Fidson Healthcare Plc
...We value life

FIDSON HEALTHCARE PLC
Lagos, Nigeria

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER, 2017

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER, 2017

	Notes	2017	2017	2016	2016
		Current period	Cummulative Current Period	Last Year Current period	Last Year Cummulative Current Period
		September	September	September	September
		₦'000	₦'000	N'000	N'000
Revenue	3	1,373,618	10,302,532	737,575	4,527,004
Cost of sales	4	673,073	5,079,148	357,478	2,141,075
Gross profit		700,545	5,223,384	380,097	2,385,929
Other operating income		2,170	13,670	-	10,104
Other operating expenses	5	(3,257)	(13,464)	(1,532)	(51,290)
Administrative expenses	6	(262,544)	(1,982,044)	(169,092)	(1,330,705)
Selling and distribution expenses	7	(227,546)	(1,595,170)	(141,377)	(432,382)
Operating profit		209,368	1,646,376	68,096	581,656
Finance costs	8	(51,492)	(623,940)	(47,410)	(460,958)
Finance Income		847	21,068	-	-
Profit before tax		158,723	1,043,504	20,686	120,698
Income tax expense		(47,617)	(313,051)	(6,620)	(38,623)
Profit for the period		111,106	730,453	14,066	82,075
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income, net of tax		111,106	730,453	14,066	82,075

STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED 30 SEPTEMBER, 2017

	NOTES	30th September, 2017 N'000	31st December, 2016 N'000
Assets			
Non Current Assets			
Property, plant and equipment		12,293,845	12,206,210
Investment Property	9	35,500	36,265
Intangible asset	10	106,356	92,483
Available for sale	11a	2,938	2,938
Loans and receivables	11b	95,750	79,193
Other Non-Current Financial Asset	12	476,673	291,144
Total Non Current Assets		**13,011,063**	**12,708,233**
Current assets			
Inventory	13	1,592,643	1,085,535
Trade and other receivables	14	2,630,318	2,420,491
Prepayment	15	29,766	118,448
Cash and cash equivalent	16	206,015	334,228
Total Current Assets		**4,458,742**	**3,958,702**
Total Assets		**17,469,804**	**16,666,935**
Liabilities and Equity			
Non Current Liabilities			
Interest Bearing Loans and borrowings long term	17	2,231,835	2,231,835
Obligation under finance lease due after one year	18	305,948	199,620
Retirement benefit obligations	25	322,634	342,750
Government Grant	19	235,106	235,106
Deferred revenue		1,666	3,000
Deferred tax liabilites	21b	504,322	418,452
Total Non Current Liabilitiies		**3,601,511**	**3,430,763**
Current Liabilities			
Trade and other payables	22	4,372,752	4,229,119
Interest Bearing Loans and borrowings	17b	763,357	1,283,048
Bank Overdraft	24b	842,327	365,293
Other financial liabilities	23	65,000	65,000
Obligation under finance lease due within one year		34,916	242,986
Government Grant		91,982	91,982
Deferred revenue	20	1,667	2,000
Income tax payable	21	385,463	301,367
Unclaimed dividend		62,111	62,111
Total Current Liabilities		**6,619,575**	**6,642,906**
Total Liabilities		**10,221,086**	**10,073,669**
Equity			
Issued capital	27	750,000	750,000
Share premium		2,973,043	2,973,043
Retained earnings		3,527,183	2,871,730
Available for sales reserve	28	(1,507)	(1,507)
Equity attributable to shareholders		**7,248,719**	**6,593,266**
Total Equity		**7,248,719**	**6,593,266**
Total Liabilities and Equity		**17,469,805**	**16,666,935**

24TH October 2017

Managing Director — **Chief Financial Officer**

Dr. Fidelis Ayebae — **Oludare Adanri**

FRC/2014/CIANG/0000002376 — **FRC/2013/ICAN/0000002164**

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER, 2017

	Share capital	Share premium	Retained earnings	Available-for–sale reserve	Total
	₦000	₦000	₦000	₦000	₦000
At 1 January 2017	750,000	2,973,043	2,871,730	(1,507)	6,593,266
Profit for the period	-	-	730,453	-	730,453
Other comprehensive income for the year, net	-	-	-	-	-
Total Comprehensive Income for the year	-	-	730,453	-	730,453
Dividends	-	-	(75,000)	-	(75,000)
At 30 September, 2017	**750,000**	**2,973,043**	**3,527,183**	**(1,507)**	**7,248,719**
At 1 January 2016	750,000	2,973,043	2,602,420	(1,635)	6,323,828
Profit for the period	-	-	82,075	-	82,075
Other comprehensive income for the year, net	-	-	-	-	-
Total Comprehensive Income for the year	-	-	82,075	-	82,075
Dividends	-	-	(75,000)	-	(75,000)
At 30 September, 2016	**750,000**	**2,973,043**	**2,609,495**	**(1,635)**	**6,330,903**

