

PHARMA DEKO PLC
(RC 6711)

**Annual Report and Financial Statements
for the Year Ended 31 December 2015**



(Chartered Accountants)

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Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

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CORPORATE INFORMATION

Directors

Mr F.R.A. Williams (Jr)
Mr. J.A. Abibu
Mr. C.C. Chikeluba
Mr. K.A. Lawson
Mr. S.U. Osai
Chief J.O. Anyigbo
Mr. G.A. Alegieuno
Alhaji B. Zakariyau
Mr. O. I. Bajulaye

Professor Herbert A.B Coker

Chairman
Managing Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Executive Director (Retired on 18 February 2015)
Non-Executive Director

Company Secretary

Unity Trustees Limited
1, Shagamu Avenue Illupeju, Lagos

Company Number

Rc. 6711

Registered Office

Plot C1/1 Okene Close,
Agbara Industrial Estate,
Agbara, Ogun State.
P.O.Box 1479, Apapa Lagos
E-mail : info@pharmadekoplc.com

Auditors

SIAO (Chartered Accountants)
18B, Olu Holloway Road, Ikoyi Lagos.
P.O.Box 55461, Falomo, Ikoyi, Lagos
Tel: 01-4630871, 4630872
Website: www.siao-ng.com
E-mail : enquiries@siao-ng.com

Solicitors to the Company

Chief Rotimi Williams' Chambers
1, Shagamu Avenue Illupeju, Lagos
P.O Box 3426, Marina, Lagos
Tel: 2715354-61, 2719634-7,
7419142, 7349941
Website: www.frawilliams.com
Email: fra@frawilliams.com

Registrars & Transfer Office

Apel Capital & Trust Limited
8, Alhaji Balogun Street
Off Norman Williams Crescent
South/ West Ikoyi, Lagos
P.O.Box 2388, Marina, Lagos.
Tel: 01-8739028, 01-7401444, 01-7401445
E-mail : info@apelasset.com

Bankers

Diamond Bank Plc
Ecobank Nigeria Plc
First City Monument Bank Plc
Standard Chartered Bank Plc
United Bank for Africa Plc

Pharma Deko Plc

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Financial Highlights

	2015	<i>2014</i>	Difference	Difference
	N'000	<i>N'000</i>	N'000	%
Turnover	1,481,964	<i>1,566,190</i>	(84,227)	(5)
Cost of sales	(769,751)	<i>(642,268)</i>	(127,483)	20
Profit on disposal of Pharma Deko Factory 1	620,142	<i>-</i>	620,142	100
Derecognition of loan liabilities	415,476	<i>-</i>	415,476	100
Profit before taxation	701,674	<i>150,171</i>	551,503	367
Taxation	(42,410)	<i>(49,164)</i>	(6,754)	(13)
Profit after taxation	659,264	<i>101,007</i>	558,257	552
Issued Share Capital	108,471	<i>50,000</i>	58,471	117
Total Equity	1,785,197	<i>931,204</i>	853,993	92
Total Non Current Assets	1,317,719	<i>2,000,586</i>	(682,867)	(34)
Total Current Assets	1,252,363	<i>838,643</i>	413,720	49
Total Assets	2,570,082	<i>2,839,229</i>	(269,147)	(9)
Total Non Current Liabilities	72,340	<i>116,089</i>	(43,749)	(38)
Total Current Liabilities	712,545	<i>1,791,935</i>	(1,079,390)	(60)
Total Equity and Liabilities	2,570,082	<i>2,839,229</i>	(269,147)	(9)

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

DIRECTOR'S REPORT

The Directors present their report and Financial Statements of the Company for the year ended 31st December 2015.

Legal Form

The Company was incorporated as a private limited liability company in 1967 as PARKE-DAVIS & CO (NIG.) LTD. In 1980, the Company changed its name to PHARMA DEKO LIMITED, and in pursuance of the Companies and Allied Matters Decree of 1990, is now known as PHARMA DEKO PLC to date.

Principal Activities and Review of Business

The company's principal activities include the manufacturing, packaging and marketing of high quality pharmaceutical and consumer products. The consumer and pharmaceutical products share the same production lines and the company leverages on this to ensure efficiency and effectiveness in its production process.

The company is also engaged in the use of its facilities for manufacturing and packaging services for third parties.

Beneficial Ownership

The Company is 100% owned by Nigerian Citizens.

The following is a summary of the Company's operating result:

	2015 N'000	2014 N'000
Turnover	1,481,964	1,566,190
Cost of Sales	(769,751)	(642,268)
Profit Before Taxation	701,674	150,171
Taxation	(42,410)	(49,164)
Profit After Taxation	<u>659,264</u>	<u>101,007</u>

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

DIRECTORS' REPORT (CONT'D)

Directors

The names of the Directors as at the date of this Report and those who have held office during the referenced year are as follows:

F. R. A Williams (Jr)	Re-appointed on 28 th April 2015
J. A. Abibu	Appointed on 4 th August 2008
S. U. Osai	Re-appointed on 28 th April 2015
C. C. Chikeluba	Re-appointed on 13 th July 2011
G. A. Alegieuno	Re-appointed on 25 th April 2013
K. A. Lawson	Re-appointed on 13 th July 2011
Alh. B. Zakariya'u	Re-appointed on 25 th April 2013
Chief J. O. Anyigbo	Re-appointed on 25 th April 2013
Mr. O. I. Bajulaye	Retired on 18 February 2015
Prof. H. A. B. Coker	Appointed on 28 th April 2015

Directors' Interest

The interest of the Directors in the Share Capital as recorded in the Register of members and/ or as notified by them for purposes of section 276 of the Companies Allied Matters Act 2007 as at 31 December 2015 is as follows:

Directors and their Shareholdings

Directors	No of Shares
F. R. A Williams (Jr)	15,194,440
J. A. Abibu	2,588,170
S. U. Osai	17,520,000
C. C. Chikeluba	23,136,950
G. A. Alegieuno	500,000
K. A. Lawson	300,000
Alh. B. Zakariya'u	1,300
Chief J. O. Anyigbo	25,000,000
Mr. O. I. Bajulaye (Retired)	59,120
Prof. H. A. B. Coker	150,000

Donations and Charity Gifts

There were donations and/or charitable gifts made during the year:

Name of Organization	Donation	=N=
Institutes of Directors on annual awards and charity support	Product Packs	459,680
National Agency for food and drugs administration and control (NAFDAC)	Product Packs	601,800
Others	Product Packs	583,600
		<u>1,645,080</u>

Dividend

The Directors do not recommend any payment of dividend.

Compliance with the Law

The Board ensures that management complies with all the laws relating to the businesses of the company. The Board also ensures that the company co-operates with the relevant Statutory Agencies in the course of carrying out its business. The Directors hereby confirm that the company complied fully with all the requisite regulatory and legal requirements during the financial year.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

DIRECTORS' REPORT (CONT'D)

Corporate Governance

The Company's operations have always been guided by the principles of corporate governance, with the objective of achieving improved corporate performance, whilst enlisting adherence to the highest ethical standards.

The core value of the Company's abiding governance philosophy is integrity in all its operations.

Employment of Disabled Persons

It is the policy of the Company to ensure that there is no discrimination in considering applications for employment including those of physically challenged persons. The policy ensures that disadvantaged persons are afforded, as far as is practicable, identical opportunities with other employees. There was no such physically challenged person employed during the twelve months ended 31st December, 2015.

Health & Safety at Work

The Company places a high premium on the health, safety and welfare of its employees at place of work. All efforts are geared towards providing a safe and conducive working environment for employees. To this end, there is a health and safety policy supported by systems and procedures for ensuring that safe working practices are followed in the performance of all Company functions. In addition, medical facilities at specified limits are provided to confirmed employees at the Company's expense.

