

**FIDSON HEALTHCARE PLC**  
**Lagos, Nigeria**

**UNAUDITED FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 MARCH, 2017**

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**FIDSON HEALTHCARE PLC**

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH**

|   | <b>Notes</b> | <b>2017</b><br><b>₦'000</b> | <b>2016</b><br><b>N'000</b> | <b>2016</b><br><b>N'000</b> |
|---|--------------|-----------------------------|-----------------------------|-----------------------------|
| Revenue                                       | 3            | 3,421,723                   | 1,217,378                   | 7,655,029                   |
| Cost of sales                                 | 4            | (1,657,427)                 | (570,426)                   | (3,599,666)                 |
| <b>Gross profit</b>                           |              | <b>1,764,296</b>            | <b>646,952</b>              | <b>4,055,363</b>            |
| Other operating income                        |              | -                           | 15,287                      | 105,110                     |
| Other operating expenses                      | 5            | (5,242)                     | (11,713)                    | -                           |
| Administrative expenses                       | 6            | (654,877)                   | (363,642)                   | (2,096,585)                 |
| Selling and distribution expenses             | 7            | (653,445)                   | (87,057)                    | (973,574)                   |
| <b>Operating profit</b>                       |              | <b>450,732</b>              | <b>199,827</b>              | <b>1,090,314</b>            |
| Finance costs                                 | 8            | (214,004)                   | (157,948)                   | (646,527)                   |
| <b>Profit before tax</b>                      |              | <b>236,728</b>              | <b>41,879</b>               | <b>443,787</b>              |
| Income tax expense                            |              | (75,753)                    | (13,401)                    | (127,025)                   |
| <b>Profit for the period</b>                  |              | <b>160,975</b>              | <b>28,478</b>               | <b>316,762</b>              |
| Other comprehensive income, net of tax        |              | -                           | -                           | 27,676                      |
| <b>Total comprehensive income, net of tax</b> |              | <b>160,975</b>              | <b>28,478</b>               | <b>344,438</b>              |

**FIDSON HEALTHCARE PLC**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH**

| <b>ASSETS</b>                         | <b>Notes</b> | <b>2017<br/>₦'000</b> | <b>2016<br/>₦'000</b> |
|---------------------------------------|--------------|-----------------------|-----------------------|
| Non-current assets                    |              |                       |                       |
| Property, plant and equipment         |              | 12,189,174            | 12,206,210            |
| Investment property                   | 9            | 36,035                | 36,265                |
| Intangible assets                     | 10           | 87,162                | 92,483                |
| Available- for-sale investments       | 11a          | 2,938                 | 2,938                 |
| Loans and receivables                 | 11b          | 40,299                | 79,193                |
| Other non-current financial asset     | 12           | 503,819               | 291,144               |
|                                       |              | -----                 | -----                 |
|                                       |              | 12,859,427            | 12,708,233            |
|                                       |              | =====                 | =====                 |
| <b>Current assets</b>                 |              |                       |                       |
| Inventories                           | 13           | 1,115,120             | 1,085,535             |
| Trade and other receivables           | 14           | 2,286,920             | 2,420,491             |
| Prepayment                            | 15           | 78,367                | 118,448               |
| Cash and cash equivalents             | 16           | 132,554               | 334,228               |
|                                       |              | -----                 | -----                 |
|                                       |              | 3,612,961             | 3,958,702             |
|                                       |              | -----                 | -----                 |
| <b>Total assets</b>                   |              | <b>16,472,388</b>     | <b>16,666,935</b>     |
|                                       |              | =====                 | =====                 |
| Equity and liabilities                |              |                       |                       |
| Equity                                |              |                       |                       |
| Issued share capital                  | 27a          | 750,000               | 750,000               |
| Share premium                         | 27b          | 2,973,043             | 2,973,043             |
| Retained earnings                     | 27c          | 2,957,705             | 2,871,730             |
| Available for sale reserve            | 28           | (1,507)               | (1,507)               |
|                                       |              | -----                 | -----                 |
|                                       |              | 6,679,241             | 6,593,266             |
|                                       |              | =====                 | =====                 |
| <b>Non-current liabilities</b>        |              |                       |                       |
| Interest bearing loans and borrowings | 17a          | 2,231,835             | 2,231,835             |
| Obligation under finance lease        | 18           | 199,620               | 199,620               |
| Retirement benefit obligation         | 25           | 337,597               | 342,750               |
| Government grant                      | 19           | 235,106               | 235,106               |
| Deferred revenue                      | 20           | 3,000                 | 3,000                 |
| Deferred tax liability                | 21b          | 418,452               | 418,452               |
|                                       |              | -----                 | -----                 |
|                                       |              | 3,425,610             | 3,430,763             |
|                                       |              | =====                 | =====                 |
| <b>Current liabilities</b>            |              |                       |                       |
| Trade and other payables              | 22           | 3,707,257             | 4,229,119             |
| Interest bearing loans and borrowings | 17b          | 1,362,334             | 1,283,048             |
| Bank overdraft                        | 24           | 576,076               | 365,293               |
| Other financial liabilities           | 23           | 65,000                | 65,000                |
| Obligations under finance lease       | 18           | 178,658               | 242,986               |
| Government grant                      | 19           | 91,982                | 91,982                |
| Deferred revenue                      | 20           | 2,000                 | 2,000                 |
| Income tax payable                    | 21a          | 322,120               | 301,367               |
| Unclaimed dividend                    | 26           | 62,111                | 62,111                |
|                                       |              | -----                 | -----                 |
|                                       |              | 6,367,537             | 6,642,906             |
|                                       |              | =====                 | =====                 |
| <b>Total liabilities</b>              |              | <b>9,793,147</b>      | <b>10,073,669</b>     |
|                                       |              | =====                 | =====                 |
| <b>Total equity and liabilities</b>   |              | <b>16,472,388</b>     | <b>16,666,935</b>     |
|                                       |              | =====                 | =====                 |

