUCTS PLC

REPORTS AND ACCOUNTS

YEAR ENDED DECEMBER 31, 2018



Advisory | Assurance | Audit | Consulting | Tax & Regulatory

SHOBO HOUSE

3rd Floor, 5 Simpson Street,
Off Igbosere Road, Lagos Island
P. O. Box 6519, Marina Lagos, Nigeria.
Tel: +234-1-4530785, +234 8142374794
E-mail: enquiry@onyemaosueke.com
Website: www.onyemaosueke.com



An Independent Member of
BOKS International
www.boks.international.com

HALLMARK PAPER PRODUCTS PLC

CORPORATE INFORMATION

BOARD OF DIRECTORS

B. T. Bello	-	Chairman
D. O. Adeliyi	-	Managing Director
S. A. Akande	-	Director
H. M. K. Olaitan	-	Director

REGISTERED OFFICE

46, Ilogbo Road
Sango Ota
Ogun State.

SECRETARY

Saheed Agbelese
114/116 Ogba Road
Agege
Lagos.

BANKERS

Guaranty Trust Bank Plc
First Bank of Nigeria Plc
Unity Bank Plc
Zenith Bank of Nigeria Plc

AUDITORS

Onyema Osueke & Co
5, Simpson Street
Lagos Island
Lagos.

REGISTRARS

Unity Registrars Limited
25, Ogunlana Drive
Surulere
Lagos.

REGISTERED NUMBER

RC 74243

HALLMARK PAPER PRODUCTS PLC

FINANCIAL HIGHLIGHTS

	2018 ₦	2017 ₦
Revenue	160,245,825	194,357,593
Loss before taxation	116,799	248,196
Loss after taxation	155,697	372,191
Loss for the year	155,697	372,191

At Year End:

Share capital	25,000,000	25,000,000
Shareholders' funds	(49,445,915)	(49,290,218)

Per ₦1.00 share data:

Based on
Ordinary shares of ₦1.00 each:

Earnings per share (₦)	(0.01)	(0.01)
Net assets per share (₦)	(1.98)	(1.97)

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE DIRECTORS

For the year ended December 31, 2018

The Directors submit herewith the audited financial statements of the Company for the year ended December 31, 2018.

1. Legal Status

Hallmark Paper Products Plc was incorporated on August 1, 1985. It is a public limited liability company established under the Companies & Allied Matters Act Cap C20 Laws of the Federation of Nigeria (LFN) 2004 and wholly owned by Nigerians. The address of its registered office is 46, Ilogbo Road, Sango Ota, Ogun State and its registered number is RC 74243. It was incorporated to carry on, among others, business of design and printing of specialized business forms and paper corrugated cartons. The Company was admitted into the second tier of securities market of the Nigerian Stock Exchange in 1993 and was elevated to first tier in 1997. The Company was delisted by the Nigerian Stock Exchange in 2011.

2. Principal Activities and Business Review

During the year under review, the principal activities of the company remained business of design and printing of specialized business forms and paper corrugated cartons.

3. Operational Results

The Company made a loss after tax amounting to ₦155,697 for the year ended December 31, 2018.

The following is a summary of the Company's operating results for the year ended December 31, 2018:

	2018 ₦
Loss before taxation	(116,799)
Tax Expense	(38,898)

Loss after taxation	(155,697)
Retained earnings, beginning of the year	(74,290,218)

Retained earnings, end of the year	<u><u>(74,445,915)</u></u>

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE DIRECTORS

For the year ended December 31, 2018 (Cont'd)

4 Directors and Their Interests

The names of the Directors and their interests at the date of this report and those who have held office during the year were as follows:

		Ordinary Shares of 50 Kobo each		
		%	Called-up	Paid-up
D. O. Adeliyi	- Director	27.57	13,782,350	13,782,350
S. A. Akande	- Director	2.00	1,000,000	1,000,000
B. T. Bello	- Chairman	0.02	10,000	10,000
H. M. K. Olaitan	- Director	0.20	100,000	100,000
		-----	-----	-----
		29.79	14,892,350	14,892,350
		=====	=====	=====

None of the directors has notified the Company for the purposes of Section 277 of the Companies and Allied Matters Act CAP C20 LFN 2004 of any disclosable interests in any contract in which the Company was involved as at December 31, 2018.

5. Shareholding structure

The shareholding structure of the Company is as follows:

		Ordinary Shares of 50 kobo each		
Range		No. of Holders	No. of Shares	% Holding
1	- 500	2,308	839,150	1.68
501	- 1,000	1,323	1,242,914	2.48
1,001	- 5,000	1,155	2,885,058	5.77
5,001	- 10,000	153	1,340,642	2.68
10,001	- 50,000	107	2,428,650	4.85
50,001	- 100,000	18	1,422,586	2.85
100,001	- 500,000	11	2,653,850	5.31
500,001	- 1,000,000	4	4,000,000	8.00
1,000,001	- 10,000,000	5	19,404,800	38.81
10,000,001	- Above	1	13,782,350	27.57
		-----	-----	-----
		5,085	50,000,000	100
		=====	=====	=====

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE DIRECTORS

For the year ended December 31, 2018 (Cont'd)

6. **Statement of Directors' Responsibilities**

This statement, which should be read in conjunction with the Auditors' Report, is made with a view to setting out for the shareholders, the responsibilities of the Directors of the Company with respect to the financial statements.

In accordance with the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the company and of the profit or loss for the financial year.

The responsibilities include ensuring that:

- (a) appropriate internal controls are established both to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- (b) the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004
- (c) the Company has used suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed; and
- (d) it is appropriate for the financial statements to be prepared on a going concern basis.

7. **Property, Plant & Equipment**

Information relating to property, plant and equipment is disclosed in Note 4 to the financial statements. According to the directors, no item of property, plant and equipment was impaired as at 31 December 2018.

8. **Charitable Gifts**

The Company did not make any gifts and donations to charitable institutions and organizations during the year ended December 31, 2018.

In accordance with Section 38(2) of the Companies and Allied Matters Act CAP C20 LFN 2004, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year under review.

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE DIRECTORS

For the year ended December 31, 2019 (Cont'd)

9. Employment of Disabled Persons

The Company has no disabled persons in its employment. However, applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

10. Employee Consultation and Training

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company.

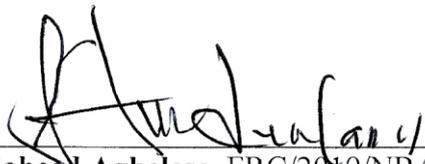
11. Health, Safety and Welfare at Work

The Company places a high premium on the health, safety and welfare of its employees in their place of work. In order to protect staff and other persons against risk to health and safety hazards arising out of or in connection with the Company's activities, the Company has taken various forms of insurance policies, including employees' compensation insurance, to adequately secure and protect its employees.

12. Auditors

The Auditors, Messrs Onyema Osueke & Co., have indicated their willingness to continue in office as auditors in accordance with Section 357 (2) of the Companies and Allied Matters Act CAP C20 LFN 2004.

By Order of the Board



Saheed Agbelese, FRC/2019/NBA/0000001983

Company Secretary

June 24, 2020.

HALLMARK PAPER PRODUCTS PLC

REPORT OF THE STATUTORY AUDIT COMMITTEE

For the year ended December 31, 2018

In accordance with Section 359 (6) of the Companies and Allied Matters Act CAP C20 LFN 2004, the members of the Statutory Audit Committee of Hallmark Paper Products Plc hereby report as follows:

“We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act CAP C20 LFN 2004 and we acknowledge the cooperation of the Board, management and staff in the conduct of these responsibilities. After careful consideration of the report of the external auditors, we accepted the report that the Financial Statements give a true and fair view of the state of the Company’s financial affairs as at 31st December, 2018, except for the effects of the matter described in the Basis for Qualified Opinion section of the External Auditors’ report.

We confirm that:

- i. The accounting and reporting policies of the Company are in accordance with legal and regulatory requirements as well as agreed ethical practices;
- ii. We reviewed the scope and planning of audit requirements and found them adequate;
- iii. We reviewed the findings on the management letter prepared by the external auditors and found management responses to the findings satisfactory;
- iv. The accounting and internal controls system is constantly and effectively being monitored through an effective internal audit function;
- v. We made recommendations to the Board on the re-appointment and remuneration of the external auditors and also reviewed the provision made in the Financial Statements for the remuneration of the external auditors; and
- vi. We considered that the external auditors are independent and qualified to perform their duties effectively.

The Committee therefore recommends that the Audited Financial Statements for the year ended 31st December, 2018 and the External Auditors’ report thereon be presented for adoption at the Annual General Meeting.”

Alhaji Y. A. Abass
June 24, 2020.


Chairman, Statutory Audit Committee

Members of Audit Committee

Alhaji Y. A. Abass
Mr. S. A. Akande
Mr. B. T. Bello
Mr. J. K. Balogun

HALLMARK PAPER PRODUCTS PLC
For the year ended December 31, 2018 (Cont'd)

Statement of Directors' Responsibilities for the preparation and approval of Financial Statements

The Directors of **Hallmark Paper Products Plc** are responsible for the preparation of financial statements that give a true and fair view of the financial position of the Company as at 31 December 2018, 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 CAP C20 LFN 2004 and the Financial Reporting Council of Nigeria Act 2011.

In preparing the 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 Company's financial position and financial performance; and
- Making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the 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 company; and
- Preventing and detecting fraud and other irregularities.

HALLMARK PAPER PRODUCTS PLC
For the year ended December 31, 2018 (Cont'd)

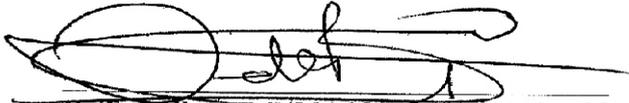
Statement of Directors' Responsibilities for the preparation and approval of Financial Statements (cont'd)

Going Concern:

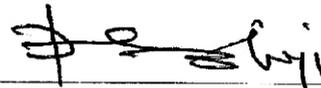
As stated in the note 28 to the financial statements, the Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

The financial statements of the Company for the year ended 31 December 2018 were approved by directors on June 24, 2020.