Employment Policies

The Company places considerable value on the involvement of its employees and maintains an effective communication with all employees who, subject to practical considerations, are consulted on and involved in decisions that affect their current jobs or future prospects. The Company accordingly holds regular staff meetings to discuss the Company's day-to-day operations, business focus and staff welfare issues.

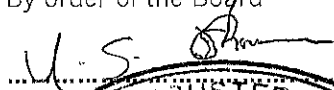
Training & Development

Training courses are geared towards the developmental needs of staff and the improvement in their skill sets to face the increasing challenge required for better performance on their jobs. The Company ensures that staff receives continuous on-the-job training.

Auditors

The auditors, SIAO (Chartered Accountants), having indicated their willingness, will continue in office in accordance with section 357(2) of the Companies and Allied Matters Act, (CAMA) CAP C20 LFN 2004.

By order of the Board


Solomon Osakwe

FRC NO: FRC/2015/NBA/00000011417

Unity Trustees Limited

(Company Secretary)

1, Shagamu Avenue Ilupeju,
Lagos.

Date: 22/3/16

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

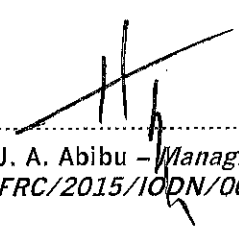
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies and Allied Matters Act CAP C20, LFN 2004 and the Financial Reporting Council of Nigeria Act No 6, 2011 require the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the company at the end of the year and of its profit or loss. The responsibilities include ensuring that the company:

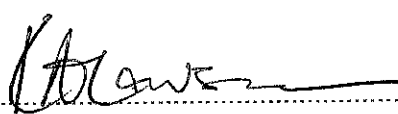
- (a) Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirement of the Companies and Allied Matters CAP C20, LFN 2004 and the Financial Reporting Council of Nigeria Act No 6, 2011;
- (b) Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- (c) Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with the International Financial Reporting Standards (IFRSs) as adopted by the Financial Reporting Council of Nigeria (FRCN) and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit for the year ended 31 December 2015. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate system of internal control. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



J. A. Abibu - *Managing Director*
FRC/2015/IODN/00000011374



K. A. Lawson - *Director*
FRC/2013/ICAN/00000004354

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

REPORT OF THE AUDIT COMMITTEE TO THE MEMBER OF PHARMA DEKO PLC

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, we confirm that we have reviewed the audit plan and scope, and the Management Letter on the audit of the accounts of the Group and the responses to the said Letter.

In our opinion, the plan and scope of the audit for the year ended 31 December, 2015 were adequate. We have reviewed the External Auditors' findings and we are satisfied with the Management responses thereon.

We also confirm that the accounting and reporting policies of the Group are in accordance with the legal requirements and ethical practices.

Dated this 22nd March 2016



Alhaji K. A. Saka
FRC/2015/NIM/00000011491
Chairman Audit Committee

Members

Alhaji. K. A. Saka-Chairman
Chief O. J. Ehichioya
Mr. C. C. Chikeluba
Mr. G. A. Alegieuno
Alhaja. O. T. Assan
Mr. S. U. Osai

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PHARMA DEKO PLC**Report on the Financial Statements**

We have audited the accompanying financial statements of **PHARMA DEKO Plc** for the year ended 31st December 2015, set out on pages 11 to 14 which have been prepared on the basis of the significant accounting policies on pages 15 to 22 and other explanatory notes on pages 23 to 45.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Act CAP C20 LFN 2004 and the Financial Reporting Council of Nigeria Act No.6, 2011. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Nigerian standard on Auditing issued by the Institute of Chartered Accountants of Nigeria (ICAN) and International Standards on Auditing issued by the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

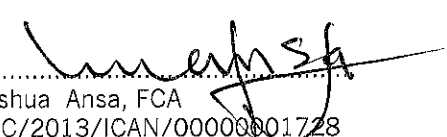
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal

control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

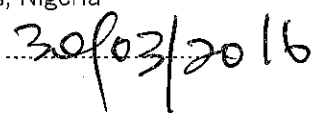
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Company has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies and Allied Matters Act CAP C20 LFN 2004. The financial statements give a true and fair view of the financial position of **PHARMA DEKO PLC** as at 31st December 2015 and of its financial performance and its Cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the Financial Reporting Council of Nigeria (FRC).


Joshua Ansa, FCA
FRC/2013/ICAN/00000001728
For: SIAO (Chartered Accountant)

Chartered Accountants
Lagos, Nigeria

Date: 



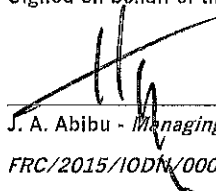
Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

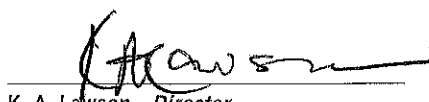
Statement of Financial Position

		2015	2014
	Notes	N'000	N'000
Non - Current Assets			
Property, Plant and Equipment	7	1,294,310	2,000,586
Intangible assets	8	1,709	.
Deferred Tax Asset	18.2	21,700	.
Total Non Current Assets		1,317,719	2,000,586
Current Assets			
Inventories	9	334,516	212,582
Trade Receivables	10	9,657	103,081
Other Receivables and Prepayment	10.1	217,257	158,783
Cash and bank balances	11	690,933	364,196
Total Current Assets		1,252,363	838,643
Total Assets		2,570,082	2,839,229
Equity and Liabilities			
Share Capital	12.1	108,471	50,000
Share Premium	12.2	380,024	243,766
Revaluation Reserve	12.3	1,034,607	1,434,607
Retained Earnings	12.4	262,095	(797,169)
Total Equity		1,785,197	931,204
Non Current Liabilities			
Employee Benefits	13.1	72,340	53,396
Deferred Tax Liability	18.2	.	62,693
Total Non Current Liabilities		72,340	116,089
Current Liabilities			
Loans and Borrowings	14	100,000	884,203
Trade Payables	15	140,038	252,759
Other Payables	16	345,177	643,215
Taxation - Income Tax	18.1	127,330	11,758
Total Current Liabilities		712,545	1,791,935
Total Liabilities		784,885	1,908,024
Total Equity and Liabilities		2,570,082	2,839,229

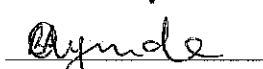
Signed on behalf of the Board of Directors on 22nd March 2016 by:


J. A. Abibu - Managing Director

FRC/2015/IODN/00000011374


K. A. Lawson - Director

FRC/2013/ICAN/00000004354


Ayinde Adegboyega - Chief Financial Officer (Acting)

FRC/2015/ICAN/00000013996

The accounting policies on pages 15 to 22 and the accompanying notes on pages 23 to 44 form an integral part of these financial statements.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2015 N'000	2014 N'000
Revenue	4	1,481,964	1,566,190
Cost of sales	19	(769,751)	(642,268)
		712,213	923,922
Other income	6	885,443	9,370
		1,597,656	933,292
Selling and distribution expenses	20	(171,072)	(213,731)
Administrative expenses	21	(1,100,472)	(492,002)
Impairment of assets	22	(39,913)	10,554
Operating profit		286,198	238,113
Finance Cost	17	-	(87,942)
Profit after Finance Cost		286,198	150,171
Derecognition of Loan Liability	23	415,476	-
Profit before tax		701,674	150,171
Taxation	18.3	(42,410)	(49,164)
Profit from Continuing Operations		659,264	101,007
Loss from Discontinuing Operations		-	-
Profit for the Period		659,264	101,007
Other Comprehensive Income		-	-
Other comprehensive income for the year, net of tax		-	-
Total Comprehensive Income for the Period		659,264	101,007
Earnings per share			
Basic Earnings per share			
Earnings from continued Operations (kobo)	24.1	334	101
Loss from discontinued Operations (kobo)		-	-
Total		334	101