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MD/CEO  
FRC/2014/CIANG/00000002376

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Chief Finance Officer  
FRC/2013/ICAN/00000002164

STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH

|  | Share<br>capital | Share<br>premium | Retained<br>earnings | Available-<br>for-sale<br>reserve | Total            |
|--|------------------|------------------|----------------------|-----------------------------------|------------------|
|  | ₦000             | ₦000             | ₦000                 | ₦000                              | ₦000             |
| <b>At 1 January 2017</b>                     | 750,000          | 2,973,043        | 2,871,730            | (1,507)                           | 6,593,266        |
| Profit for the year                          | -                | -                | 160,975              | -                                 | 160,975          |
| Other comprehensive income for the year, net | -                | -                | -                    | -                                 | -                |
| Total Comprehensive Income for the year      | -                | -                | 160,975              | (1,507)                           | 160,975          |
| Dividends (Note 32)                          | -                | -                | (75,000)             | -                                 | (75,000)         |
| <b>At 31 March, 2017</b>                     | <b>750,000</b>   | <b>2,973,043</b> | <b>2,957,705</b>     | <b>(1,507)</b>                    | <b>6,679,241</b> |
| <b>As at 1 January 2016</b>                  | 750,000          | 2,973,043        | 2,043,001            | (763)                             | 5,765,281        |
| Profit for the year                          | -                | -                | 316,762              | -                                 | 316,763          |
| Other comprehensive income for the year, net | -                | -                | 27,548               | 128                               | 27,676           |
| Total Comprehensive Income for the year      | -                | -                | 344,310              | (1,507)                           | 344,438          |
| Dividends (Note 32)                          | -                | -                | (75,000)             | -                                 | (75,000)         |
| <b>At 31 December 2016</b>                   | <b>750,000</b>   | <b>2,973,043</b> | <b>2,871,730</b>     | <b>(1,507)</b>                    | <b>6,593,266</b> |