On behalf of the Directors of the Company



B. T. Bello, FRC/2016/NIM/00000014632
Chairman
June 24, 2020.



D.O. Adeliyi, FRC/2016/ICAN/00000014580
Managing Director
June 24, 2020.



Advisory | Assurance | Audit | Consulting | Tax & Regulatory

SHOBO HOUSE
3rd Floor 5 Simpson Street,
Off Igboere Road, Lagos Island
P.O. Box 6519, Marina Lagos, Nigeria.
Tel: +234-1-4530785, +234 8142374794
GSM: 08091919383
E-mail: enquiry@onyemaosueke.com
Website: www.onyemaosueke.com
RC: 131660

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF HALLMARK PAPER PRODUCTS PLC

Report on the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Hallmark Paper Products Plc, which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year ended 31 December 2018 and a summary of significant accounting policies and other explanatory information as set out on pages 127 to 179.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report below, the Company has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria (LFN) 2004 and the Financial Reporting Council of Nigeria Act 2011. The financial statements give a true and fair view of the financial position of Hallmark Paper Products Plc as at 31 December 2018 and of its financial performance and its cash flows for the year ended, in accordance with the International Financial Reporting Standards.

Basis for Qualified Opinion

As stated in note 28 to the financial statements, the Company made a loss after taxation of ₦155,697 for the year ended December 31, 2018 and as at that date, the Company's liabilities exceeded its assets by ₦49,445,915. The continued operation of the Company depends on the financial support of its lenders and related companies. However, the financial statements have been prepared in accordance with the basis of accounting principles applicable to a going concern.

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in *the auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current year. We have not identified any key audit matter that requires inclusion in the financial statements.



An Independent Member of
BOKS International
www.boks-international.com

Other Information

The Directors are responsible for the other information. Other information comprises information included in the Corporate Information, the Financial Highlights and the Report of the Directors but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact; we have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act CAP C20 LFN 2004 and the Financial Reporting Council of Nigeria Act 2011. These responsibilities include designing, implementing and maintaining internal control systems relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue in operation 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercised professional judgement and maintained scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the 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



Advisory | Assurance | Audit | Consulting | Tax & Regulatory

resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations or the override of internal controls.

- Obtain an understanding of the internal controls 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 Company's internal controls.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 business activities of the Company to express an opinion on the financial statements. 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 the significant audit findings and significant deficiencies in internal controls, which we identify during our audit.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act CAP C20 LFN 2004

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and the statements of profit or loss and other comprehensive income are in agreement with the books of account.

Hope Osueke, FCA, FRC/2013/ICAN/00000002306

For: Onyema Osueke & Co.

Lagos, Nigeria.

June 24, 2020.



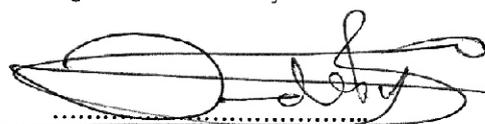
An Independent Member of
BOKS International
www.boks-international.com

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

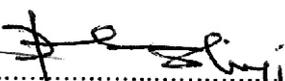
	NOTE	2018 ₦	2017 ₦	As at 1st January 2017 ₦
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	4	107,378,093	105,589,143	104,484,043
Deferred Tax Assets	5	9,532,714	9,160,295	8,519,681
Total non-current assets		116,910,807	114,749,438	113,003,724
Current Assets				
Inventories	6	41,196,944	23,377,953	30,051,474
Trade & Other Receivables	7	11,957,255	14,292,757	6,284,884
Cash and Cash Equivalents	8	7,509,998	8,599,138	7,048,550
Total current assets		60,664,197	46,269,848	43,384,908
TOTAL ASSETS		177,575,004	161,019,286	156,388,632
LIABILITIES				
Non-Current Liabilities				
Deposit for Shares	9	51,700,000	51,700,000	51,700,000
Loans & Borrowings	10	14,000,000	14,000,000	14,000,000
Total non-current liabilities		65,700,000	65,700,000	65,700,000
Current Liabilities				
Trade and Other Payables	11	75,016,313	57,951,607	47,136,703
Loans and Borrowings	10	85,893,289	85,893,289	91,631,885
Current Tax Liabilities	12(ii)	411,317	764,608	838,072
Total current liabilities		161,320,919	144,609,504	139,606,660
TOTAL LIABILITIES		227,020,919	210,309,504	205,306,660
EQUITY				
Share Capital	13	25,000,000	25,000,000	25,000,000
Retained Earnings	14	(74,445,915)	(74,290,218)	(73,918,028)
TOTAL EQUITY		(49,445,915)	(49,290,218)	(48,918,028)
TOTAL LIABILITIES AND EQUITY		177,575,004	161,019,286	156,388,632

The notes on pages 131 to 177 and non-IFRS statements on pages 132 to 179 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 24th June 2020 and were signed on its behalf by:



Chairman
 FRC/2016/NIM/00000014632
 B. T. Bello



Managing Director
 FRC/2016/ICAN/00000014580
 D. O. Adeliyi



Financial Officer
 FRC/2016/ICAN/00000014584
 Akangbe Lawal

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	NOTE	2018 ₹	2017 ₹
Revenue	15	160,245,825	194,357,593
Cost of Sales	16	<u>(131,460,718)</u>	<u>(157,053,587)</u>
Gross Profit		28,785,107	37,304,006
Sales & Distribution Expenses	17	(5,034,975)	(4,879,725)
Administrative Expenses	18	(19,095,810)	(23,085,057)
Other Income	19	<u>2,078,875</u>	<u>2,562,580</u>
Profit from Operating Activities		6,733,197	11,901,804
Finance Cost	20	<u>(6,849,996)</u>	<u>(12,150,000)</u>
Loss Before Taxation	21	(116,799)	(248,196)
Income Tax Expense	12(i)	<u>(38,898)</u>	<u>(123,995)</u>
Loss for the Year		<u><u>(155,697)</u></u>	<u><u>(372,191)</u></u>
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to statement of profit or loss:		-	-
Items that may never be reclassified to statement of profit or loss:		-	-
Other Comprehensive Income for the Year		<u>-</u>	<u>-</u>
Total Loss for the Year		<u><u>(155,697)</u></u>	<u><u>(372,191)</u></u>
Loss for the Year Attributable to Owners		<u><u>(155,697)</u></u>	<u><u>(372,191)</u></u>
Earnings Per Share: Basic	22	(0.01)	(0.01)

The notes on pages 131 to 177 and non-IFRS statements on pages 132 to 179 form an integral part of these financial statements.

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Share Capital ₹	Retained Earnings ₹	Total Equity ₹
Balance as at 1 January 2018	<u>25,000,000</u>	<u>(74,290,218)</u>	<u>(49,290,218)</u>
<i>Statement of profit or loss:</i>			
Loss for the Year	-	(155,697)	(155,697)
<i>Other comprehensive income:</i>			
Other Comprehensive Income	-	-	-
Total Loss for the Year	<u>-</u>	<u>(155,697)</u>	<u>(155,697)</u>
Transactions with equity holders, recorded directly in equity:	-	-	-
Total Transactions with Equity Owners	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 31st December, 2018	<u>25,000,000</u>	<u>(74,445,915)</u>	<u>(49,445,915)</u>
Balance as at 1 January 2017	<u>25,000,000</u>	<u>(73,918,028)</u>	<u>(48,918,028)</u>
<i>Statement of profit or loss:</i>			
Loss for the Year	-	(372,191)	(372,191)
<i>Other comprehensive income:</i>			
Other Comprehensive Income	-	-	-
Total Loss for the Year	<u>-</u>	<u>(372,191)</u>	<u>(372,191)</u>
Transactions with equity holders, recorded directly in equity:	-	-	-
Total Transactions with Equity Holders	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 31st December, 2017	<u>25,000,000</u>	<u>(74,290,218)</u>	<u>(49,290,218)</u>

The notes on pages 131 to 177 and non-IFRS statements on pages 132 to 179 form an integral part of these financial statements.

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018		2017	
	₹	₹	₹	₹
Loss Before Taxation		(116,799)		(248,196)
Adjustments for Non-Cash Items and Non-Operating Activities:				
Depreciation and Amortisation	3,498,376		6,383,200	
Bank Interest Paid	<u>6,849,996</u>		<u>12,150,000</u>	
		<u>10,348,372</u>		<u>18,533,200</u>
CASH GENERATED BEFORE CHANGES IN WORKING CAPITAL		10,231,573		18,285,004
CHANGES IN WORKING CAPITAL				
Change in Inventories	(17,818,991)		6,673,522	
Change in Trade & Other Receivables	2,335,502		(8,007,873)	
Change in Trade & Other Payables	<u>17,064,706</u>		<u>10,814,904</u>	
CASH FLOW FROM WORKING CAPITAL		1,581,217		9,480,553
Tax Paid		<u>(764,608)</u>		<u>(838,072)</u>
CASH GENERATED FROM OPERATING ACTIVITIES		11,048,182		26,927,485
INVESTING ACTIVITIES				
Purchase of Property, Plant & Equipment	<u>(5,287,326)</u>		<u>(7,488,300)</u>	
CASH USED IN INVESTING ACTIVITIES		(5,287,326)		(7,488,300)
FINANCING ACTIVITIES				
Loans and Borrowings	-		(5,738,596)	
Bank Interest Paid	<u>(6,849,996)</u>		<u>(12,150,000)</u>	
CASH USED FROM FINANCING ACTIVITIES		<u>(6,849,996)</u>		<u>(17,888,596)</u>
CHANGE IN CASH AND CASH EQUIVALENTS		(1,089,140)		1,550,588
OPENING CASH AND CASH EQUIVALENTS		<u>8,599,138</u>		<u>7,048,550</u>
CLOSING CASH AND CASH EQUIVALENTS		<u><u>7,509,998</u></u>		<u><u>8,599,138</u></u>

The notes on pages 131 to 177 and non-IFRS statements on pages 132 to 179 form an integral part of these financial statements.

**HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1 GENERAL INFORMATION

Hallmark Paper Products Plc was incorporated on August 1, 1985. It is a public limited liability company established under the Companies & Allied Matters Act Cap C20 Laws of the Federation of Nigeria (LFN) 2004 and wholly owned by Nigerians. The address of its registered office is 46, Ilogbo Road, Sango Ota, Ogun State and its registered number is RC 74243. It was incorporated to carry on, among others, business of design and printing of specialized business forms and paper corrugated cartons. The Company was admitted into the second tier of securities market of the Nigerian Stock Exchange in 1993 and was elevated to first tier in 1997. The Company was delisted by the Nigerian Stock Exchange in 2011.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of new and amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

Impact of application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 *Financial Instrument* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allows an entity not to restate comparatives.

Additionally, the Company adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures for 2018.

IFRS 9 introduced new requirements for:

- i The classification and measurement of financial assets and financial liabilities;
- ii Impairment of financial assets; and
- iii General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below:

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

The date of initial application (i.e the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objectives is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt instruments and equity investments are measured subsequently at fair value through profit or loss (FVTPL)

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

- an entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- an entity 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.

In the current year, the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on debt instruments that are measured subsequently at amortised cost or at FVTOCI be reflected as impairment allowance in the financial statements.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

Impact of application of IFRS 15 *Revenue from Contracts with Customers*

In the current year, the Company has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has adopted the terminology used in IFRS 15 to describe such balances.

Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.

IFRS 2 (amendments) Classification and Measurement of Share-Based Payment Transactions

The Company has adopted the amendments to IFRS 2 for the first time in the current year. The amendments clarify the following:

- i In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
- ii Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- iii A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
 - (i) the original liability is derecognised;
 - (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
 - (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

IFRS 40 (amendments) Transfer of investment Property

The Company has adopted the amendments to IAS 40 Investment Property for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The application of these amendments has had no effect on the Company's financial statements as the Company did not have investment property.

Annual Improvements to IFRS Standards 2014 - 2016 Cycle

Amendments to IAS 28 Investments in Associates and Joint Ventures

The Company has adopted the amendments to IAS 28 included in the *Annual Improvements to IFRS Standards 2014-2016 Cycle* for the first time in the current year. The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition.

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

2.2 New and Revised IFRSs in Issue but Not Yet Effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 16 - Leases

Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted

- IFRS 17 - Insurance Contracts

Effective for annual periods beginning on or after 1 January 2021 with earlier application permitted

- Amendments to IFRS 9 - Prepayment Features with Negative Compensation

Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted

- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures

Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted

- Annual Improvements to IFRS Standards 2015 - 2017 Cycle

Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted

- Amendments to IAS 19 - Employee Benefits Plan Amendment, Curtailment or Settlement

Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted

- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Effective for annual periods beginning on or after a date yet to be set with earlier application permitted

- IFRIC 23 - Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted

IFRS 16 Leases

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Company will be 1 January 2019.

The Company has chosen the full retrospective application of IFRS 16 in accordance with IFRS 16:C5(a). Consequently, the Company will restate the comparative information, if the need arises.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Company will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of lease for the Company.

Impact on Lessee Accounting

Operating leases

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

On initial application of IFRS 16, for all leases (except as noted below), the Company will:

- a Recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- b Recognise depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- c Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

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

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

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities by the Company and to increase net cash used in financing activities by the same amount.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Company will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Based on the existing fact that the Company did not have any lease as at 31 December 2018, the application of this standard will not have an impact on the amounts recognised in the Company's financial statements.

IFRS 17 Insurance Contracts

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

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

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

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

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

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the Solely Payments of Principal and Interest (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail Solely Payments of Principal and Interest (SPPI).

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

Annual Improvements to IFRS Standards 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The *Annual Improvements* include amendments to four Standards:

IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

IFRS 3 Business Combinations

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

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

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company do not anticipate that the application of these amendments will have an impact on the Company's financial statements in future periods.

IFRIC 23 *Uncertainty over Income Tax Treatments*

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

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

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial Period

These financial statements cover the period from 1st January 2018 to 31st December 2018 with comparatives for the year ended 31st December 2017.

3.2 Basis of Preparation

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act CAP C20 LFN 2004 and the Financial Reporting Council of Nigeria Act 2011, to the extent that they do not conflict with the requirements of IFRSs. These are the Company's first set of financial statements prepared in accordance with IFRSs. IFRS 1 - First-time Adoption of International Financial Reporting Standards has been applied in preparing these financial statements.

For all the periods up to and including the year ended 31st December 2017, the Company prepared its financial statements in accordance with Statement of Accounting Standards (SASs) as issued by the Financial Reporting Council of Nigeria.

These financial statements for the year ended 31st December 2018 are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRSs).

3.3 Statement of Compliance

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act 2011. These are the company's first set of financial statements prepared in accordance with IFRSs. IFRS 1 - First-time Adoption of International Financial Reporting Standards has been applied in preparing these financial statements.

3.4 FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

These financial statements, for the year ended and as at 31st December 2018, represent the first time the Company has prepared its financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). For all the periods up to and including the year ended 31st December 2017, the Company prepared its financial statements in accordance with Statement of Accounting Standards (SASs) as issued by the Financial Reporting Council of Nigeria.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

Accordingly, the Company has prepared these financial statements which comply with all IFRSs applicable for the year ended and as at 31st December 2018, together with the comparative year data for the year ended and as at 31st December 2017, as described in accounting policies and notes to the financial statements. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1st January 2017, i.e the Company's date of transition to IFRSs.

An explanation on how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company for comparative periods reported under Statement of Accounting Standards (SASs) issued by Financial Reporting Council of Nigeria has been disclosed in note 30 to the financial statements.

3.5 Basis of Measurement

The financial statements have been prepared under the historical cost basis except for the following:

- inventories at lower of cost and net realisable value

- Financial instruments at amortised cost, or at fair value through other comprehensive income or at fair value through profit or loss; depending on the Company's business model for managing the financial instruments and the contractual cash flows characteristics of the financial instruments.

3.6 Functional and Presentation Currency

Items included in these financial statements using the currency that best reflects the primary economic environment in which the entity operates ("functional currency"). These financial statements are presented in Nigerian Naira ("presentation currency"), which is the Company's functional currency.

3.7 Presentation

The financial statements are prepared on going concern basis of accounting. The statement of financial position is presented based on current and non-current distinction. The statement of profit or loss is presented on the function of expense method, with sub-classification by nature provided in the notes. In the statement of cash flows, the cash flows from operating activities are reported on the indirect method. These financial statements are presented in Nigerian Naira ("presentation currency"), which is the Company's functional currency.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

3.8 Use of Judgment and Estimate

- The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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 and in any future periods affected.

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

3.8.1 Income Taxes

The Company is subject to various forms of taxes. Significant judgement is required in determining the provision for income and other related taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

3.8.2 Impairment of Trade Receivables

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company'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 condition at the reporting date, including time value of money where appropriate.

3.8.3 Review of the Useful Lives of Tangible Assets

The Directors believe that the consumption pattern on items of Property, Plant and Equipment is such that the book value is spread equally over the useful life of the assets. The judgement exercised is based on past experience with similar assets, technological obsolescence and declining residual values.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

3.9 Property, Plant and Equipment

3.9.1 Recognition and Measurement

On initial recognition, items of property, plant and equipment are recognized at cost, which includes the purchase price as well as all costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of construction recognized includes the cost of material and direct labour, any other cost directly attributable to bringing the assets to the working condition for the intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and borrowing cost of qualifying assets.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized as profit or loss in the statement of profit or loss.

3.9.2 Subsequent Measurement

After initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. On-going repair and maintenance are expensed as incurred.

3.9.3 Depreciation

Items of property, plant and equipment are depreciated from the date they are available or ready for use or, in respect of capital-work-in-progress, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using a straight-line basis over their estimated useful lives. Depreciation is generally recognized in the statement of profit or loss, unless the amount is included in the carrying amount of another asset.

When parts of an item of property, plant and equipment have different useful lives, the depreciation is calculated using different useful lives appropriate to different parts.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Items of Property, Plant & Equipment	Depreciation Rate
Land & Building	2%
Plant and Machinery	10%
Motor Vehicles	20%
Furniture & Equipment	12.5%

Capital work in progress is not depreciated. Upon completion, it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

3.9.4 Derecognition

The carrying value of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss (determined by comparing net disposal proceeds with carrying amount) arising on derecognition of the asset is included in the statement of profit or loss in the year the item is derecognized.

3.9.5 Impairment

The carrying amount of an item of property, plant and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sale and value in use. According to the directors, no item of property, plant and equipment was impaired as at 31st December 2018 (2017: nil)

3.10 Financial Assets

3.10.1 Recognition and Measurement

The Company recognizes a financial asset in the statement of financial position when, and only when, it becomes a party to the contractual provision of the instrument. With exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, financial assets are initially measured at their fair value or amortised cost. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regulatory occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as inactive. For example, a market is inactive when there is a wild bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOX yield curve, FX rates volatilities and counterparty so spreads) existing at the reporting date.

3.10.2 Classification

The Company classifies financial assets into; *amortised cost, fair value through other comprehensive income and fair value through profit or loss, based on:*

- (a) the Company's business model for managing the financial assets, and
- (b) the contractual cash flow characteristics of the financial assets

3.10.3 Financial Assets at Amortised Cost

The Company classifies a financial asset at amortised cost if the asset is held with the objective of collecting the contractual cash flows associated with the asset and the contractual terms of the asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

Loans and receivable are classified at amortised cost. Loans and receivables are recognized initially at fair value plus any directly attributed transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any accumulated impairment losses. Loans granted at below market rates are fair valued by reference to expected future cash flow and current market interest rate for instruments in a comparable or similar risk class and the difference between the historical cost and fair value is accounted for in the statement of profit or loss.