The accounting policies on pages 15 to 22 and the accompanying notes on pages 23 to 44 form an integral part of these financial statements.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

Statement of Changes in Equity

	Share Capital N'000	Share Premium N'000	Revaluation Reserves N'000	Retained Earnings N'000	Total N'000
Balance as at January 1 2015	50,000	243,766	1,434,607	(797,169)	931,204
Total Comprehensive income for the Period					
Profit for the year				659,264	659,264
Transactions in Equity					
Increase in share Capital	58,471	136,258			194,729
Revaluation Surplus			(400,000)	400,000	
	58,471	136,258	(400,000)	1,059,264	853,994
Balance as at December 31 2015	108,471	380,024	1,034,607	262,095	1,785,197
Balance as at January 1 2014	50,000	243,766	1,434,607	(898,176)	830,197
Total Comprehensive income for the Period					
Loss for the year				101,007	101,007
Transactions in Equity					
Increase in share Capital					
Revaluation Surplus				101,007	101,007
Balance as at December 31 2014	50,000	243,766	1,434,607	(797,169)	931,204

The accounting policies on pages 15 to 22 and the accompanying notes on pages 23 to 44 form an integral part of these financial statements.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

Statement of Cash Flow

		2015	2014
	Notes	N'000	N'000
Cash flows from operating activities			
Cash generated from operations	25	(782,327)	518,302
VAT		(72,535)	(39,523)
Tax paid	18.1	(11,230)	(35,971)
Net cash provided by operating activities		(866,092)	442,808
Cash flows from investing activities			
Purchase of fixed assets	7	(238,048)	(65,848)
Purchase of intangible asset	8	(2,197)	-
Proceeds from property, plant and equipment disposal	6.1	1,600,000	-
Net cash (used) by investing		1,359,755	(65,848)
Cash flows from financing activities			
Interest paid on loans and overdrafts	17	-	(87,942)
Loan Returned		-	-
Short term loan		-	-
Increase in Share Capital	12.1	58,471	-
Increase in Share Capital premium	12.2	136,258	-
Net cash (used) by financing activities		194,729	(87,942)
Net increase in cash and cash equivalents		688,392	289,018
Cash and cash equivalents, 1 January		2,541	(286,477)
Cash and cash equivalents, 31 December	11	690,933	2,541

The accounting policies on pages 15 to 22 and the accompanying notes on pages 23 to 44 form an integral part of these financial statements.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

Notes to the Financial Statements

1. Nature of Operations

The company's principal activities include the manufacturing, packaging and marketing of high quality pharmaceutical and consumer products. The consumer and pharmaceutical products share the same production lines and the company leverages on this to ensure efficiency and effectiveness in its production process.

The company is also engaged in the use of its facilities for manufacturing and packaging services for third parties.

2. General Information and Statement of Compliance with IFRS

The financial statements of the company for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the Financial Reporting Council of Nigeria (FRCN). The company produced its first set of IFRS financial statements in 2012.

The financial statements have been prepared under the historical cost convention, unless otherwise stated in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The financial statements comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity, a statement of cash flows, and notes. The financial statements are presented in the functional currency, Nigerian Naira rounded up to the nearest thousand.

3. Summary of Significant Accounting Policies

3.1. Property, Plant and Equipment

Property, Plant and Equipment are tangible assets that can span more than one accounting period. These items are stated at their original cost or fair value less accumulated depreciation and impairment losses.

Land and Building is measured at fair value which is determined every two years. The fair value is determined by engaging the services of an external professional valuer.

Any increase as a result of the revaluation of Land and Building is recognised in other comprehensive income and accumulated in Equity under the heading of Revaluation Surplus. However, the increase is recognised in Profit or Loss to the extent that it reverses a revaluation decrease previously recognised in Profit or Loss. If the revaluation results to a decrease in the carrying amount of Land and Building, the decrease is recognised in profit or loss. However, the decrease is recognised in Other Comprehensive Income to the extent of any credit balance existing in the revaluation surplus in respect of the asset. Any revaluation surplus remaining in Equity on disposal of the asset is transferred to Retained Earnings.

Plant and Machinery, Furniture and Fittings, Motor Vehicles and Computer Equipment are measured at cost.

The initial cost of these assets comprises its purchase price and any costs directly attributable to bringing the asset into operation.

The capitalised value of plant and machinery acquired via finance lease is also included within Property, Plant and Equipment.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

Notes to the Financial Statements (continued)

3.2 Depreciation and Impairment

Depreciation is charged over the estimated useful life of the assets and is calculated at the following rates per annum on cost or valuation:

	%
Buildings	2
Plant and Machinery	10
Furniture and Fittings	15
Motor Vehicles	20
Motor Bike/ Tricycle	50
Computer Equipment	33 ¹ / ₃
Computer Software	33 ¹ / ₃

The useful lives and methods of depreciation of the assets are reviewed at each reporting period and adjusted prospectively if appropriate.

Impairment is measured as the difference between the carrying amount of an asset and its recoverable amount. Recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Impairment is tested for when there is an indication of impairment such as:

- Decline in the market value of an asset;
- Changes in the technological, economic or legal environment resulting in an adverse effect on our activities;
- Obsolescence or damage of assets;
- Worsening performance of assets.

When there is an objective evidence of impairment, the loss is recognised in Profit or Loss except when there has been a previous upward revaluation in which case the impairment loss is recognised directly in equity.

Gains or losses arising on the disposal of Property, Plant and Equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in Profit or Loss within 'other income' or 'other expenses'.

3.3. Fair Value

Land and Building are measured at fair value by reference to market based evidence (Level 1 Fair Value Measurement). The fair value measurement is carried out every two years to ensure that the carrying amount of Land and Building is not materially different from its market value.

3.4. Leased Assets

In accordance with *IAS 17 Leases*, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are owned by Pharma Deko Plc. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs

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Notes to the Financial Statement (continued)

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to Income Statement over the period of the lease.

3.5. Inventories

Inventories are stated at the lower of cost and net realisable value after making adequate provision for obsolete, slow moving and damaged items. In case of goods manufactured by the Company, cost includes production overheads. Stock is valued at weighted average cost and goods in transit at the invoice price. Work-in-progress is stated at cost. Cost in this case consists of direct labour and materials plus appropriate proportion of factory overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.6. Financial Instruments

a. Non Derivative Financial Assets

i. Trade Receivables

Trade receivables are financial assets usually measured at amortised cost less any impairment losses. Since the effect of discounting is immaterial, they are stated at their invoice price.

Trade receivables are assessed annually to determine if there is an objective evidence of impairment. The impairment loss is determined by splitting the receivables into groups of trade receivables that share similar credit risk characteristics. The credit risk groups are to be assessed for impairment using historical loss experience for each group. Such historical loss experience would be adjusted to reflect the effects of current conditions.

Staff Receivables, which are interest free and for a tenor of less than twelve months, is also measured at amortised cost. In this case, it is the face value of the loan.

ii. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

b. Non Derivative Financial Liabilities

The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Trade payables are measured at amortised cost. They are shown at face value because they do not carry any interest and usually have a tenor of up to three months.