**FIDSON HEALTHCARE PLC**
**STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH**

|  | Notes | 2017<br>₦'000 | 2016<br>₦'000 |
|--|-------|---------------|---------------|
| Operating activities:  |       |               |               |
| Profit before tax  |       | 236,728       | 443,787       |
| Adjustments to reconcile profit before tax to net cash flows |       |               |               |
| Depreciation of property, plant and equipment                |       | 122,332       | 210,421       |
| Impairment loss (reversal)                                   | 14b   | -             | 137,249       |
| (Gain)/ loss on disposal of plant, property and equipment    |       | -             | (3,053)       |
| Inventory write – off  | 5     | 3,383         | -             |
| Net exchange difference                                      | 6     | -             | 5,315         |
| Depreciation of investment property                          | 9     | -             | 918           |
| Grant income   |       | -             | (71,182)      |
| Amortisation of Intangible Assets                            | 10    | 12,619        | 15,981        |
| Interest income on loans and receivables                     |       | -             | (39,887)      |
| Interest income on fixed deposit                             |       | -             | (4,362)       |
| Finance costs  | 8     | 214,004       | 690,776       |
| Employee benefit expense                                     | 25    | 5,153         | 39,273        |
| Amortisation of deferred revenue                             | 21b   | -             | 2,000         |
|  |       |               |               |
| Changes in working capital:                                  |       |               |               |
| Decrease/(Increase) in trade and other receivables           | 14    | 264,746       | 1,222,084     |
| (Increase)/ decrease in prepayments                          | 15    | 40,082        | (106,370)     |
| (Increase)/decrease in inventories                           | 13    | (29,585)      | (388,033)     |
| Increase in government grant                                 | 19    | -             | 124,797       |
| Increase in trade and other payables                         | 22    | (727,910)     | 16,909        |
| Movement in deferred revenue                                 |       | -             | -             |
|  |       | -----         | -----         |
|  |       | 141,552       | 2,296,624     |
| Income tax paid  | 21a   | (55,000)      | (202,569)     |
| Benefits paid  | 25    | (5,153)       | (34,945)      |
| Movement in deferred revenue                                 |       | -             | -             |
|  |       | -----         | -----         |
| Net cash flow from operating activities                      |       | 86,552        | 2,059,110     |
|  |       |               |               |
| Cash flows from investing activities:                        |       |               |               |
| Purchase of property, plant & equipment                      |       | (70,218)      | (677,416)     |
| Additions to intangible assets                               | 10    | (7,298)       | (97,448)      |
| Interest income received                                     |       | -             | 4,362         |
| Additions to loans and receivables                           | 11b   | 38,894        | (652,525)     |
| Drawdown on loans and receivables                            | 11b   | -             | 611,759       |
| Proceeds from sale of property, plant and equipment          |       | -             | 12,137        |
| Investment in other financial assets                         | 12    | (212,675)     | (691,660)     |
| Liquidation of investment in other financial asset           | 12    | -             | 908,178       |
|  |       | -----         | -----         |
| Net cash utilised by investing activities                    |       | (251,297)     | (582,613)     |
|  |       |               |               |
| Cash flows from financing activities:                        |       |               |               |
| Payments of finance lease liabilities                        | 18    | (64,328)      | (184,491)     |
| Interest paid on loans & borrowings                          | 8     | (214,004)     | (690,776)     |
| Dividend paid  |       | -             | (75,000)      |
| Refund of dividend   |       | 10            | 14,898        |
| Proceed from loans & borrowings                              | 17    | 151,256       | 600,000       |
| Loan repayment   | 17    | (120,646)     | (843,076)     |
|  |       | -----         | -----         |
| Net cash utilized by financing activities                    |       | (247,712)     | (1,178,445)   |
|  |       |               |               |
| Net increase/(decrease) in cash and cash equivalents         |       | (412,457)     | 298,052       |
| Net foreign exchange difference                              |       | -             | (9,316)       |
| Cash and cash equivalents at the beginning of the year       |       | (31,065)      | (319,801)     |
|  |       | -----         | -----         |
| Cash and cash equivalents at the end of the year             | 24    | (443,522)     | (31,065)      |
|  |       | =====         | =====         |

See notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The company was incorporated as a private limited liability Company on 13 March 1995 and commenced business activities on 15 March 1995. The principal activities of the Company include manufacturing and distribution of pharmaceutical products. The company's shares were quoted the Nigerian Stock Exchange on 5 June, 2008.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis except for certain available-for-sale financial assets which have been measured at fair value. The financial statements are presented in Nigerian Naira and all values are rounded to the nearest thousands (₦'000), except when otherwise indicated.

#### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

##### 2.2.1 Current versus non-current classification

The company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

##### 2.2.2 Fair value measurement

The company measures some financial instruments and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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**NOTES TO THE FINANCIAL STATEMENTS****2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****2.2.2 Fair value measurement-continued**

- In the principal market for the asset or liability, or  
- In the absence of a principal market, in the most advantageous market for the asset or liability  
The principal or the most advantageous market must be accessible to by the Company.  
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.  
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.  
The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

**2.2.3 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods to its customers. The customers are classified as institutional customers and trade customers. Goods sold by the Company are Pharmaceutical products manufactured by Fidson Healthcare Plc under various licensing agreements.