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER, 2017

	30th September, 2017	30th September, 2016
	N'000	N'000
Operating activities:		
Profit before tax from continuing operations	1,043,504	120,698
Non cash adjustment to reconcile profit before tax to net cash flows		
Depreciation and impairment of Property Plant and Equipment	296,634	166,852
Inventory Write-off	-	30,391
Depreciation and impairment of Investment Property	459	688
Ammortisation and impairment of Intangible Assets	7,733	11,394
Interest income on loans and receivables	(6,251)	
Interest income on fixed deposit	(6,893)	-10,104
Finance Costs	602,872	460,958
Employee benefit expense		35850
Changes in operating assets and liabilities:		
(Increase) / Decrease in trade and other receivables	(209,827)	1,465,899
Decrease /(Increase) in prepayments	88,682	3,424
Decrease /(Increase) in Inventories	(507,108)	(59,731)
Increase / (Decrease) in Trade and other payables	143,633	(523,554)
	1,453,438	1,702,765
Income tax paid	(249,825)	(122,570)
Benefits paid	(20,116)	-
Net cash flow from Operating activities	**1,183,497**	**1,580,195**
Cash flows from investing activities		
Purchase of Property, Plant & Equipment	(299,955)	(510,195)
Addition to Intangible Assets	(1,067)	(20,053)
Interest income received	13,670	10,104
Addition to loans and receivables	(16,557)	(142,510)
Proceeds from sale of property, plant and equipment		104,685
Investment in other financial assets	(185,529)	27,324
Net cash (utilised)/ provided by investing activities	**(489,439)**	**(530,645)**
Cash flows from financing activities		
Payments of finance lease liabilities	(208,070)	(128,229)
Interest paid on loans & Borrowings	(602,872)	(460,958)
Dividend paid	(75,000)	
Refund of Dividend	(1)	15,743
Proceed from loans & borrowings	106,328	705,736
Loan Repayment	(519,691)	(685,359)
Net cash (utilised)/ provided by financing activities	**(1,299,306)**	**(553,067)**
Net (decrease)/ increase in cash & cash equivalents	**-605,248**	496,483
Net foreign exchange difference		
Cash & cash equivalent at 1 Jan	(31,065)	(319,801)
Cash & cash equivalent at 30th September	**(636,313)**	**176,682**

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:

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	5
Plant and machinery - Factory	10 to 25
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.

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.

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:

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

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.

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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.

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.

		Sep-17	Sep-16
		N'000	N'000
	Revenue		
3	Over The Counter(OTC)	6,119,399	2,785,380
	Ethical	4,105,995	1,663,013
	Consumer	77,139	78,611
		10,302,533	**4,527,004**
4	**Cost of Sales**		
	Over The Counter(OTC)	2,958,292	1,287,293
	Ethical	2,061,209	795,555
	Consumer	59,647	58,227
		5,079,148	**2,141,075**
5	**Other Operating Expenses**		
	Corporate Social Responsibility	10,288	20,899
	Inventory Write off	-	30,391
	Gift and Donation	3,176	-
		13,464	**51,290**
6	**Administrative Expenses**		
	Salaries	664,424	363,049
	Depreciation & Amortisation	296,634	166,852
	Audit Fee	9,000	8,625
	Travelling	127,461	302,142
	Bad Debt	94,558	38,450
	Diesel & Fuel	275,322	85,109
	Consultancy	9,251	4,763
	Repairs & Maintenance	258,738	184,903
	Others	246,656	200,090
		1,982,044	**1,353,983**
7	**Selling & Distribution Expenses**		
	Promotion and advertisement	624,128	189,791
	Sales expense	741,262	77,786
	Logistic Expenses	229,780	141,527
		1,595,170	**409,104**
8	**Finance Costs**		
	Interest charges on Bank Loan	623,940	460,958
	Interest income on Bank Loan	(21,068)	-
	Interest on Bank Loan	**602,872**	**460,958**

	Sep-17	Dec-16
	N'000	N'000
9 **Investment Property**		
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	(765)	(918)
Carring amount	**35,500**	**36,265**

10 **Intangible assets**		
Product licences		
Cost at beginning of year	162,777	65,329
Cost capitalised	23,657	97,448
Derecognition of licences no longer in use	-	
Cost at end of month	186,434	162,777
Amortisation at beginning of year	70,294	54,313
Amortisation	9,784	15,981
Derecognition of licences no longer in use	-	
Amortisation at end of month	80,078	70,294
Carring value	**106,356**	**92,483**

11 **Financial Assets**

The company's financial instruments are summarised by categories as follows:

a Available-for-sale financial assets	2,938	2,938
Loans & receivables	95,750	79,193
	98,688	**82,131**

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	**2,938**	**2,938**

b Loans and receivables

Investment with Cardinalstone Partners		
At 1 January	79,193	29,484
Additions	413,416	652,525
Drawdown	(403,110)	(611,759)
Interest accrued	6,251	8,943
	95,750	**79,193**

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	561,847	691,660
Proceeds	(383,212)	(908,178)
Accrued Interest	6,893	30,945
	476,673	**291,144**

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	351,618	299,986
Goods in transit	117,262	143,231
Raw & Packaging Materials	206,107	612,622
Work in progress	116,345	29,695
	791,332	**1,085,534**

14 **Trade and other receivables**

a Receivables from related parties

Trade receivables (b)	2,429,140	2,187,500
Other receivables (c)	201,178	232,991
	2,630,318	**2,420,491**

Other receivables relate to witholding tax, VAT receivables and staff advances. These are not interest bearing and repayment is within 1 year
As at 30 September 2017, the ageing analysis of trade receivables is as follows:

b As at September 2017, trade receivables of an initial value of N207,215 were impaired and provided for. See the below for the movements in the provision for impairment of receivables.