Loans and Borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequently, they are measured at amortised cost using the effective interest method.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

Notes to the Financial Statement (continued)

3.7. Taxation

i. Company Income Taxation

Income tax payable is provided on taxable profit at the current statutory rate.

ii Education Tax

Education tax expenses are recognized in the profit and loss account. Current education tax is the expected tax payable on the taxable income for the period, using statutory tax rates at the balance sheet date.

iii. Deferred Taxation

Deferred Taxation, which arises from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method. Based on the IFRS provisions, IAS 12, liability method recognizes all timing differences as temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the Statement of Financial Position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which Pharma Deko Plc expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are measured at the rates that are expected to apply to the year when the asset is realized or the liability settled, based on tax rates (and tax laws) that have been enacted at the Statement of Financial Position date. Deferred tax assets are recognized when it is considered probable (more likely than not) that those assets will be recovered.

3.8. Foreign Currency Transaction

Transactions denominated in foreign currencies are translated into Naira at the ruling rates of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the prevailing exchange rate at the statement of Financial Position date. Any gain or loss arising from a change in exchange rates is charged to the Statement of Profit or Loss and Other Comprehensive Income.

3.9. Employee Benefits

The Company provides a contributory pension fund scheme which is funded by contributions from employees at 8% and employer at 10% based on basic salary, housing and transport allowance in line with the Pension Reform Act of 2014 effective July 1, 2014 (7.5% and 7.5% from January to June 30, 2014). The employers' contribution is charged to the Statement of Profit or Loss and Comprehensive Income. Contributions are expensed in the period they are payable and any unpaid contribution at the end of the period are recognised as a liability.

The Company operates an unfunded non-contributory gratuity scheme. Employee final benefit on this scheme is determined based on the employee's year of service and terminal Salary. This applies to employees who retire, resign or are made redundant or the company terminates their appointment as aforesaid. It does not apply to employees who are dismissed from the company.

3.10. Provisions

Provisions are recognised when the Company has present obligation whether legal or constructive, as a result of past events for which 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 in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2015

Notes to the Financial Statement (continued)

3.11. Operating Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed from time to time by the management of the Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company's operating segments are as follows:

Pharma:	This refers to the pharmaceutical product of the Company.
Consumer:	This refers to the production of beverages; and
Contract:	This refers to the use of the Company's facility for manufacturing and packaging of services to third parties.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise all assets, liabilities and income tax assets and liabilities.

3.12. Revenue

Sales of Goods

The sales of good comprises of pharmaceutical goods and consumer goods. Revenue from the sale of these goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, sales tax and volume rebates. Revenue is recognised upon the exit of goods from the company's warehouse given the availability of adequate goods-in-transit insurance. Revenue is recognised when the amount of revenue can be measured reliably, collection is probable and the costs incurred or to be incurred can be measured reliably.

Rendering of Services

The rendering of services involves the use of the Company's facilities for manufacturing and packaging of goods for third parties. Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, costs incurred and cost to complete can be measured reliably and stage of completion can be ascertained at end of the reporting period. The stage of completion is determined by using the surveys of work completed.

3.13. Discontinued Operations

A discontinued operation represents a component of the company's principal business that is a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

Profit or loss from discontinued operations is presented in a single amount in the income statement. This amount is the post-tax profit or loss of discontinued operations.

3.14. Earnings per Share

The Company presents Basic Earnings per Share (EPS) data for its ordinary shares. The Basic EPS is determined by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.15. Dividend

Dividend on ordinary shares are appropriated from retained earnings and recognized as a liability in the period in which they are declared. Dividends that are proposed but not yet declared are disclosed in the notes to the financial statements.

Pharma Deko Plc

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Notes to the Financial Statement (continued)

3.16. Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

However, the company's property at Okene close which was to be regarded as an investment property was not treated as such because the portion used for production or supply of goods and services is significant compared to the portion used for rent.

3.17 Standards, amendments and interpretations issued but not yet effective

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning on or after 1 January 2016; however, the Company has not applied the following new or amended standards in preparing these financial statements.

The Company does not plan to early adopt these standards. These will be adopted in the period that they become mandatory unless otherwise indicated:

3.17.1 IFRS 9- Financial Instruments - Effective for annual periods beginning on or after 1 January 2018

Classification and measurement of financial assets

IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The IASB completed its project to replace IAS 39 in phases, introducing a fair value through other comprehensive income measurement category for certain simple debt instruments. The completed IFRS 9 as revised in 2014 contains the requirements for:

- a. The classification and measurement of financial assets and liabilities
- b. Impairment methodology
- c. General hedge accounting

The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted. For periods beginning before 1 January 2018, previous versions of IFRS 9 may be adopted provided the relevant date of initial application is before 1 February 2015.

3.17.2 IFRS 14 Regulatory Deferral Accounts - Effective for annual periods beginning on or after 1 January 2016

IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities. The standard is available only to first-time adopters who recognize regulatory deferral account balances under previous GAAP. IFRS 14 permits eligible first-time adopters of IFRSs to continue their previous GAAP rate-regulated accounting policies, with limited changes and requires separate presentation of regulatory deferral account balances in the statement of financial position and statement of profit or loss and other comprehensive income.

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Notes to the Financial Statement (continued)

3.17.3 IFRS 15- Revenue from Contracts with Customers - Effective for annual periods beginning on or after 1 January, 2017

This IFRS establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It is intended to supersede the following standards;

- IAS 18 revenue
- IAS 11 construction contracts
- IFRIC 13 customer loyalty programs
- IFRIC 15 agreements for the construction of real estate
- IFRIC 18 transfer of assets from customers; and
- SIC 31 revenue barter transactions involving advertising services.

IFRS 15 outlines the principles to apply to measure and recognize revenue. These principles are to be applied using a five step model. Each step of the model requires entities to exercise judgment and to consider all relevant facts and circumstances when applying the model to contracts with customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

3.17.4 IFRS 11- Accounting for Acquisitions of Interests in Joint Operations- Amendments to IFRS 11 - Effective for annual periods beginning on or after 1 January 2016

The amendments provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 13 Business Combination. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 13 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment of cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after January 1, 2016.

3.17.5 IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization- Amendments to IAS 16 and IAS 38 - Effective for annual periods beginning on or after 1 January 2016

Amendments to IAS 16 prohibits entities from using a revenue depreciation method for items of property, plant and equipment while IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The presumption could only be rebutted in only two rare circumstances and the amendments apply prospectively for annual periods beginning on or after January 1, 2016.

3.17.6 IAS 16 and IAS 41 Agriculture: Bearer Plants- Amendments to IAS 16 and IAS 41 - Effective for annual periods beginning on or after 1 January 2016

The amendments defines bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. Also, bearer plants can be measured using either cost model or the revaluation models set out in IAS 16.

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Notes to the Financial Statement (continued)

3.17.7 IAS 27 Equity Method in Separate Financial Statements-Amendments to IAS 27 - Effective for annual periods beginning on or after 1 January 2016

This amendment was made to restore the option to use the equity method to account for investments in subsidiaries and associates in the entity's financial statements. Therefore, an entity can account for investment either:

- At cost
- In accordance with IFRS 9(or IAS 39)
- Using equity method

Early application of this amendment is permitted and must be disclosed.

3.17.8 IAS 19 Employee Benefits-Discourt rate: Regulated Market Issue (Annual Improvements 2012-2014 Cycle) - Effective for periods beginning on or after 1st January, 2016

This amendment clarifies that high quality bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

3.17.9 IAS 28- Amendment on Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Effective for annual periods beginning on or after 1st January, 2016

The amendments address a conflict between the requirements of IAS 28 "Investments in Associates and Joint Venture" and IFRS 10 "Consolidated Financial Statements" and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognized depends on whether the assets sold or contributed constitute a business.

The requirements on gain/losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business. Also, gains and losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognized in full in the investor's financial statements. A requirement has been added as to whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

This amendment should be applied prospectively.