**Interest income**

For all financial instruments measured at amortised cost, interest income or expense is recognised using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter year, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the profit or loss.

**Dividends**

Dividends are recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

**2.2.4 Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to the profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy in Note 2.2.12 (ii).

**2.2.5 Taxes**

## Current income tax

The income tax assets or liabilities for the current year are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are determined in accordance with the Companies Income Tax Act (CITA) 2007 at 30% of total profit after deducting capital allowances and loss relief. Education tax is also assessed at 2% of the assessable profits.

Current income tax relating to items recognised outside profit or loss are recognised outside profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that
- the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS****2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****2.2.5 Taxes-continued**

Deferred tax on items recognised in the profit or loss is also recognised in the profit or loss, while deferred tax on items recognised outside the profit or loss is also recognised outside the profit or loss.

The company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity.

**Value Added Tax**

Revenues, expenses and assets are recognized net of the amount of Value Added Tax (VAT), except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

**2.2.6 Foreign currencies**

Foreign currency transactions are converted into the functional currency, the Nigerian Naira at the rate of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency interbank rate of exchange ruling at the reporting date in accordance with Central Bank of Nigeria guidelines. Any exchange gains and losses arising on settlement or translation of monetary items are recognised in the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

**2.2.7 Property plant and equipment**

Property, plant and equipment are stated at cost of purchase or construction, net of accumulated depreciation and/or accumulated impairment loss, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long term projects if the recognition criteria are met, see Note 16 for borrowing costs capitalised during the year. When significant parts of property, plant and equipment are required to be replaced at intervals, such parts are recognised as individual assets with specific useful lives and depreciated accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation on the categories of property, plant and equipment is calculated to write off the cost less the residual value of the asset, using the straight-line basis, over the assets' expected useful lives. Land and capital work-in-progress are not depreciated. The attributable cost of each item of capital work-in-progress is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly. The normal expected useful lives for the major categories of property, plant and equipment are:

|                                   | Years   |
|-----------------------------------|---------|
| Land                              | Nil     |
| Buildings                         | 50      |
| Plant and machinery - Head Office | 4       |
| Plant and machinery - Factory     | 5 to 10 |
| Office equipment                  | 4 to 10 |
| Furniture and fittings            | 8       |
| Motor vehicles                    | 4 to 6  |
| Capital work in progress          | Nil     |

**NOTES TO THE FINANCIAL STATEMENTS****2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****2.2.7 Property plant and equipment-continued**

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying amounts may not be recoverable. Impairment losses and reversals of impairment losses are recognised in profit or loss.

**2.2.8 Leases**

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

**The company as a lessee**

Finance leases transfer to the Company substantially all the risks and rewards incidental to ownership of the leased asset. The assets are measured at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss.

The capital element of assets under finance lease is capitalised along with the Company's property, plant and equipment and depreciated at the same rates for assets of that category, or over the lease term, where the lease term is shorter than the assets' useful lives.

Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

**The company as a lessor**

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental income is recognized as income on a straight line basis over the lease term.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms, and is included in revenue in the profit or loss due to its operational nature.

**2.2.9 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the year in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

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**NOTES TO THE FINANCIAL STATEMENTS****2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued****2.2.10 Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

The investment properties are subject to annual depreciation charge of 2% on a straight line basis.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the year of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**2.2.11 Intangible assets**

Product licenses are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The company makes upfront payments to purchase product licences. The product licenses are held on various pharmaceutical products sold by the Company and have licence years that range from 2 to 5 years. The licences may be renewed by the Company at the expiration of the license period.

Intangible assets with finite lives are amortised over the useful economic lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line basis to write down the cost of intangible assets to their residual values over their estimated useful lives.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds and the carrying amount of the intangible asset and recognised in the statement of profit or loss when the asset is derecognised

**Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- It is probable that the asset will generate future economic benefit.
- The availability of resources to complete the asset

Following the completion of research and development, it is transferred to another asset which is then depreciated, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

**NOTES TO THE FINANCIAL STATEMENTS**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**2.2.11 Intangible assets**

**Licences**

The company made upfront payments to purchase licences. Licences for the use of intellectual property are granted for periods ranging between five and ten years depending on the specific licences.