	Individually Impaired
At 1 January 2017	138,282
Charge for the Period	
Write off	
At 30 September, 2017	**138,282**

At 1 January 2017	433,786
Write off of receivables	(364,853)
Charge for the year	138,282
At 30 September, 2017	**207,215**

c Other receivables

Witholding tax receivables	133,269	176,217
Value added tax	-	-
Sundry debtors and Staff loans	267,909	56,773
	401,178	**232,990**

15 **Prepayment**

Advance to suppliers	29,766	94,511
Other prepayments		23,938
	29,766	**118,449**

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	28	4
Bank	205,986	232,151
Short-term deposits(including demand and time deposits)	-	102,073
Total cash and cash equivalents	**206,014**	**334,228**

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	
	2,231,835	**2,231,835**	**-**

b Interest Bearing Loans and borrowings(Current Portion)

Access Bank (CBN Intervention)	16,997	43,301
Bank of Industry	125,275	297,275
Bond to Investors	231,842	481,842
Fidelity Bank	44,204	21,325
Short term borrowings (a)	345,039	439,305
	763,357	**1,283,048**

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

Other Creditors	
GTB short term loan	0
GTB IFF	200,000
Access IFF	-
FCMB Bankers Acceptance	112,643
SC IFF	25,066
FSDH IFF	7,330
	345,039

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	34,916	213,702
Non Current Obligations	305,948	199,620
	340,864	**413,322**

19 Government Grant

At 1 January	327,088	273,473
Additions		124,797
Released to the income Statement		(71,182)
At 30 September	**327,088**	**327,088**
Current	91,982	91,982
Non-current	235,106	235,106
	327,088	**327,088**

This represents the grant elements of CBN intervention and BOI loans, after the loans were re-measured using efective 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	(1,667)	(2,000)
	3,333	**5,000**
Current	1,667	2,000
Non-current	1,666	3,000
	3,333	**5,000**

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

21 Taxation

a Current tax payable

At the beggining of the year	301,367	440,991
Charge for the year	333,921	62,945
Payments made on-account during the year	(249,825)	-202,569
	385,463	**301,367**

b Deferred tax liability

Statement of Financial Position

At the beggining of the year	504,322	342,566
Amount recorded in the income statement	-	125,447
Amount recorded in other comprehensive income	-	11,806
Deferred tax liability	504,322	479,819

22 Trade and other payables

Trade payables	923,387	1,250,045
Accruals	1,444,790	1,145,086
Other payables (a)	1,069,221	990,315
Payables to other shareholders of Fidson Products Limited	935,354	843,673
	4,372,752	**4,229,119**

a Other Payables

Other Creditors	951,160	879,194
Witholding tax	105,369	104,346
PAYE	2,658	2,133
Staff Cooperative	4,866	4,642
Staff Pension Fund	5,168	-
	1,069,221	**990,315**

23 Other current financial liabilities

Commercial paper	**65,000**	**65,000**

The fair value of the commercial paper is as stated.

24 Cash and cash equivalents in Statements of cash flows

Cash and cash equivalents (note 13)	206,014	334,228
Bank Overdraft (a)	(842,327)	(321,762)
	(636,313)	**12,466**

a Bank Overdraft Accounts

Access Bank	(115,966)	(101,052)
FCMB 2	(87,844)	(81,455)
UBA	(380,441)	
GTB	(200,000)	(161,647)
SC	(58,076)	22,392
	(842,327)	**(321,762)**

25 Retirement benefit obligations

The company has 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	322,634	377,776
Benefit liability	**322,634**	**377,776**

26 Unclaimed Dividend

Unclaimed Dividend	**62,110**	**62,110**

Unclaimed dividend relates to dividend paid in the prior year which was returned by the registrar as they remained unclaimed by the beneficiaries.

27 Share capital and reserves

Authorised and issued share capital

Authorised share capital		
1,500,000,000 ordinary shares of 50k each	**750,000**	**750,000**

a Issued and fully paid:

1,500,000,000 ordinary shares of 50k each	**750,000**	**750,000**

b Share premium	**2,973,043**	**2,973,043**

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.

c Retained earnings	**2,973,043**	**2,973,043**

28 Available for sale reserve

At 1 January	(1,507)	(1,635)
Other comprhensive income for the year, net		
	(1,507)	**(1,635)**

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.