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Notes to the Financial Statements (Cont'd)

4 Revenue

	Continuing Operations	Discontinuing Operations	Continuing Operations	Discontinuing Operations
	2015		2014	
	N'000	N'000	N'000	N'000
Pharma	905,382	-	944,586	-
Consumer	573,058	-	609,742	-
Contract	3,524	-	11,862	-
	<u>1,481,964</u>	<u>-</u>	<u>1,566,190</u>	<u>-</u>

The result of the continuing operations is further shown in note 5 (Operating Segments).

5 Operating Segments

Pharma Deko Plc is engaged in the manufacturing and marketing of high quality pharmaceutical and consumer products. The Company has three reportable segments which serve as the Company's strategic business units. These operating segments are assessed and strategic decisions are made on the basis of operating segment results. The following summary describes the operations in each of the reportable segments:

Pharma: This refers to the pharmaceutical products of the Company;

Consumer: This refers to the production of beverages and;

Contract: This refers to the use of the Company's facility for manufacturing and packaging of goods and services to third parties.

Due to the nature of the Company's operations and the relationship among the above segments (sharing of production lines), the assets and the liabilities of the Company cannot be determined on a segmental basis and does not form part of the information provided to management for segmental review. Hence, such information is not disclosed as part of operating segments.

Also Administrative Expenses and Interest Expenses are distributed proportionately to all segments due to the reason mentioned above.

	Pharma	Consumer	Contract	Total
2015	N'000	N'000	N'000	N'000
	905,382	573,058	3,524	1,481,965
Cost of sales:				
· Raw Materials & Other Consumables	311,608	381,929	-	693,537
· Depreciation	34,243	41,971	-	76,214
Selling and Distribution Expenses	104,763	66,309	-	171,072
Admin. Expenses	672,316	425,539	2,617	1,100,472
Impairments	24,384	15,434	95	39,913
Interest Expenses	-	-	-	-
	<u>1,147,314</u>	<u>931,183</u>	<u>2,712</u>	<u>2,081,209</u>
Segment Profit/(Loss) before Income Tax	<u>(241,932)</u>	<u>(358,125)</u>	<u>811</u>	<u>(599,244)</u>
2014	Pharma	Consumer	Contract	Total
	N'000	N'000	N'000	N'000
External Revenue (Segment Revenue)	944,586	609,742	11,862	1,566,190
Cost of sales:				
· Raw Materials & Other Consumables	244,018	319,097	6,617	569,733
· Depreciation	31,067	40,626	843	72,535
Selling and Distribution Expenses	129,887	83,844	-	213,731
Admin. Expenses	296,732	191,544	3,726	492,002
Impairments	(6,365)	(4,109)	(80)	(10,554)
Interest Expenses	53,039	34,237	666	87,942
	<u>748,378</u>	<u>665,239</u>	<u>11,772</u>	<u>1,425,389</u>
Segment Profit before Income Tax	<u>196,208</u>	<u>(55,497)</u>	<u>90</u>	<u>140,801</u>

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Notes to the Financial Statements (Cont'd)

5.1 Reconciliation of Operating Segment revenue to Company Revenue	2015	2014
	N'000	N'000
Revenue for Segments	1,481,964	1,566,190
Discontinued Operations	-	-
Company Revenue	<u>1,481,964</u>	<u>1,566,190</u>
5.2 Reconciliation of Operating Segment Profit/(Loss) to Company Profit/(Loss) before tax	2015	2014
	N'000	N'000
Total Profit/(loss) for Segments	(599,244)	140,801
Elimination of discontinued operations	-	-
	<u>(599,244)</u>	<u>140,801</u>
Add: Unallocated Amount		
Write-back impairment on debtors (Note 10.1)	136,043	-
Profit on Asset Disposal (Note 6.1)	620,142	-
Sale of scrap & impaired motor vehicles	4,417	2,303
Written-back VAT provision	54,102	-
Written-back of overdraft balance	4,904	-
Interest income	65,834	7,067
Company Profit before Income Tax	<u>286,198</u>	<u>150,171</u>
6 Other Income		
Written-back VAT provision	54,102	-
Write-back impairment on debtors (Note 10.1)	136,043	-
Sale of Scrap	4,417	2,303
Profit on Disposal of Pharma Deko (PD) factory 1 (Note 6.1)	620,142	-
Interest income	65,834	7,067
Written-back of overdraft balance	4,904	-
	<u>885,443</u>	<u>9,370</u>
Sale of scrap represents sales from used kegs, drums, caps and nylons. Profit on asset disposal represents profit realised from sale of Pharma Deko (PD) factory 1.		
6.1 Profit on Disposal of Pharma Deko (PD) factory 1	2015	2015
	N'000	N'000
Revaluation Cost	850,000	
Accumulated depreciation	<u>(20,976)</u>	
Net book value		829,024
Expenses on disposal:		
Legal fee paid	84,000	
Consultancy fees paid	66,834	
		<u>150,834</u>
		979,858
Sales proceed		<u>(1,600,000)</u>
		<u>(620,142)</u>

Pharma Deko Plc

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Notes to the Financial Statements (Cont'd)

7 Property, Plant and Equipment

	Land	Buildings	Plant and Machinery	Furniture & Fittings	Motor Vehicles	Computer Equipment	Fixed Assets in Progress	Total
Cost/valuation	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2015	759,000	1,071,000	776,496	2,303	76,970	7,426	-	2,693,194
Additions	133,702	-	16,075	-	6,279	-	81,992	238,048
Disposal	(423,000)	(427,000)	-	-	-	-	-	(850,000)
At 31 December 2015	469,702	644,000	792,571	2,303	83,248	7,426	81,992	2,081,243
Accumulated Depreciation								
At 1 January, 2015	-	48,195	562,404	1,609	23,175	5,269	-	640,653
Charge for the year	-	12,880	63,334	277	14,513	889	-	91,893
Disposal	-	(20,976)	-	-	-	-	-	(20,976)
At 31 December 2015	-	40,099	625,738	1,887	37,688	6,158	-	711,569
Impairment								
At 1 January, 2015	-	-	51,956	-	-	-	-	51,956
Charge for the year	-	-	23,407	-	-	-	-	23,407
At 31 December 2015	-	-	75,363	-	-	-	-	75,363
Net book value								
At 31 December 2015	469,702	603,901	91,470	416	45,560	1,268	81,992	1,294,310
<i>At 31 December 2014</i>	<i>759,000</i>	<i>1,022,805</i>	<i>162,136</i>	<i>694</i>	<i>53,794</i>	<i>2,157</i>	<i>-</i>	<i>2,000,586</i>

7.1 Land and Buildings

In accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards, management in 2012 in the company's first year of adoption of IFRS, elected to adopt the revaluation of Land and Buildings at an open market value of N1,015,000,000 as carried out by Messrs Jide Taiwo and Company (Estate Surveyors and Valuers) on a rolling basis on December 10, 2010 and December 16, 2011. Management considers the valuation done in December 2011 to be representative of the conditions as at December 2010 because there has not been any material change in market conditions. This led to a revaluation surplus of N580,992,630.07 on January 1, 2011.

Subsequently, land and building has been revalued at open market value of N1,830,000,000 (Land - N759,000,000 and Building - N1,071,000,000) by Messrs Kanu Iroegbu and Associates (Estate Surveyors and Valuers) on September 15, 2012. This led to additional revaluation surplus of N853,614,151 as at September 30, 2012.