3.10.4 Financial Assets at Fair Value Through Other Comprehensive Income

The Company classifies a financial asset at fair value through other comprehensive income if the asset is held with the objective of collecting the contractual cash flows associated with the asset and selling the assets, and the contractual terms of the asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. The Company does not currently have financial assets that meet this classification.

3.10.5 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

For any other financial assets, other than those classified at amortised cost and those classified at fair value through other comprehensive income, the Company classifies a financial asset at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets held for trading or assets designated as such on initial recognition. Financial assets classified as held for trading are acquired principally for the purpose of selling in the short term. Financial assets designed at fair value through profit or loss are investments the Company manages and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets included in this category are recognized initially at fair value and changes therein, including any interest, dividend income are recognized in the statement of profit or loss. Directly attributable transaction costs are recognized in the statement of profit or loss as incurred. The Company does not currently have financial assets that meet classification at fair value through profit or loss.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

3.10.6 Impairment of Financial Assets

- The Company recognises a loss allowance of expected credit losses (ECL) on debt instruments that are measured at amortised cost (trade receivables). The amount of expected credit losses is updated at each reporting date to reflect the changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company'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 condition at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company 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 Company 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 asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk: In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, government bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

- significant increase in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when the contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company consider a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3.7.10 Derecognition of Financial Assets

The Company derecognizes a financial asset only 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 entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial assets, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On derecognition of a financial asset measured to amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

3.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short term, highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of change in value.

3.12 Financial Liabilities

3.12.1 Recognition and Measurement

The Company recognises a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provision of the instrument. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

3.12.2 Subsequent Measurement

Financial liabilities are measured subsequently at amortised cost using the effective interest method. Financial liabilities measured subsequently at amortised cost are financial liabilities that are not contingent consideration of an acquirer in a business combination, not held-for-tradeing or not designated as at FVTPL. They are measured subsequently 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 amortised cost of a financial liability.

3.12.3 Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest (EIR) amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

3.12.4 Derecognition of Financial Liabilities

- * The company derecognizes financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss. When the company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company 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:

- a. the carrying amount of the liability before the modification; and
- b. the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

3.12.5 Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities.

3.13 Employee Benefits

3.13.1 Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts in respect of all employment benefits relating from employee services in current and prior periods.

3.13.2 Pension Scheme

In line with the provisions of the Pension Reform Act 2004 as amended, the Company has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions. Obligations for contributions to the defined contribution plan are recognized as employee benefit expense in the statement of profit or loss in the periods which related services are rendered by the employees. While employees contribute 8%, employer contributes 10%, of basic salary, transport & housing allowances to the fund on a monthly basis. The Company does not operate a defined pension plan.

3.13.3 Short-Term Benefits

Wages, salaries, paid annual leave, sick leave, bonuses and non-monetary benefits are recognized as employee benefit expenses and accrued when the associated services are rendered by the employee to the Company have not been paid. The Company does not have a policy of making share-based payment to employees.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

3.14 Provisions, Contingent Liabilities And Contingent Assets

3.14.1 Provisions

Provisions are liabilities that are uncertain in amount and timing. A provision is recognized if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future pre-tax cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3.14.2 Contingent Liabilities

A contingent liability is a possible obligation that arises from past event 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 the Company has a present obligation as a result of past event. It is not recognized because it is not likely that an outflow of resources will be required to settle the obligation or the amount cannot be reliably estimated. Contingent liabilities normally comprises of legal claims under arbitration or court process in respect of which a liability is likely to occur. Contingent liabilities are disclosed in the financial statements when they arise.

3.14.3 Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized but are disclosed in financial statements when they arise.

3.15 Equity

3.15.1 Share Capital and Share Premium

Equity instruments are contracts that give a residual interest in the net assets of the Company. Ordinary share are classified as equity when there is no obligation to transfer cash and other assets. Equity instruments are recognized at the amount of proceeds received net of incremental costs directly attributable to the transaction. To the extent those proceeds exceed the par value of the shares issued they are credited to a share premium account. However, the Company did not have share premium for the years ended 31st December, 2018 and 2017 respectively.

3.15.2 Dividends on Ordinary Shares

Dividends on ordinary shares are recognized as liabilities in the period when they are declared (i.e. the dividends are appropriately authorized and no longer at the discretion of the entity) and approved by the shareholders at annual general meeting. Dividends for the year that are declared after the date of the statement of financial position are disclosed in the subsequent events note.

Dividends proposed but not yet approved are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act. No dividend was proposed for the year ended 31 December 2018 and 2017 respectively.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

3.15.3 Retained Earnings

- The retained earning comprised of undistributed profit/(loss) from previous years and current year. Retained earnings are classified as part of equity in the statement of financial position.

3.16 Revenue

Revenue from Contracts with Customers IFRS 15

The Company is into manufacturing, marketing and distribution of paper products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer. Sales occur when the products are delivered in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

3.17 Related Parties

Parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operationg decisions. 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 Company, directly or indirectly, including all Executive and Non-Executive Directors. Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.

3.18 Earnings Per Share

The company presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share are calculated using fully diluted shares outstanding (i.e. including the impact of stockoption grants and convertible bonds).

3.19 Direct Costs

Direct Costs are accounted for on accrual basis and recognised when the related revenue is earned. One of the conditions for recognition of revenue is that the costs incurred or to be incurred in respect of the transaction can be measured reliably. Upon recognition of revenue, costs are also measured and recognised.

3.20 Administration and Operating Expenses

Administrative and operating expenses are accounted for on accrual basis. This include auditors' remuneration, consulting fees, bank charges, depreciation, electricity, fines and penalties, staff costs, indirect taxes, transport expenses, repairs and maintenance and other expenses not separately disclosed.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

3.21 Foreign Exchange Transactions

*Transactions dominated in foreign currencies are translated and recorded in Naira at the actual exchange rate as of the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated at the rates of exchange prevailing at the reporting date. The foreign currency gain or loss on a monetary item is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, the amortized cost in foreign currency translated at exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognized in the statement of profit or loss, except for qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in items of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

3.22 Income Tax

Income tax expense represents the sum of current tax expense. Current tax and deferred tax are recognized in the statement of profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3.22.1 Current Income Tax

Current tax is expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company is subject to the following types of current income tax;

Company income tax – this relates to tax on revenue and profit generated by the Company during the year, to be taxed under the Companies Income Tax Act Cap C21, LFN 2004 as amended to date.

Tertiary Education tax – Tertiary education tax (simply called education tax) is based on the assessable income of the Company and is governed by the Tertiary Education Fund (Establishment) Act CAP E4 LFN 2004.

3.22.2 Deferred Income Tax

Deferred tax is recognized in respect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences relating to investments in subsidiaries, associate and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable, future; and

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflect the tax consequences that will follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rate enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.22.3 Tax Exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expenses in the period that such a determination is made.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

4 PROPERTY, PLANT & EQUIPMENT

	Land & Buildings	Plant & Machinery	Motor Vehicles	Furniture & Equipment	TOTAL
	N	N	N	N	N
Cost or Deemed Cost					
At January 1, 2017	107,581,210	42,981,580	5,463,500	4,105,575	160,131,865
Additions in the Year 2017	-	1,159,000	5,500,000	829,300	7,488,300
Disposal in the Year 2017	-	-	(500,000)	-	(500,000)
Balance at 31 December 2017	107,581,210	44,140,580	10,463,500	4,934,875	167,120,165
Depreciation & Impairment Loss					
At January 1, 2017	5,772,624	40,524,098	5,363,500	3,987,600	55,647,822
Depreciation for the Year 2017	1,747,624	3,416,482	1,100,000	119,094	6,383,200
Disposal in the Year 2017	-	-	(500,000)	-	(500,000)
Impairment for the Year 2017	-	-	-	-	-
Balance at 31 December 2017	7,520,248	43,940,580	5,963,500	4,106,694	61,531,022
Carrying Amount					
At January 1, 2017	<u>101,808,586</u>	<u>2,457,482</u>	<u>100,000</u>	<u>117,975</u>	<u>104,484,043</u>
At December 31, 2017	<u>100,060,962</u>	<u>200,000</u>	<u>4,500,000</u>	<u>828,181</u>	<u>105,589,143</u>
Cost or Deemed Cost					
At January 1, 2018	107,581,210	44,140,580	10,463,500	4,934,875	167,120,165
Additions in the Year 2018	-	5,170,326	-	117,000	5,287,326
Balance at 31 December 2018	107,581,210	49,310,906	10,463,500	5,051,875	172,407,491
Depreciation and Impairment Loss					
At January 1, 2018	7,520,248	43,940,580	5,963,500	4,106,694	61,531,022
Depreciation for the Year 2018	1,747,624	517,033	1,100,000	133,719	3,498,376
Impairment for the Year 2018	-	-	-	-	-
At December 31, 2018	9,267,872	44,457,613	7,063,500	4,240,413	65,029,398
Carrying Amount					
At January 1, 2018	<u>100,060,962</u>	<u>200,000</u>	<u>4,500,000</u>	<u>828,181</u>	<u>105,589,143</u>
At December 31, 2018	<u>98,313,338</u>	<u>4,853,293</u>	<u>3,400,000</u>	<u>811,462</u>	<u>107,378,093</u>

NOTE:

As at 31st December 2018, there was no indication of impairment of any of the items of property, plant and equipment. Hence, no provision was made for impairment losses. All the items of property, plant and equipment have been carried at their historical costs or deemed cost less accumulated depreciation as at 31st December, 2018.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

5 DEFERRED TAXATION

	2018	2017	As at 1st January 2017
	₹	₹	₹
At 1st January	9,160,295	8,519,681	-
Charged to Profit or Loss (See Note 11.1)	372,419	640,613	8,519,681
At 31st December	<u>9,532,714</u>	<u>9,160,295</u>	<u>8,519,681</u>

5.1 Reconciliation of Deferred Tax Balance

	Opening Balance	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Closing Balance
	₹	₹	₹	₹
For the Year Ended 31 December 2018				
Deferred tax liabilities relating to:				
Property, plant and equipment	9,160,295	372,419	-	9,532,714
	<u>9,160,295</u>	<u>372,419</u>	<u>-</u>	<u>9,532,714</u>
For the Year Ended 31 December 2017				
Deferred tax liabilities relating to:				
Property, plant and equipment	8,519,681	640,613	-	9,160,295
	<u>8,519,681</u>	<u>640,613</u>	<u>-</u>	<u>9,160,295</u>

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The balance above is the deferred tax balances (after offset) for financial reporting purposes.