A summary of the policies applied to the Company's intangible assets is, as follows:

| <b>Useful lives</b> | <b>Amortisation method used</b>         | <b>Licences</b>  |
|---------------------|---|--|
|                     |   | Finite (Over 5 years)  |
|                     |   | Amortised on straight line basis over the period of the licence amortisation |
|                     |   | Acquired   |
|                     | <b>Internally generated or acquired</b> |  |

**2.2.12 Financial instruments: - Initial recognition and subsequent measurement**

**(i) Financial assets**

**a) Initial recognition and measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through the profit or loss, directly attributable transaction costs. The company's financial assets include held-to-maturity investments, available-for-sale financial investments, and loans and other receivables.

**b) Subsequent measurement**

The subsequent measurement of financial assets within the scope of IAS 39 depends on their classification as follows:

**Loans and other receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. 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 amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in profit or loss as finance costs. Included in this classification are trade and other receivables.

**Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. 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 amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in profit or loss as finance costs.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.2.13 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Raw materials are stated at purchase cost on the weighted average basis.
- Finished goods and work in progress: Cost in this case consists of direct purchase cost, conversion cost (materials, labour and overhead) and other costs incurred to bring inventory to its present condition and location. Finished goods are valued using weighted average cost
- Goods in transit are valued at the invoiced price.

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

### 2.2.14 Impairment of non-financial assets

The company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, are recognised in the profit or loss in expense categories consistent with the function of the impaired asset.

### 2.2.14 Impairment of non-financial assets-continued

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

### 2.2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, as shown in the statement of financial position.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, as shown in the statement of financial position, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

## **FIDSON HEALTHCARE**

### **2.2.16 Provisions**

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

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

|  | MARCH, 2017        | MARCH, 2016           |
|--|--------------------|-----------------------|
|  | N'000              | N'000                 |
| <b>Revenue</b>   |                    |                       |
| 3 Over The Counter(OTC)  | 1,406,691          | 601,312               |
| Ethical  | 2,004,716          | 616,066               |
| Consumer   | 10,316             | -                     |
|  | <b>3,421,723</b>   | <b>1,217,378</b>      |
| <b>4 Cost of Sales</b>   |                    |                       |
| Over The Counter(OTC)  | 675,212            | 295,712               |
| Ethical  | 974,862            | 274,714               |
| Consumer   | 7,354              | -                     |
|  | <b>1,657,427</b>   | <b>570,426</b>        |
| <b>5 Other Operating Expenses</b>  |                    |                       |
| Corporate Social Responsibility  | 879                | 579                   |
| Inventory Write off  | 3,383              | -                     |
| Gift and Donation  | 980                | 11,134                |
|  | <b>5,242</b>       | <b>11,713</b>         |
| <b>6 Administrative Expenses</b>   |                    |                       |
| Salaries   | 166,794            | 104,917               |
| Depreciation & Amortisation  | 122,332            | 51,977                |
| Audit Fee  | 3,000              | 2,875                 |
| Travelling   | 58,117             | 61,469                |
| Bad Debt   | 63,793             | 22,677                |
| Diesel & Fuel  | 89,535             | 14,598                |
| Consultancy  | 2,004              | 1,173                 |
| Repairs & Maintenance  | 63,171             | 56,368                |
| Others   | 86,131             | 47,588                |
|  | <b>654,877</b>     | <b>363,642</b>        |
| <b>7 Selling &amp; Distribution Expenses</b>                                 |                    |                       |
| Promotion and advertisement  | 172,604            | 43,905                |
| Institutional promotion  | -                  | 4,512                 |
| Sales expense  | 423,888            | 8,150                 |
| Logistic Expenses  | 56,953             | 30,490                |
|  | <b>653,445</b>     | <b>87,057</b>         |
| <b>8 Finance Costs</b>   |                    |                       |
| Interest on Bank Loan  | 214,004            | 157,948               |
|  | <b>214,004</b>     | <b>157,948</b>        |
|  | <b>MARCH, 2017</b> | <b>DECEMBER, 2016</b> |
|  | N'000              | N'000                 |
| <b>9 Investment Property</b>   |                    |                       |
| Ecomed   |                    |                       |
| Cost at beginning  | 48,301             | 48,301                |
| Additions  | -                  | -                     |
| Cost at end of year  | 48,301             | 48,301                |
| Accumulated depreciation at beginning  | (12,036)           | (11,118)              |
| Charge for the period  | (230)              | (918)                 |
| <b>Carring amount</b>  | <b>36,035</b>      | <b>36,265</b>         |
| <b>10 Intangible assets</b>  |                    |                       |
| Product licences   |                    |                       |
| Cost at beginning of year  | 162,777            | 65,329                |
| Cost capitalised   | 7,298              | 97,448                |
| Derecognition of licences no longer in use                                   | -                  | -                     |
| Cost at end of month   | 170,075            | 162,777               |
| Amortisation at beginning of year  | 70,294             | 54,313                |
| Amortisation   | 12,619             | 15,981                |
| Derecognition of licences no longer in use                                   | -                  | -                     |
| Amortisation at end of month   | 82,913             | 70,294                |
| <b>Carring value</b>   | <b>87,162</b>      | <b>92,483</b>         |
| <b>11 Financial Assets</b>   |                    |                       |
| The company's financial instruments are summarised by categories as follows: |                    |                       |
| a Available-for-sale financial assets  | 2,938              | 2,938                 |
| Loans & receivables  | 40,299             | 79,193                |
|  | <b>43,237</b>      | <b>82,131</b>         |