If the cost model had been used, the carrying amount of the revalued land and building would be N417,499,010 (2011: N424,572,000, 2010: N434,007,000). The revalued amounts include a revaluation surplus of N1,434,606,152 before tax (2011: N580,992,000, 2010: N367,213,000). The amount for 2010 is available for distribution to the shareholders of Pharma Deko Plc while that of 2011 and 2012 is not available for distribution.

7.2 Addition to Land

During the year, a parcel of Industrial land measuring 7,261 square metre beside PD2 was purchased.

7.3 Disposal of Asset

During the year, land and building, specifically Pharma Deko (PD) factory 1, with revalued amount of N423 million and N427 million respectively were disposed at a sales proceed of N1.6 billion. See note 6.1 for the details of the sale.

7.4 Plant and Machinery

As at 31 December 2015, the Company's Two (2) Lines Canning machine and its accessories with cost of N479,474,300 and accumulated depreciation of N456,066,971 was fully impaired to the tune of N23,407,329, the net book value as at the end of the year.

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Notes to the Financial Statements (Cont'd)

8	Intangible Asset	2015	2014
	Computer Software		
	Cost	N'000	N'000
	At 1 January	-	-
	Additions	2,197	-
	At 31 December	2,197	-
	Accumulated amortisation and impairment:		
	At 1 January	-	-
	Amortisation	488	-
	At 31 December	488	-
	Carrying amount		
	At 31 December	1,709	-
9	Inventories	N'000	N'000
	Raw materials	57,580	52,056
	Finished goods	110,193	28,665
	Packaging materials	252,570	203,537
	Consumables	22,064	19,504
	Work in Progress	-	203
		442,407	303,965
	Impaired inventories (note 9.1)	(107,891)	(91,383)
		334,516	212,582

Inventories are measured at the lower of cost and net realisable value. In 2015, a total of N528,991,978 (2014: N416,441,485) inventories were recognised in the cost of sales. There were write-downs of N16,507,126 (2014: N4,409,000) and no reversal of write-down of inventories in 2015 (2014: N18,128,000). None of the inventories are pledged as securities for liabilities.

	2015	2014
9.1	N'000	N'000
Movements in the allowance for impairment of inventories		
At 1 January	91,384	105,102
Charge for the Year	16,507	4,409
Write-back	-	(18,128)
At 31 December	107,891	91,384
10	N'000	N'000
Trade Receivables		
Trade Receivables	9,657	239,125
Impairment of trade receivables (note 10.1)	-	(136,043)
	9,657	103,081

Trade Receivables are non-interest bearing and are generally on a 30 day term.

10.1	Movements in the allowance for impairment of receivables is as follows:		
	At 1 January	136,043	136,043
	Charge for the Year	-	-
	Allowance written-back	(136,043)	-
	At 31 December	-	136,043

Pharma Deko Plc

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Notes to the Financial Statements (Cont'd)

10.2 Other Receivables

	2015	2014
	N'000	N'000
Staff Debtors	7,096	5,696
Cash Advance	-	1
	7,096	5,697
Sundry Receivables	86,557	119,617
Prepayments	1,491	3,017
Deposit for Import - PPE	122,113	22,979
Deferred Right Issue Expenses	-	7,473
	210,161	153,086
	217,257	158,783

Included in Staff Receivables is the unpaid amount of the Company shares allotted to interested employees of the Company in 2002, Interested employees of the Company were allotted the company's shares with an agreement that the allotted shares would be paid for by deducting the shares amount from the employees exit entitlement. The value of this transaction, N2,127,000, has been determined by multiplying the market value of the shares (as at grant date) by the number of shares allotted to the employees.

The prepayments comprises of payment made for rent and insurance (Life Assurance and Industry Risk Insurance).

11 Cash and Cash Equivalents

	2015	2014
	N'000	N'000
Cash at bank	690,914	364,116
Cash in hand	19	80
	690,933	364,196
Bank Overdrafts used for cash management purposes (note 14)	-	(361,655)
Cash and Cash Equivalents in the Statement of Cash Flows	690,933	2,541

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Notes to the Financial Statements (Cont'd)

12 Equity

12.1 Share Capital

The share capital of Pharma Deko Plc consists only of fully paid ordinary shares that carry a par value of 50 kobo per share. These shares entitle the holders to dividend and repayment of capital(at liquidation).

Authorised Ordinary Share Capital

	2015 N'000	2014 N'000
300,000,000 ordinary shares of 50k each	150,000	150,000

Ordinary Shares Issued and Fully Paid

At 1 January	50,000	50,000
Movement during the year (Note 12.5)	58,471	-
At 31 December	108,471	50,000
	Number in thousand of shares	Number in thousand of shares
At 1 January	100,000	100,000
Movement during the year	116,942	-
At 31 December	216,942	100,000

The increase is as a result of Rights issue carried out by the Company during the year. See note 12.5 for details of the right issue.

12.2 Share Premium	2015 N'000	2014 N'000
At 1 January	243,766	243,766
Movement during the year (Note 12.5)	136,258	-
At 31 December	380,024	243,766

12.3 Revaluation Reserve

At 1 January	1,434,607	1,434,607
Transferred revaluation surplus on asset disposal	(400,000)	-
At 31 December	1,034,607	1,434,607

In line with IAS 16, the revaluation surplus of N400 million on the Pharma Deko (PD) factory 1, land and building disposed during the year was transferred to retained earnings.

12.4 Retained Earnings/ (Loss)

At 1 January	(797,169)	(898,176)
Transferred revaluation surplus on asset disposal	400,000	-
Profit/(Loss) for the year	659,264	101,007
At 31 December	262,095	(797,169)

12.5 Rights Issue

The Company successfully completed its rights issue of 150 million ordinary shares of 50 kobo each at N1.80 kobo per share, on the basis of three (3) new ordinary shares for every two (2) ordinary shares held as at the close of business on September 9, 2013, during the year. The issue is being undertaken to refinance existing loan obligations, invest in new factory equipment as well as to provide additional working capital. The rights issue was 77.88% successful and lead to the increase in share capital of 116,942,986 additional shares. The breakdown of the result is as follows:

	2015 N'000	2014 N'000
Share proceeds	210,497	-
Less share expenses	(15,768)	-
Net proceeds	194,729	-
Share capital	58,471	-
Share premium	136,258	-
	194,729	-

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Notes to the Financial Statements (Cont'd)

13 Employee Benefits

The average number of persons employed in the financial year and the related staff costs were as follows:

	2015	2014
	Number	Number
Categories:		
Managerial	14	13
Other Staff	108	115
	<u>122</u>	<u>128</u>
	N'000	N'000
Salaries and Wages	251,630	242,226
Staff Gratuity	132,330	16,349
Pension Contribution	23,328	21,848
Staff Productivity Bonus	-	8,645
Welfare, Training and Development	89,192	89,301
	<u>496,480</u>	<u>378,369</u>

The number of employees in receipt of emoluments excluding allowance and pension fund contributions, within the following range is as follows:

		Number	Number
	N	2015	2014
280,001	330,000	-	-
330,001	380,000	-	-
380,001	430,000	-	-
430,001	480,000	-	-
480,001	530,000	-	-
530,001	580,000	-	-
580,001	630,000	-	-
630,001	680,000	-	-
680,001	730,000	-	-
730,001	780,000	-	19
780,001	830,000	-	1
830,001	880,000	17	29
880,001	930,000	1	-
930,001	1,080,000	26	2
1,080,001	1,180,000	-	20
1,180,001	1,230,000	-	5
1,300,001	1,350,000	3	10
1,350,001	1,400,000	3	0
1,400,001	1,450,000	16	-
1,450,001	1,500,000	5	-
1,500,001	1,550,000	3	-
1,550,001	1,880,000	10	1
1,880,001	2,100,000	15	15
2,330,001	2,380,000	9	13
2,550,001	2,600,000	-	-
2,600,001	4,000,000	9	7
4,000,001	4,950,000	-	-
4,950,001	5,000,000	-	-
5,000,000	5,950,000	-	-
5,950,001	6,000,000	3	3
6,000,001	7,000,000	-	-
7,000,000	8,000,000	-	-
8,000,000	8,800,000	-	-
8,950,001 and above		<u>2</u>	<u>3</u>
		<u>122</u>	<u>128</u>

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Notes to the Financial Statements (Cont'd)

13.1 Post Employment Benefits

The Company operates a defined contribution scheme wherein both the Company and the employees contribute 10% and 8% respectively of the employee's total emolument (basic pay, housing and transport allowance) to a Pension Fund Administrator. As at 31 December 2015, the Company had a liability of N81,451,347 (2014: N97,028,000) as unpaid pension contribution under this scheme.