6 INVENTORIES

	2018	2017	As at 1st January 2017
	₹	₹	₹
Raw Materials	38,657,648	21,394,147	27,413,950
Work-in-Progress	1,580,258	1,983,806	2,310,204
Spare Parts	959,038	-	327,320
	<u>41,196,944</u>	<u>23,377,953</u>	<u>30,051,474</u>

7 TRADE & OTHER RECEIVABLES

	2018	2017	As at 1st January 2017
	₹	₹	₹
Trade Receivables	12,296,139	14,599,751	6,265,075
Allowance for Expected Credit Loss	(368,884)	(364,994)	(128,263)
	<u>11,927,255</u>	<u>14,234,757</u>	<u>6,136,812</u>
Staff Loan & Advances	30,000	58,000	148,072
	<u>11,957,255</u>	<u>14,292,757</u>	<u>6,284,884</u>

Allowance for expected credit losses are recognised against trade receivables outstanding beyond 180 days based on estimated irrecoverable amounts. Previous experience has shown that receivables that are past due after 180 days are doubtful of recovery. Allowance for expected credit losses are recognised against trade receivables due over 180 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of their current position.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

8 CASH AND CASH EQUIVALENTS

	2018	2017	As at 1st January 2017
	₹	₹	₹
Cash at Hand	-	-	-
Demand Deposits with Banks	7,509,998	8,599,138	7,048,550
	<u>7,509,998</u>	<u>8,599,138</u>	<u>7,048,550</u>

For the purposes of the statement of cash flows, cash and cash equivalents include cash at hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position (as shown above).

9 DEPOSIT FOR SHARES

	2018	2017	As at 1st January 2017
	₹	₹	₹
Deposit for Shares	51,700,000	51,700,000	51,700,000
	<u>51,700,000</u>	<u>51,700,000</u>	<u>51,700,000</u>

This represents cash lodged into the Company's bank accounts and the expenses incurred by the Company but paid for by a related entity, which the entity is desirous of converting to fully paid-up share capital.

Deposit for shares was recognized initially at fair value and has not been re-measured. It bears interest of 10% per annum. Settlement of the deposit for shares can be made either in shares issued to the provider or in cash repayment when the Company is liquid enough to do so, at the option of the Company.

10 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. Loans and borrowings as at 31 December 2018 is as follows:

	2018	2017	As at 1st January 2017
	₹	₹	₹
Overdraft Facility from Unity Bank Plc	45,893,289	45,893,289	45,893,289
Loan from Unity Bank Plc	40,000,000	40,000,000	40,000,000
Loan from Davolad	14,000,000	14,000,000	14,738,596
Loan from Three Circles Investment & Security Limited	-	-	5,000,000
	<u>99,893,289</u>	<u>99,893,289</u>	<u>105,631,885</u>

The Unity Bank facilities (i.e the Overdraft and the Loan from Unity Bank) are secured by fixed charges on the Company's Property, Plant & Equipment. They Company is having financial difficulty in repaying the facilities and the interest thereon. The Company is currently in litigation with Unity Bank Plc regarding the facilities. Liabilities with respect to these facilities may rise depending on the outcome of the litigation, which could not be ascertained at the reporting date.

Davolad is a related company. The loan from Davolad is provided at 12% rate per annum with no fixed repayment period. The loan shall be repaid when the Company is liquid to do so.

Loans and Borrowings are analysed into short and long term liabilities based on the time the repayment obligation falls due as follows:

Analysis:

Non-Current	14,000,000	14,000,000	14,000,000
Current	85,893,289	85,893,289	91,631,885
	<u>99,893,289</u>	<u>99,893,289</u>	<u>105,631,885</u>

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

11 TRADE AND OTHER PAYABLES

	2018	2017	As at 1st January 2017
	₦	₦	₦
Trade Payables	19,378,597	1,612,104	4,659,729
Accrued Expenses	7,801,354	7,926,556	6,102,884
Staff Pension Payable	131,680	1,728,090	1,963,833
Directors' Current Accounts	13,315,410	13,315,410	13,315,410
Other Payables	12,539,276	12,689,447	10,754,847
Interest Payable	21,849,996	20,680,000	10,340,000
	<u>75,016,313</u>	<u>57,951,607</u>	<u>47,136,703</u>

12 INCOME TAXATION

	2018	2017	As at 1st January 2017
	₦	₦	₦
(i) Per Statement of Profit or Loss:			
Current Tax Expense			
Company Income Tax	343,608	764,608	838,072
Tertiary Education Tax	67,709	-	-
Capital Gain Tax	-	-	-
Current Tax Expense	<u>411,317</u>	<u>764,608</u>	<u>838,072</u>
Deferred Tax Expense			
Deferred Tax (see note 5)	(372,419)	(640,613)	8,519,681
Deferred Tax (Credit)/Expense	<u>(372,419)</u>	<u>(640,613)</u>	<u>8,519,681</u>
Tax Expense	<u>38,898</u>	<u>123,995</u>	<u>9,357,753</u>
(ii) Per Statement of Financial Position:			
Current Tax Liabilities			
Current Tax Liabilities as at 1st January	764,608	838,072	-
Current Tax Expenses for the Year	411,317	764,608	838,072
	<u>1,175,925</u>	<u>1,602,680</u>	<u>838,072</u>
Payment of Tax in the Year	(764,608)	(838,072)	-
Current Tax Liabilities as at 31st December	<u>411,317</u>	<u>764,608</u>	<u>838,072</u>

(iii) The charge for taxation in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004, Education Tax Act, CAP E4 LFN 2004 and Capital Gains Tax Act CAP C1 LFN 2004.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

(iv) **Reconciliation of Income Tax**

The income tax (credit)/expense for the year can be reconciled to the accounting loss as follows:

	2018	2017
	₱	₱
Loss Before Tax	<u>(116,799)</u>	<u>(248,196)</u>
Income tax expense at 30%	(35,040)	(74,459)
Education tax expense at 2%	(2,336)	(4,964)
Effect of expenses which are not allowable in determining income tax	-	-
Effect of expenses which are not allowable in determining education tax	76,273	203,418
Tax Expense	<u>38,898</u>	<u>123,995</u>

13 SHARE CAPITAL

	2018	2017	As at 1st January 2017
	₱	₱	₱
(i) Authorised:			
200,000,000 Ordinary shares of 50k each	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
(ii) Issued and Paid Up:			
50,000,000 Ordinary shares of 50k each	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>
	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>

(iii) Ordinary Shares

Holders of these shares are entitled to dividends as may be declared from time to time and are entitled to one vote per share at general meetings of the Company.

(iv) Dividends

No dividend was declared during the years ended 31st December, 2018 and 2017 respectively. Also, no interim dividend was paid during the years 2018 and 2017 respectively.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

(v) **Capital Management**

* The Company manages its capital to ensure the entity will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remain unchanged from 2017.

The Company and Allied Matters Acts CAP C20 LFN 2004 requires that the amount of a company's share capital shall not be less than the authorised minimum share capital.

14 **RETAINED EARNINGS**

	2018	2017	As at 1st January 2017
	₹	₹	₹
Opening Balance	(74,290,218)	(73,918,028)	(73,870,480)
Loss for the Year	(155,697)	(372,191)	(47,548)
Closing Balance	<u>(74,445,915)</u>	<u>(74,290,218)</u>	<u>(73,918,028)</u>

15 **REVENUE**

	2018	2017
	₹	₹
Corrugated Carton	157,539,075	191,596,993
Business Form	1,631,750	2,727,600
Rubber Stereo	20,000	33,000
Dycuting Blade	1,055,000	-
Total Revenue	<u>160,245,825</u>	<u>194,357,593</u>

16 **DIRECT COSTS**

	2018	2017
	₹	₹
Raw Materials	108,590,977	128,303,281
Other Costs	2,736,602	3,350,520
Production Overheads	20,133,139	25,399,786
Total Costs	<u>131,460,718</u>	<u>157,053,587</u>

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

17 SALES & DISTRIBUTION EXPENSES	2018	2017
	₦	₦
Delivery & Loading	177,750	161,000
Diesel	958,850	815,875
Fueling	67,725	333,850
Insurance	-	64,750
Printing & Stationery	1,000	1,400
Public Relations	770,000	632,100
Registration Fee	70,900	15,000
Repairs & Maintenance	1,134,700	1,797,700
Sales Commission	293,350	241,550
Sales Personel Costs	1,537,700	793,000
Telephone & Postages	23,000	23,500
Total Costs	<u>5,034,975</u>	<u>4,879,725</u>
18 ADMINISTRATIVE EXPENSES	2018	2017
	₦	₦
Auditors' Remuneration	300,000	300,000
Bank Charges	222,762	333,232
Custom & Excise	17,535	-
Depreciation	1,233,719	2,966,718
Entertainment	54,405	21,105
Fuel, Lubricants & Diesel	930,850	854,000
Gifts & Donations	80,000	777,500
Impairment Losses	3,890	236,731
Insurances	640,670	255,000
Internet Subscriptions	440,500	222,900
Legal, Secretarial & Professional Fees	715,000	705,000
License & Renewals / Rates, Levies & Taxes	114,061	228,564
Office Consumables	-	99,600
Printing & Stationery	130,920	133,880
Public Relation	542,500	521,200
Registration Fee	75,500	165,500
Repairs & Maintenance	749,150	613,495
Security	792,000	742,000
Staff Costs (Note 23)	11,119,750	13,258,609
Sundry	131,160	11,000
Telephone & Postages	336,540	409,650
Travelling & Transport	304,850	123,600
Utilities	160,048	105,773
	<u>19,095,810</u>	<u>23,085,057</u>