The following table compares the fair values of the financial instruments to their carrying values:

Available -for-sale financial assets

|   |              |              |
|---|--------------|--------------|
| Quoted Equity                             |              |              |
| Zenith Bank Plc                           | 2,938        | 2,938        |
| Total available-for-sale financial assets | <u>2,938</u> | <u>2,938</u> |

**b Loans and receivables**

Investment with Cardinalstone Partners

|                  |               |               |
|------------------|---------------|---------------|
| At 1 January     | 79,193        | 29,484        |
| Additions        |               | 652,525       |
| Drawdown         | (38,894)      | (611,759)     |
| Interest accrued | -             | 8,943         |
|                  | <u>40,299</u> | <u>79,193</u> |

CardinalStone Partners Limited is the portfolio management and custodial service provider for the company towards meeting its payment on the bond. The company on a weekly basis remits money to CardinalStone Partners Limited. CardinalStone Partners Limited is however to disburse funds on monthly basis into the transition account maintained by the Bond Trustee (ALM Trustees)

**12 Other Non-Current Financial Asset ( ALM Trustees)**

|                  |                |                |
|------------------|----------------|----------------|
| At 1 January     | 291,145        | 476,717        |
| Additions        | 212,674        | 691,660        |
| Proceeds         | -              | (908,178)      |
| Accrued Interest | -              | 30,945         |
|                  | <u>503,819</u> | <u>291,144</u> |

ALM Trustee are the Bond Trustees for the issuance of N2bn bond by Fidson(issuer). Under the bond agreement, the issuer is required to fund a reserve account with an amount equal to the interest payable on the next payment date. Thereafter, upon the expiration of the moratorium period the issuer shall fund the reserve account on the first business day of each month with an amount equal to 1/6th of the principal payable on the next payment date. The fund is investible by the Bond Trustee and the issuer is restricted from assessing the fund including the accrued interest throughout the 5 year life of the Bond.

**13 Inventories**

|                           |                  |                  |
|---------------------------|------------------|------------------|
| Finished goods            | 208,057          | 299,986          |
| Goods in transit          | 716,451          | 143,231          |
| Raw & Packaging Materials | 167,835          | 612,622          |
| Work in progress          | 22,777           | 29,695           |
|                           | <u>1,115,120</u> | <u>1,085,534</u> |

**14 Trade and other receivables**

a Receivables from related parties

|                       |                  |                  |
|-----------------------|------------------|------------------|
| Trade receivables (b) | 1,836,597        | 2,187,500        |
| Other receivables (c) | 450,323          | 232,991          |
|                       | <u>2,286,920</u> | <u>2,420,491</u> |

Other receivables relate to withholding tax, VAT receivables and staff advances. These are not interest bearing and repayment is within 1 year. As at 31st January 2017,

b As at January 2017, trade receivables of an initial value of N380,129 were impaired and provided for. See the below for the movements in the provision for impairment of receivables.