Defined Contribution Scheme	2015	2014
	N'000	N'000
At 1 January	97,028	108,519
Charge for the year	42,185	40,608
Payments during the year	(57,762)	(52,099)
At 31 December	<u>81,451</u>	<u>97,028</u>

The above balance is recognised under other payable (see note 16)

In addition to the above, the Company also operates a defined benefit scheme (staff gratuity) for its staff. As at 31 December 2015, the Company had a liability of N72,340,441 (2014: N53,396,479) under this scheme. The Management and Audit Committee are of the view that actuary valuation was not necessary in view of the nature of the gratuity.

Defined Benefit Scheme	2015	2014
	N'000	N'000
At 1 January	53,396	75,191
Charge for the year	133,014	16,274
Payments during the year	(114,070)	(38,069)
At 31 December	<u>72,340</u>	<u>53,396</u>

14 Loans and Borrowings – Current Financial Liabilities

	2015	2014
	N'000	N'000
Bank Overdrafts	-	361,655
Commercial Papers	100,000	522,548
	<u>100,000</u>	<u>884,203</u>

In 2014, Bank overdrafts were obtained from various banks including, Zenith International Bank Plc and Skye Bank Plc. The bank overdrafts are secured by a negative pledge on fixed/floating assets of the Company. However, during the year, based on the agreement between Zenith International Bank Plc and the Company, the former accepted the payment of N100 million as full and final settlement for both outstanding principal and interest of N356,750,210.

Also, the Company successfully entered into an exit agreement with Financial Derivatives Company Limited wherein it was agreed that the Company pays a total sum of N200 million as full and final settlement of its total indebtedness of NN335,356,486 by making an immediate payment of N100 million and paying the balance of N100million (non-interest bearing) in two (2) instalmental basis of N50 million each in March 2016 and March 2017. Furthermore, during the year, based on the settlement agreement, Chapel Hill Advisory Partners Limited accepted the payment of N125 million made by the Company as full and final settlement for both outstanding principal and interest of N187,191,993 in respect of the indebtedness on Commercial Paper.

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Notes to the Financial Statements (Cont'd)

15	Trade Payables – Current Financial Liabilities	2015	2014
		N'000	N'000
	Trade Payables	<u>140,038</u>	<u>252,759</u>
	Trade payables are measured at amortised cost. However, because the trade payables are non-interest bearing and have a settlement period of three months hence they are stated at the invoice amount.		
16	Other Payables	2015	2014
		N'000	N'000
	Financial Liability		
	Sundry creditors (16.1)	119,474	368,767
	Accruals	127,863	66,750
	VAT payable	16,389	110,671
	Employee Benefits – Unpaid Contribution (see note 13.1)	81,451	97,028
		<u>345,177</u>	<u>643,216</u>
	Non Financial Liability		
	Deferred rent Income	-	-
	Customers' deposits	-	-
		<u>-</u>	<u>-</u>
	Total	<u>345,177</u>	<u>643,216</u>
16.1	Sundry Creditors	2015	2014
		N'000	N'000
	Other Creditors	52,011	74,866
	Industrial Training Fund	2,529	324
	Commitment Deposit	-	240,000
	Co-operative Society Contribution	-	6,248
	Union Dues	258	184
	Withholding Tax on Dividend	231	231
	Withholding Tax on Services	45,836	17,194
	Pay As You Earn (PAYE)	7,766	23,983
	Salaries and Wages Payable	2,056	-
	1% NSITF	7,886	4,838
	Dividend Payable	900	900
		<u>119,474</u>	<u>368,767</u>

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Notes to the Financial Statements (Cont'd)

17 Finance Cost	2015	2014
Finance cost for the period is as follows:	N'000	N'000
Interest on commercial papers	-	60,544
Interest on bank Overdraft	-	27,347
Interest on finance lease	-	-
Interest on Private Placement	-	-
Loss on foreign exchange	-	52
	<u>-</u>	<u>87,942</u>
Add: Interest on bank overdrafts (Discontinued Operations)	-	-
Total	<u>-</u>	<u>87,942</u>

18 Taxation

18.1 Current Income Tax

	Company Tax	Education Tax	Capital Gain Tax	Total
	N'000	N'000	N'000	N'000
At 1 January	7,475	4,283	-	11,758
Charge for the year	24,901	1,984	99,917	126,802
Payments	(6,946)	(4,283)	-	(11,230)
At 31 December	<u>25,430</u>	<u>1,984</u>	<u>99,917</u>	<u>127,330</u>

The charge for taxation in this financial statement for the year ended 31 December 2015 is based on the provisions of the Companies Income Tax Act, CAP C21, LFN 2004.

The Education tax is based on 2% of assessable profit for the period.

Capital gain tax is based on 10% of chargeable gain on the sales of Pharma Deko factory 1

18.2 Deferred Income Tax	2015	2014
	N'000	N'000
Start of the Year	62,693	24,401
Charge/(Write back) for the year	<u>(84,393)</u>	<u>38,292</u>
End of the Year	<u>(21,700)</u>	<u>62,693</u>

The company has adopted the international Accounting Standard(IAS 12) on deferred taxation computation using the liability method.

18.3 Tax Charge for the Year

Below is the breakdown of the tax charge for year ended December 2015:

	2015	2014
	N'000	N'000
Education tax	1,984	4,283
Minimum tax	-	6,589
Company income tax	24,901	-
Capital gain tax	99,917	-
Deferred tax charge/(write back)	<u>(84,393)</u>	<u>38,292</u>
Total	<u>42,410</u>	<u>49,164</u>

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Notes to the Financial Statements (Cont'd)

18.4 Deferred tax

The following table illustrates the deferred tax balances recognised in the statement of financial position.

	2015 N'000	2014 N'000
Deferred tax on continuing operations		
Deferred tax assets		
Deferred tax liabilities	(21,700)	62,693
Net Balance At 31 December	(21,700)	62,693

The tables below illustrate, in respect of each type of temporary difference, the movements of deferred tax assets and liabilities on continuing operations recognised in the.

Deferred Tax Assets	Recognised in	
	Other Comprehensive Income	Profit or Loss
As at 1 January 2014		
Tax losses	-	-
Provisions	-	-
Other	-	-
As at 31 December 2014		
Tax losses	-	-
Provisions	-	-
Other	-	-
As at 31 December 2015		

The tax losses are recognised as assets because insofar as they exceed taxable profits from the reversal of existing temporary differences, sufficient taxable profits are expected in the tax jurisdictions concerned and a significant amount of those tax losses have unlimited expiry. As a result, there are no unused tax losses for which deferred tax assets have not been recognised.