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

19	OTHER INCOME		
		2018	2017
		₪	₪
	Waste & Tears - Off	2,078,875	2,312,580
	Sundry	-	250,000
		<u>2,078,875</u>	<u>2,562,580</u>
20	FINANCE COST		
		2018	2017
		₪	₪
	Interest on on Loans and Borrowings	6,849,996	12,150,000
		<u>6,849,996</u>	<u>12,150,000</u>
21	LOSS BEFORE TAX		
	Loss before tax is stated after charging:	2018	2017
		₪	₪
	Depreciation (see note 4)	3,498,376	6,383,200
	Staff Costs	11,119,750	13,258,609
	Auditors' Remuneration	300,000	300,000
		<u>14,918,126</u>	<u>19,941,809</u>
22	EARNINGS PER SHARE		
	The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
		2018	2017
		₪	₪
	Loss for the Year	<u>(155,697)</u>	<u>(372,191)</u>
	Earnings used in the calculation of basic earnings per share	<u>(155,697)</u>	<u>(372,191)</u>
	Weighted Average Number of Ordinary Shares in Issue	<u>25,000,000</u>	<u>25,000,000</u>
	Earnings Per Share: Basic and Diluted	<u>(0.01)</u>	<u>(0.01)</u>

Basic earnings per share were calculated by dividing net loss for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding at the statement of financial position date.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

23 STAFF COST	2018	2017
	₦	₦
Salaries & Wages	6,123,172	6,608,722
Pension Fund Contribution	920,450	2,823,037
Productivity Allowance	105,800	117,000
Medicals	10,450	4,850
Nigeria Social Insurance Trust Fund	89,878	-
Directors' Remuneration	3,600,000	3,600,000
Directors' Sitting Allowance	270,000	105,000
	<u>11,119,750</u>	<u>13,258,609</u>

23.1 Employees of the Company, other than Directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions and certain benefits) in the following range:

	2018	2017
Range (per annum)	Number	Number
₦100,000 - ₦500,000	21	20
₦500,001 - ₦1,000,000	2	3
₦1,000,001 - Above	2	3
Total Number of Employees	<u>25</u>	<u>26</u>

23.2 Directors' Remuneration

Remuneration (excluding pension contribution) for the directors of the Company included in salaries and wages and charged to statement of profit or loss are as follows:

	2018	2017
	₦	₦
Non-Executive	-	-
Executive	3,600,000	3,600,000
	<u>3,600,000</u>	<u>3,600,000</u>

The directors' remuneration shown above includes:

Chairman's Remuneration	-	-
Highest paid director	3,600,000	3,600,000

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

24 RELATED PARTIES

24.1 Identity of Related Entities

The Company did not transact with any related entity during the year.

24.2 Key Management Personnel

Name	Designation
D. O. Adeliyi	Managing Director/Chief Executive Officer

24.3 Outstanding balances

	2018	2017	1 Jan 2017
	₦	₦	₦
Due to related entities			
Due to Directors	13,315,410	13,315,410	13,315,410

24.4 Key Management Compensation

	2018	2017	1 Jan 2017
	₦	₦	₦
Remuneration of Executive	3,600,000	3,600,000	3,600,000

25 SEGMENT INFORMATION

Information reported to the Chief Operating Decision Maker (the Managing Director) for the purposes of resource allocation and assessment of segment performance is based on the entity as a whole as there is no other distinguishable component of the entity that engage in business activities from which it earns revenue and incurs expenses whose operating results are regularly reviewed by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

26 EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period which could have had a material effect on the financial position of the Company as at 31st December 2018 and the results for the year then ended, which have not been adequately provided for in the financial statements.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

27 FINANCIAL INSTRUMENTS

(a) Financial Risk Management

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

- . Credit risk
- . Liquidity risk
- . Market risk
- . Operational risk

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. During the year, the Board did not have a Risk Management Committee and so the Board is responsible for developing and monitoring the Company's risk management policies.

27.1 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Company's principal exposure to credit risk is influenced mainly by the individual characteristics of each customer.

In order to minimise credit risk, the Board develop and maintain the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Board use other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Management has established a customer activation process under which each new customer is analysed individually for creditworthiness before the Company's sales agreement standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retailer end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Company has no significant concentration of credit risk, with exposure spread over a large number of parties. Cash and cash equivalents are placed with banks and financial institutions which are regulated.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Credit risk from balances with banks and financial institutions is managed the Board in accordance with the Company's policy. Investments of surplus funds, if any, are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed periodically, and may be updated at any point in the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

i Exposure to credit risk

The maximum exposure to credit risk at the reporting date was:

		2018	2017
	note	₹	₹
Trade and Other Receivables	7	11,957,255	14,292,757
Cash and Cash Equivalents	8	7,509,998	8,599,138
		<u>19,467,253</u>	<u>22,891,895</u>

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:

Due from Customers	11,927,255	14,234,757
Due from Staff	30,000	58,000
	<u>11,957,255</u>	<u>14,292,757</u>

ii Impairment Losses on Trade Receivables

For trade receivables, the Company applied the simplified approach in computing expected credit losses (ECL). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 27(i). The Company does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Company's trade receivables as at 31 December 2018 using a provision matrix:

	Trade Receivables Days Past Due					Total
	Current	31-60 Days	61-90 Days	91-120 Days	> 120 Days	
Expected Credit Loss Rate	0.10%	5%	10%	30%	50%	
Gross Carrying Value	8,734,301	2,478,176	692,725	142,725	248,211	12,296,139
Expected Credit Loss	(8,780)	(123,909)	(69,273)	(42,818)	(124,105)	(368,884)
	<u>8,725,521</u>	<u>2,354,268</u>	<u>623,453</u>	<u>99,908</u>	<u>124,105</u>	<u>11,927,255</u>

	Trade Receivables Days Past Due					Total
	Current	31-60 Days	61-90 Days	91-120 Days	> 120 Days	
Expected Credit Loss Rate	0.10%	5%	10%	30%	50%	
Gross Carrying Value	10,484,627	3,233,407	537,494	164,875	179,347	14,599,751
Expected Credit Loss	(10,485)	(161,670)	(53,749)	(49,463)	(89,627)	(364,994)
	<u>10,474,142</u>	<u>3,071,737</u>	<u>483,745</u>	<u>115,413</u>	<u>89,720</u>	<u>14,234,757</u>

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

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

	2018	2017
	₹	₹
Balance at 1 January	364,994	339,209
Additional Allowance in the Year	3,890	25,785
Balance at 31 December	<u>368,884</u>	<u>364,994</u>

27.2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will 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.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company is currently having a liquidity problem as it has not been able to meet some certain liabilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying Amount	Contractual Cash Flow	6 Months or Less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years
31 December 2018							
Deposit for Shares	51,700,000	51,700,000	-	-	-	(51,700,000)	-
Secured Overdraft	45,893,289	45,893,289	(45,893,289)	-	-	-	-
Secured Bank Loans	40,000,000	40,000,000	(40,000,000)	-	-	-	-
Related Parties' Loans	14,000,000	14,000,000	-	-	-	(14,000,000)	-
Trade & Other Payables	75,016,313	75,016,313	(75,016,313)	-	-	-	-
	<u>226,609,602</u>	<u>226,609,602</u>	<u>(160,909,602)</u>	-	-	<u>(65,700,000)</u>	-
31 December 2017							
Deposit for Shares	51,700,000	51,700,000	-	-	-	(51,700,000)	-
Secured Overdraft	45,893,289	45,893,289	(45,893,289)	-	-	-	-
Secured bank loans	40,000,000	40,000,000	(40,000,000)	-	-	-	-
Related Parties' Loans	14,000,000	14,000,000	-	-	-	(14,000,000)	-
Trade & Other Payables	57,951,607	57,951,607	(57,951,607)	-	-	-	-
	<u>209,544,896</u>	<u>209,544,896</u>	<u>(143,844,896)</u>	-	-	<u>(65,700,000)</u>	-

Settlement of the deposit for shares can be made either in shares issued to the provider or in cash repayment when the Company is liquid enough to do so, at the option of the Company. The Company expects that the liability would be settled within 2 to 5 years. See note 9.

Secured overdraft and bank loans are from Unity Bank Plc. The Company is having financial difficulty in repaying the facilities and the interest thereon. The Company is currently in litigation with Unity Bank Plc regarding the facilities. Liabilities with respect of these facilities may rise depending on the outcome of the litigation, which could not be ascertained at the reporting date. See note 10.

Related Parties' loans were provided by Davolad at 12% rate per annum with no fixed repayment period. The loan shall be repaid when the Company is liquid to do so. The Company expects that the liability would be settled within 2 to 5 years. See note 10.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

27.3 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, while optimising the return.

The Company manages market risks by keeping costs low to keep prices within profitable range, foreign exchange risks are managed by maintaining foreign denominated bank accounts and keeping Letters of Credit (LC) facility lines with the Company's bankers. Also interest rates are benchmarked to NIBOR (for local loans) and LIBOR (for foreign denominated loans) with a large margin thereof at fixed rates while not foreclosing the possibility of taking interest rate hedge products should there be need to do so. The Company is not exposed to any equity risk.

Currency risk

The currency risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company is not exposed to currency risk as all its transactions during the year were carried out at its primary currency i.e Nigerian Naira. The Company did not have any asset or liability denominated in foreign currency.