|                       |                       |
|-----------------------|-----------------------|
|                       | Individually Impaired |
| At 1 January 2017     | 372,902               |
| Charge for the Period | 7,227                 |
| Write off             | -                     |
| At 31 March 2017      | <u>380,129</u>        |

|                          |                |
|--------------------------|----------------|
| At 1 January 2016        | 433,786        |
| Write off of receivables | (198,163)      |
| Charge for the year      | 137,279        |
| At 31 December 2016      | <u>372,902</u> |

c Other receivables

|                                |                |                |
|--------------------------------|----------------|----------------|
| Withholding tax receivables    | 310,504        | 176,217        |
| Value added tax                | -              | -              |
| Sundry debtors and Staff loans | 139,819        | 56,773         |
|                                | <u>450,323</u> | <u>232,990</u> |

**15 Prepayment**

|                      |               |                |
|----------------------|---------------|----------------|
| Advance to suppliers | 78,367        | 94,511         |
| Other prepayments    |               | 23,938         |
|                      | <u>78,367</u> | <u>118,449</u> |

This represents advances made to suppliers for the purchase of factory equipment. Other prepayments include prepaid advert, prepaid insurance and prepaid rent.

**16 Cash and cash equivalents**

|                                 |                |                |
|---------------------------------|----------------|----------------|
| Cash at hand                    | 94             | 4              |
| Bank                            | 132,460        | 245,766        |
| Total cash and cash equivalents | <u>132,554</u> | <u>245,770</u> |

Short-term deposits are made for varying years of between one day and three months, depending on the immediate cash requirements of the company and weighted average interest rate is at 2.5%.

**17 Interest Bearing Loans and borrowings**
**a Interest Bearing Loans and borrowings (Non-Current Portion)**

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Access Bank (CBN Intervention Loan) | 134,655          | 134,655          |
| Bank of Industry                    | 1,057,320        | 1,057,320        |
| Bond to Investors                   | 984,656          | 984,656          |
| Fidelity Bank (FPL)                 | 55,204           | 55,204           |
|                                     | <b>2,231,835</b> | <b>2,231,835</b> |

**b Interest Bearing Loans and borrowings (Current Portion)**

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| Access Bank (CBN Intervention) | 27,126           | 43,301           |
| Bank of Industry               | 225,305          | 297,275          |
| Bond to Investors              | 481,842          | 481,842          |
| Fidelity Bank                  | 18,825           | 21,325           |
| Short term borrowings (a)      | 609,236          | 439,305          |
|                                | <b>1,362,334</b> | <b>1,283,048</b> |

**a Short term borrowings is as follows:**

|                         |                |
|-------------------------|----------------|
| Other Creditors         |                |
| GTB short term loan     | 0              |
| GTB IFF                 | 150,000        |
| Access IFF              | 150,000        |
| FCMB Bankers Acceptance | 154,086        |
| FSDH IFF                | 17,340         |
| STANDARD CHARTERED      | 137,810        |
|                         | <b>609,236</b> |

**18 Obligation under finance lease due after 1 year**

The company has entered into commercial leases on certain motor vehicles. These leases have an average life of between three and five years with no restrictions placed upon the company by entering into these leases.

|  | Mini Lease Payt | Present Value of Payt |
|--|-----------------|-----------------------|
| Finance lease are analysed as follows: |                 |                       |
| Current Obligations                    | 178,658         | 242,986               |
| Non Current Obligations                | 199,620         | 199,620               |
|  | <b>378,278</b>  | <b>442,606</b>        |

**19 Government Grant**

|                                  |                |                |
|----------------------------------|----------------|----------------|
| At 1 January                     | 327,088        | 273,473        |
| Additions                        |                | 124,797        |
| Released to the income Statement | -              | (71,182)       |
| At 31st January                  | <b>327,088</b> | <b>327,088</b> |
| Current                          | 91,982         | 91,982         |
| Non-current                      | 235,106        | 235,106        |
|                                  | <b>327,088</b> | <b>327,088</b> |

This represents the grant elements of CBN intervention and BOI loans, after the loans were re-measured using effective interest rate.

The government grants have been recognised in the statement of financial position and it is being amortised through profit or loss on a systematic basis over the tenure of the loan.

**20 Deferred revenue**

|                            |              |              |
|----------------------------|--------------|--------------|
| At 1 January               | 5,000        | 7,000        |
| Released to profit or loss | -            | (2,000)      |
|                            | <b>5,000</b> | <b>5,000</b> |
| Current                    | 2,000        | 2,000        |
| Non-current                | 3,000        | 3,000        |
|                            | <b>5,000</b> | <b>5,000</b> |

This represents deferred rental income from an insignificant portion of the company's building held to earn rentals.