Interest rate risk

The Company adopts a policy of ensuring that a significant element of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into loan arrangements with mixed interest rate sources. Variable interest rates are marked against the ruling NIBOR rates to reduce the risk arising from interest rates.

Interest rate risk comprises interest price risk that results from borrowings at fixed rates and the interest cashflow risk that results from borrowings at variable rates. The Board of Directors are responsible for setting the overall duration and interest management targets. The Company's objective is to manage its interest rate exposure through careful borrowing profiling and use of heterogeneous borrowing sources.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying Amount	
	2018	2017
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	151,593,289	151,593,289
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

27.4 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risks is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for the appropriate segregation of duties, including the authorisation of transactions
- requirements for the reconciliations and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remediation action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when it is effective

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

28 GOING CONCERN

The Company made a loss after taxation of ₦155,697 for the year ended December 31, 2018 and as at that date, the Company's liabilities exceeded its assets by ₦49,445,915. The Company was unpaid to meet its loans obligation from Unity Bank Plc as the Company is currently having liquidity problem. The continued operation of the Company depends on the financial support of its lenders and related companies. However, the Directors believe that the Company will continue to enjoy the financial support of its lenders and related companies in the year ahead. Consequently, these financial statements have been prepared in accordance with the basis of accounting principles applicable to a going concern.

29 APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved by the Board of Directors and authorised for issue on 24th June, 2020.

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

30 EXPLANATION OF TRANSITION TO IFRS

As stated in note 3.4, these are the Company's first financial statements prepared in accordance with IFRSs.

The accounting policies set out on pages 25 to 37 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in preparation of opening IFRS statements of financial position at 1 January 2017 (the Company's date of transition to IFRSs). In preparing its opening IFRSs statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with the Statements of Accounting Standards of Nigeria (previous or local GAAP). An explanation of how the transition from previous or local GAAP to IFRSs has affected the Company's financial position, financial performance and cash flow is set out in the following tables and the notes that accompany the tables:

Transaction Reconciliation of NGAAP to IFRSs

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows of the prior periods. The Company's first-time adoption did not have an impact on the total operating, investing or financing cash flows. The following tables represent the reconciliation from NGAAP to IFRSs for the respective periods noted for equity and the statement of comprehensive income.

30.1 Reconciliation of Equity as previously reported under NGAAP to IFRSs as at 1 January 2017 (Transition Date to IFRSs)

	Note	NGAAP at 1 January 2017 ₦	Reclassifications ₦	Remeasurement ₦	IFRSs at 1 January 2017 ₦
ASSETS					
Non-Current Assets					
Property, Plant & Equipment		104,484,043	-	-	104,484,043
Deferred Tax Asset	a(f)	-	-	8,519,681	8,519,681
Total non-current assets		104,484,043	-	8,519,681	113,003,724
Current Assets					
Inventories		30,051,474	-	-	30,051,474
Trade & Other Receivables	b(f)	6,413,147	-	(128,263)	6,284,884
Cash and Cash Equivalents	c(i)	-	7,048,550	-	7,048,550
Cash and Bank Balances	i(c)	7,048,550	(7,048,550)	-	-
Total current assets		43,513,171	-	(128,263)	43,384,908
Total Assets		147,997,214	-	8,391,418	156,388,632
LIABILITIES					
Non-Current Liabilities					
Deposit for Shares	d(iii)	-	51,700,000	-	51,700,000
Loans & Borrowings	e(iii)	-	14,000,000	-	14,000,000
Directors' Current Accounts	ii(g)	13,315,410	(13,315,410)	-	-
Loans	iii(d)	111,438,596	(111,438,596)	-	-
Total non-current liabilities		124,754,006	(59,054,006)	-	65,700,000

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	NGAAP at 1 January 2017 ₱	Reclassifications ₱	Remeasurement ₱	IFRSs at 1 January 2017 ₱
Current Liabilities					
Loans & Borrowings	f (iii, iv)	-	91,631,885	-	91,631,885
Trade and Other Payables	g (ii)	33,821,293	13,315,410	-	47,136,703
Bank Overdraft	iv(e)	45,893,289	(45,893,289)	-	-
Current Tax Liabilities		838,072	-	-	838,072
		80,552,654	59,054,006	-	139,606,660
Total Liabilities		205,306,660	-	-	205,306,660
Equity					
Issued Share Capital		25,000,000	-	-	25,000,000
Retained Earnings	h (a, b)	(82,309,446)	-	8,391,418	(73,918,028)
Total Equity		(57,309,446)	-	8,391,418	(48,918,028)
Total Equity & Liabilities		147,997,214	-	8,391,418	156,388,632

30.2 Reconciliation of Equity As at 31 December 2017

	Note	NGAAP at 31 December 2017 ₱	Reclassifications ₱	Remeasurement ₱	IFRSs at 31 December 2017 ₱
ASSETS					
Non-Current Assets					
Property, Plant & Equipment		105,589,143	-	-	105,589,143
Deferred Tax Asset	a(f)	-	-	9,160,295	9,160,295
Total non-current assets		105,589,143	-	9,160,295	114,749,438
Current Assets					
Inventories		23,377,953	-	-	23,377,953
Trade & Other Receivables	b(f)	14,657,751	-	(364,994)	14,292,757
Cash and Cash Equivalents	c(i)	-	8,599,138	-	8,599,138
Cash and Bank Balances	i(c)	8,599,138	(8,599,138)	-	-
Total current assets		46,634,842	-	(364,994)	46,269,848
Total Assets		152,223,985	-	8,795,301	161,019,286

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	NGAAP at 31 December 2017 ₱	Reclassifications ₱	Remeasurement ₱	IFRSs at 31 December 2017 ₱
LIABILITIES					
Non-Current Liabilities					
Deposit for Shares	d(iii)	-	51,700,000	-	51,700,000
Loans & Borrowings	e(iii)	-	14,000,000	-	14,000,000
Directors' Current Accounts	ii(g)	13,315,410	(13,315,410)	-	-
Loans	iii(d)	105,700,000	(105,700,000)	-	-
Total non-current liabilities		119,015,410	(53,315,410)	-	65,700,000
Current Liabilities					
Loans and Borrowings	f (iii, iv)	-	85,893,289	-	85,893,289
Trade & Other Payables	g (ii)	44,636,197	13,315,410	-	57,951,607
Bank Overdraft	iv(e)	45,893,289	(45,893,289)	-	-
Current Tax Liabilities		764,608	-	-	764,608
		91,294,094	53,315,410	-	144,609,504
Total Liabilities		210,309,504	-	-	210,309,504
Equity					
Issued Share Capital		25,000,000	-	-	25,000,000
Retained Earnings	h(a,b)	(83,085,519)	-	8,795,301	(74,290,218)
Total Equity		(58,085,519)	-	8,795,301	(49,290,218)
Total Equity & Liabilities		152,223,985	-	8,795,301	161,019,286

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

30.3 Reconciliation of Income Statement from NGAAP to IFRS for the Year Ended 31 December, 2017

	Note	NGAAP ₱	Reclassification ₱	Remeasurement ₱	IFRSs as at 31 December 2017 ₱
Revenue		194,357,593	-	-	194,357,593
Cost of Sales		(157,053,587)	-	-	(157,053,587)
Gross Profit		37,304,006	-	-	37,304,006
Other Income		2,562,580	-	-	2,562,580
Sales and Distribution Expenses		(4,879,725)	-	-	(4,879,725)
Administrative Expenses		(23,085,057)	-	-	(23,085,057)
Finance Charges		(12,150,000)	-	-	(12,150,000)
Loss Before Tax		(248,196)	-	-	(248,196)
Income Tax Expenses	i	(764,608)	-	640,613	(123,995)
Loss for the Year		(1,012,804)	-	640,613	(372,191)
Other Comprehensive Income					
Items that may be reclassified subsequently to profit or loss:		-	-	-	-
Items that will never be reclassified subsequently to		-	-	-	-
Total Other Comprehensive Income for the Year, Net of		-	-	-	-
Total Comprehensive Income for the Year		(1,012,804)	-	640,613	(372,191)

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

30.4 NOTES TO THE RECONCILIATION OF EQUITY AS AT 31ST DECEMBER 2017 AND 1ST JANUARY 2017 AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2017

	Note	31st Dec 2017 ₱	1st Jan 2017 ₱
a			
Deferred Tax Asset			
Balance as per NGAAP		-	-
Remeasurement effect against retained earnings	h	<u>9,160,295</u>	<u>8,519,681</u>
Balance per IFRSs		<u>9,160,295</u>	<u>8,519,681</u>
Impact on equity		9,160,295	8,519,681
Deferred tax assets were not recognised in the previous GAAP.			
b			
Trade & Other Receivables			
Balance as per NGAAP		14,657,751	6,413,147
Remeasurement effect against retained earnings	h	<u>(364,994)</u>	<u>(128,263)</u>
Balance per IFRSs		<u>14,292,757</u>	<u>6,284,884</u>
Impact on equity		(364,994)	(128,263)
c			
Cash & Cash Equivalents			
Balance as per NGAAP		-	-
Reclassification from cash and bank balances	i	<u>8,599,138</u>	<u>7,048,550</u>
Balance per IFRSs		<u>8,599,138</u>	<u>7,048,550</u>
Impact on equity		-	-
i			
Cash and Bank Balances			
Balance as per NGAAP		8,599,138	7,048,550
Reclassification to cash and bank equivalents	b	<u>(8,599,138)</u>	<u>(7,048,550)</u>
Balance per IFRSs		<u>-</u>	<u>-</u>
d			
Deposit for Shares			
Balance as per NGAAP		-	-
Reclassification from loans	iii	<u>51,700,000</u>	<u>51,700,000</u>
Balance per IFRSs		<u>51,700,000</u>	<u>51,700,000</u>
Impact on equity		-	-