**21 Taxation**
**a Current tax payable**

|  |                |                |
|--|----------------|----------------|
| At the beginning of the year             | 301,367        | 440,991        |
| Charge for the year                      | 75,753         | 62,945         |
| Payments made on-account during the year | (55,000)       | (202,569)      |
|  | <b>322,120</b> | <b>301,367</b> |

**b Deferred tax liability**

|   |                |                |
|---|----------------|----------------|
| Statement of Financial Position               |                |                |
| At the beginning of the year                  | 418,452        | 342,566        |
| Amount recorded in the income statement       | -              | 64,080         |
| Amount recorded in other comprehensive income | -              | 11,806         |
| Deferred tax liability                        | <b>418,452</b> | <b>418,452</b> |

|   |                  |                  |
|---|------------------|------------------|
| <b>22 Trade and other payables</b>                        |                  |                  |
| Trade payables  | 389,441          | 1,250,045        |
| Accruals  | 1,376,967        | 1,145,086        |
| Other payables (a)  | 1,097,176        | 990,315          |
| Payables to other shareholders of Fidson Products Limited | 843,673          | 843,673          |
|   | <b>3,707,257</b> | <b>4,229,119</b> |

|  |               |               |
|--|---------------|---------------|
| <b>23 Other current financial liabilities</b>        |               |               |
| Commercial paper                                     | <b>65,000</b> | <b>65,000</b> |
| The fair value of the commercial paper is as stated. |               |               |

|  |                  |                 |
|--|------------------|-----------------|
| <b>24 Cash and cash equivalents in Statements of cash flow s</b> |                  |                 |
| Cash and cash equivalents (note 13)                              | 132,554          | 245,770         |
| Bank Overdraft (a)   | (576,076)        | (321,762)       |
|  | <b>(443,522)</b> | <b>(75,992)</b> |

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| <b>a Bank Overdraft Accounts</b> |                  |                  |
| Access Bank                      | (150,923)        | (101,052)        |
| FCMB 2                           | (81,250)         | (81,455)         |
| GTB                              | (241,983)        | (161,647)        |
| UNION                            | (101,920)        | 22,392           |
|                                  | <b>(576,076)</b> | <b>(321,762)</b> |

|   |                |                    |
|---|----------------|--------------------|
| <b>25 Retirement benefit obligations</b>  |                |                    |
| The company has a discontinued its defined benefit gratuity effective 31st December 2013.           |                |                    |
| The scheme was non-contributory and was classified as other employment benefits in line with IAS 19 |                |                    |
| Benefit asset / (liability)   |                |                    |
| Defined benefit obligation  | 337,597        | 342,749,712        |
| Benefit liability   | <b>337,597</b> | <b>342,749,712</b> |

|  |               |               |
|--|---------------|---------------|
| <b>26 Unclaimed Dividend</b>   |               |               |
| Unclaimed Dividend   | <b>62,110</b> | <b>62,110</b> |
| Unclaimed dividend relates to dividend paid in the prior year which was returned by the registrar as they remained unclaimed by the beneficiaries. |               |               |

|   |                  |                  |
|---|------------------|------------------|
| <b>27 Share capital and reserves</b>  |                  |                  |
| Authorised and issued share capital   |                  |                  |
| Authorised share capital  |                  |                  |
| 1,500,000,000 ordinary shares of 50k each   | <b>750,000</b>   | <b>750,000</b>   |
| <b>a Issued and fully paid:</b>   |                  |                  |
| 1,500,000,000 ordinary shares of 50k each   | <b>750,000</b>   | <b>750,000</b>   |
| <b>b Share premium</b>  | <b>2,973,043</b> | <b>2,973,043</b> |
| Share premium arose as a result of premium paid on increase in share capital of 50k from 200,000,000 to 1,500,000,000 ordinary shares in November 2007. |                  |                  |
| <b>c Retained earnings</b>  | <b>2,957,705</b> | <b>2,871,730</b> |

|  |                |                |
|--|----------------|----------------|
| <b>28 Available for sale reserve</b>         |                |                |
| At 1 January                                 | (1,507)        | (1,507)        |
| Other comprehensive income for the year, net |                |                |
|  | <b>(1,507)</b> | <b>(1,507)</b> |

Gain or loss on disposal of equity available for sale financial asset is not taxable. Hence, no deferred tax was recognised for fair value gain or loss. This is to aid any user of this report not familiar with Nigerian tax laws.