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	31st Dec 2017 ₹	1st Jan 2017 ₹
e			
Loans and Borrowings (Non-Current Liability)			
Balance as per NGAAP		-	-
Reclassification from Loans	iii	14,000,000	14,000,000
Balance per IFRSs		<u>14,000,000</u>	<u>14,000,000</u>
Impact on equity		-	-
ii			
Directors' Current Accounts			
Balance as per NGAAP		13,315,410	13,315,410
Reclassification to loans and borrowings	g	(13,315,410)	(13,315,410)
Balance per IFRSs		<u>-</u>	<u>-</u>
iii			
Loans			
Balance as per NGAAP		105,700,000	111,438,596
Reclassification to Deposit for Shares	d	(51,700,000)	(51,700,000)
Reclassification to Loans & Borrowings - Non-Current	e	(14,000,000)	(14,000,000)
Reclassification to Loans & Borrowings - Current	f	(40,000,000)	(45,738,596)
Balance per IFRSs		<u>-</u>	<u>-</u>
f			
Loans and Borrowings (Current Liability)			
Balance as per NGAAP		-	-
Reclassification from loans	iii	40,000,000	45,738,596
Reclassification from Bank Overdrafts	iv	45,893,289	45,893,289
Balance per IFRSs		<u>85,893,289</u>	<u>91,631,885</u>
Impact on equity		-	-
iv			
Bank Overdraft			
Balance as per NGAAP		45,893,289	45,893,289
Reclassification to loans and borrowings - current	f	(45,893,289)	(45,893,289)
Balance per IFRSs		<u>-</u>	<u>-</u>
g			
Trade & Other Payables			
Balance as per NGAAP		44,636,197	33,821,293
Reclassification from Directors' Current Accounts	ii	13,315,410	13,315,410
Balance per IFRSs		<u>57,951,607</u>	<u>47,136,703</u>

HALLMARK PAPER PRODUCTS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	31st Dec 2017 ₱	1st Jan 2017 ₱
h Retained Earnings			
Balance as per NGAAP		(83,085,519)	(82,309,446)
Remeasurement Effect of Deferred Tax Assets	a	9,160,295	8,519,681
Remeasurement Effect of Trade & Other Receivables	b	(364,994)	(128,263)
Balance per IFRSs		<u>(74,290,218)</u>	<u>(73,918,028)</u>

	Note	2017 ₱	2017 ₱
i Income Tax Expenses			
Balance as per NGAAP		-	(764,608)
Remeasurement effect - provision for deferred tax		640,613	-
Balance per IFRS		<u>640,613</u>	<u>640,613</u>
Impact on equity			<u>(123,995)</u>
			640,613

HALLMARK PAPER PRODUCTS PLC
STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018		2017	
	₦	%	₦	%
Revenue	160,245,825	751	194,357,593	616
Other Income	2,078,875	10	2,562,580	8
Bought - in goods and other costs	(140,973,377)	(660)	(165,376,560)	(524)
Value Added	21,351,323	100	31,543,613	100

APPLIED AS FOLLOWS:

To pay employees:				
- Salaries, Wages and Benefits	11,119,750	52	13,258,609	42
To pay providers of funds				
- Interest	6,849,996	32	12,150,000	39
- Dividend	-	-	-	-
Government:				
- Tax	38,898	0	123,995	0
Retained in the business				
- Depreciation & Amortisation	3,498,376	16	6,383,200	20
- Retained for growth	(155,697)	1	(372,191)	(1)
Value Added	21,351,323	100	31,543,613	100

Value added represents the additional wealth which the Company 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 finance and shareholders, plus the amount retained for future creation of more wealth.

HALLMARK PAPER PRODUCTS PLC
FINANCIAL SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2018

		IFRS 2018	IFRS 2017	IFRS 2016	NIG GAAP 2015	NIG GAAP 2014
		₦	₦	₦	₦	₦
FINANCIAL POSITION:						
Net Assets						
Non-Current Assets	a	<u>116,910,807</u>	<u>114,749,438</u>	<u>113,003,724</u>	<u>107,690,578</u>	<u>113,928,595</u>
Current Assets	b	<u>60,664,197</u>	<u>46,269,848</u>	<u>43,384,908</u>	<u>27,713,243</u>	<u>38,433,510</u>
Current Liabilities	c	<u>161,320,919</u>	<u>144,609,504</u>	<u>139,606,660</u>	<u>65,539,976</u>	<u>80,859,643</u>
Net Current Assets	d=b-c	<u>(100,656,722)</u>	<u>(98,339,656)</u>	<u>(96,221,752)</u>	<u>(37,826,733)</u>	<u>(42,426,133)</u>
Non-Current Liabilities	e	<u>65,700,000</u>	<u>65,700,000</u>	<u>65,700,000</u>	<u>127,254,006</u>	<u>123,065,972</u>
Total Net Assets	f=a+d-e	<u>(49,445,915)</u>	<u>(49,290,219)</u>	<u>(48,918,028)</u>	<u>(57,390,161)</u>	<u>(51,563,510)</u>
Equity						
Share Capital		<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>
Retained Earnings		<u>(74,445,915)</u>	<u>(74,290,218)</u>	<u>(73,918,028)</u>	<u>(82,390,161)</u>	<u>(76,563,510)</u>
Total Equity		<u>(49,445,915)</u>	<u>(49,290,218)</u>	<u>(48,918,028)</u>	<u>(57,390,161)</u>	<u>(51,563,510)</u>
PROFIT OR LOSS:						
Income						
Revenue		<u>160,245,825</u>	<u>194,357,593</u>	<u>143,933,672</u>	<u>105,718,599</u>	<u>83,804,101</u>
Other Income		<u>2,078,875</u>	<u>2,562,580</u>	<u>1,262,130</u>	<u>1,277,497</u>	<u>-</u>
		<u>162,324,700</u>	<u>196,920,173</u>	<u>145,195,802</u>	<u>106,996,096</u>	<u>83,804,101</u>
Expenses						
Cost of Sales		<u>131,460,718</u>	<u>157,053,587</u>	<u>107,028,230</u>	<u>90,191,694</u>	<u>68,077,639</u>
Sales and Distribution Expenses		<u>5,034,975</u>	<u>4,879,725</u>	<u>4,190,840</u>	<u>-</u>	<u>-</u>
Admin & Operating Expenses		<u>19,095,810</u>	<u>23,085,057</u>	<u>20,607,945</u>	<u>22,220,908</u>	<u>21,355,629</u>
Finance Cost		<u>6,849,996</u>	<u>12,150,000</u>	<u>12,450,000</u>	<u>-</u>	<u>-</u>
Income Tax Expense		<u>38,898</u>	<u>123,995</u>	<u>838,072</u>	<u>390,597</u>	<u>215,000</u>
		<u>162,480,397</u>	<u>197,292,364</u>	<u>145,115,087</u>	<u>112,803,199</u>	<u>89,648,268</u>
(Loss)/Profit		<u>(155,697)</u>	<u>(372,191)</u>	<u>80,715</u>	<u>(5,807,103)</u>	<u>(5,844,167)</u>
STATISTIC:						
Earnings Per Share (Basic)		(0.01)	(0.01)	0.00	(0.23)	(0.23)
Net Assets Per Share		(1.98)	(1.97)	(1.96)	(2.30)	(2.06)

Proxy Form

HALLMARK PAPER PRODUCTS PLC

Annual General Meeting to be held at the Company Premises
46, Ilogbo Road Ota, Ogun State on Tuesday, September 21st,
2021 at 11:00am

I/We -----

Being a member/members of Hallmark Paper
Products Plc appoint**

Or failing him. Mr. B. T. Bello or failing him Mr.
D.O. Adeliyi as my/our proxy to act and vote for me/us
and on my/our behalf at the Annual General Meeting of the
company to be held on Tuesday, September 21st, 2021 and any
adjournment
thereof Date this ----- day of -----

Shareholder's Signature

To be effective, this proxy form should be dully stamped
By the Commissioner for Stamp Duties and signed before
Posting it to reach the registered address of the company not
Later than September 17th, 2021. Please note that action should
not be taken on the Proxy Form if the member will be attending the meeting

NUMBER OF SHARES HELD	
--------------------------	--

RESOLUTION	FOR	AGAINST
1 To receive the report and Accounts for year ended 31 st December 2018		
2. (a) To relect Mr. H.M Olaitan a Director retiring by rotation.		
3. To authorize directors to fix auditor's remuneration.		
4. To elect members of the Audit committee		

Please indicate "X" in the appropriate column how you wish your
vote to be cast on the resolutions set out above. Unless otherwise
instructed. The proxy will vote or abstain from acting at his
discretion

NOTE: Notice of AGM Annual Reports and Proxy
Form can be downloaded from the Registrars
website at www.unityregistrarsng.com

(Before posting the above card, tear this part and retain it)

Admission Card

Pease admit *** ----- to the Annual General Meeting of Hallmark
Paper Products Plc to be held at 46, Ilogbo Road, Ota Ogun State on September 21st, 2021 at 11:00am
IF YOU ARE UNABLE TO ATTEND THE MEETING

A member (Shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy and the above
form has been prepared to vote in case you cannot personally attend the meeting.

Following the normal practice, the names of two Directors of the Company have been entered on the form to ensure that
someone will at the meeting act as your proxy, you may insert on the blank space on the form (Marketed") the name of any
person, whether a member (shareholder) of this company or not who will attend the meeting and vote on your behalf instead
of one of the Directors.

IMPORTANT

- (a) The name of the shareholder must be written in BLOCK CAPITALS on the proxy form where marked. Please stamp and
sign the proxy form if you are not attending the meeting and post it so as to reach the registered address of the
company not less than 48 hours before the time for holding the meeting. If executed by corporation, the proxy form
should be sealed with the Common Seal.
- (b) The admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual
General Meeting.
- (c) Shareholders or their proxies are requested to sign the admission card before attending the meeting.

Signature or person attending-----
(Please sign before attending Meeting)

Number of
Shares held


Samuel O. Agbelese
Company Secretary
FRC/2019/NBA/0000001983