Deferred tax liabilities	Recognised in		
	Other Comprehensive Income	Profit or Loss	Equity
As at 1 January 2014		24,401	-
Property, plant and equipment	-	38,292	-
Available-for-sale investments	-	-	-
Other	-	-	-
As at 31 December 2014		62,693	-
Property, plant and equipment	-	(84,393)	-
Available-for-sale investments	-	-	-
As at 31 December 2015		(21,700)	-

Deferred tax computation resulted into a deferred tax asset of N21,700,342 (2014: N62,692,635 liabilities)

	2015 N'000	2014 N'000
18.5 Tax Expense Reconciliation		
Profit/(Loss) for the Year	701,674	150,171
Expected tax base on statutory rate of 32%	224,536	48,055
Adjusted for the Effect of:		
Deferred Tax (Asset)/Liability	(84,393)	38,292
Expenses not deductible for Tax purposes	113,497	239,352
Adjustment to tax in respect of prior periods - loss relief	149,820	-
Effect of capital allowances on taxable profit	225,011	(214,157)
Income not liable to tax	(685,976)	(25,195)
Effect of capital gains tax	99,917	-
Other items - effect of minimum tax option	-	(37,182)
Income tax expense recognised in income statement	42,410	49,164
Effective Tax Rate	6.04%	32.74%

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Notes to the Financial Statements (Cont'd)

19 Cost of Sales	2015	2014
Cost of sales for the period is as follows:	N'000	N'000
Contract	-	6,617
Pharma	311,608	244,018
Consumer	381,929	319,097
Depreciation	76,214	72,535
	<u>769,751</u>	<u>642,268</u>
Discontinued operations Company Cost of Sales	-	-
	<u>769,751</u>	<u>642,268</u>
20 Selling and Distribution Cost		
Advertising and distribution	107,809	136,714
Publicity and Promotion	2,793	7,618
Freight	60,470	69,399
	<u>171,072</u>	<u>213,731</u>
Discontinued Operations	-	-
	<u>171,072</u>	<u>213,731</u>
21 Administrative Expenses		
Administrative expense for the period is as follows:		
Directors Benefits:		
Directors Emoluments - Fees	1,650	1,450
Directors Sitting Allowance	22,530	12,091
Directors Travelling Allowance (note 21.1)	78,691	-
Directors Allowance-others (note 21.2)	21,670	-
Sub Total	<u>124,541</u>	<u>13,541</u>
21.1 During the year, outstanding 2014 Directors travelling allowance to the tune of N37,691,300, which was not provided for in the previous year, was paid to the Directors.		
21.2 The sum of N21.67m payable to Managing Director as compensation for non-provision of two official cars from 2008 to 2015		
Personnel cost:		
Staff cost	251,630	242,226
Medical expenses	3,403	2,722
Staff welfare	84,631	81,268
Staff training and development	1,157	5,311
Staff gratuity (note 21.1)	132,330	16,349
Pension	23,328	21,848
Staff Productivity Bonus	-	8,645
Sub Total	<u>496,479</u>	<u>378,369</u>
Office and establishment expenses:		
Telephone and postages	1,205	1,499
Printing and stationeries	1,779	1,462
Newspapers and periodicals	649	783
Rent and rate	31,300	1,180
Subscriptions and donations	1,098	3,655
Transport and travelling	2,177	3,496
Repairs and maintenance	3,926	1,114
Motor running expenses	1,748	1,410
Security and domestic utilities	15,744	16,497
Audit fee	3,500	3,500
Agbara Estate Service charge	10,321	19,085
Annual General Meeting expenses	3,270	3,270
Balance carried forward	<u>76,717</u>	<u>56,952</u>

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Notes to the Financial Statements (Cont'd)

21	Administrative Expenses (continued)	2015 N'000	2014 N'000
	Balance brought forward	76,717	56,952
	Professional charges	80,210	20,452
	Miscellaneous expenses	365	961
	Depreciation and amortisation	16,314	9,829
	Entertainment	768	798
	Insurance	10,239	3,912
	Bad debts written-off (Specific) (note 21.2)	285,766	-
	Bank charges	3,527	2,847
	Secretarial fees	5,548	4,340
	Sub Total	479,452	43,140
	Total	1,100,472	492,002
	Discontinued Operations	-	-
	Company Administrative Expenses	1,100,472	492,002

21.1 During the year, the sum of N109.4million being Ex-Directors entitlement was provided for.

21.2 The sum of N136million and N89million were written off being trade and sundry bad debts carried over from previous years. In addition, the sum of N60,220,034 was written-off in 2015.

22	Impairments	16,507	(13,719)
	Impaired/(write back) on inventory materials	23,407	3,164
	Impaired property, plant and equipments	39,913	(10,554)

23 Derecognition of Loan Liability

The above savings arose from the concessional pay-off of the Company's loan liabilities during the year.

	2015 N'000	2014 N'000
Total loan liabilities	(947,206)	-
Less: settlements, other expenses and withholding tax	-	-
Total settlements to creditors	360,000	-
Consultancy fees paid	171,730	-
	531,730	-
	(415,476)	-

24 Earnings/ (Loss) per Share

Earnings/ (Loss) per Share

The calculation of basic earnings per share was based on the profit for the period of N628,963,000 and a weighted average number of ordinary shares outstanding of 216,942 thousand. Meanwhile, a weighted average number of ordinary shares outstanding of 100,000 thousand and 116,942 thousand for full year and Ten (10) months respectively (2014: 100,000 thousand) was adopted for diluted earnings per share.

	Continued Operations N'000	Discontinued Operations N'000	Total N'000
Profit/(Loss) as at 31 December 2014	101,007	-	101,007
Profit/(Loss) as at 31 December 2015	659,264	-	659,264

24.1 Weighted Average Number of Shares for Basic Earnings Per Share

	2015 Thousand	2014 Thousand
Issued ordinary shares for full year	100,000	100,000
Additional Issued ordinary shares	97,452	-
	197,452	100,000
Basic Earnings Per Share		
Earnings from continued Operations (kobo)	334	101
Profit from discontinued Operations (kobo)	-	-
	334	101

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Notes to the Financial Statements (Cont'd)

25	Reconciliation of Profit before Taxation to Cash generated by Operating Activities	2015 N'000	2014 N'000
	Profit before taxation	701,674	150,171
	Adjustments to reconcile Net profit to Net Cash provided by Operating Activities		
	Depreciation	91,893	82,364
	Amortisation	488	.
	Write back inventory	16,507	(13,719)
	Interest expense	.	87,942
	Profit on PPE disposal	(620,142)	.
	Additional cost on PPE disposal	(170,000)	.
	VAT and WHT provision on PPE disposal	(210,834)	.
	Impairment of assets	23,407	3,162
	Changes in Operating Assets and Liabilities		
	(Increase)/Decrease in Inventories	(138,441)	19,002
	(Increase)/Decrease Trade debtors	93,424	(3,760)
	(Increase)/Decrease Other Debtors and Prepayments	(58,474)	(62,085)
	Increase/(Decrease) in Trade Creditors	(112,720)	(17,506)
	Increase/(Decrease) in Other Creditors	4,494	209,072
	Increase/(Decrease) in Loans and Borrowings	(422,548)	85,454
	Decrease in retirement benefits	18,944	(21,795)
		<u>(1,484,002)</u>	<u>368,131</u>
	Cash provided by operating activities	<u>(782,327)</u>	<u>518,302</u>

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Notes to the Financial Statements (Cont'd)

26 Related party transactions

26.1 Chairman's and Directors' Emoluments

Fees

Chairman	250	250
Other Directors	1,400	1,200
	<u>1,650</u>	<u>1,450</u>
Emoluments as Executives	59,000	46,555
	<u>60,650</u>	<u>48,005</u>

The number of Directors excluding the Chairman whose emoluments were within the following ranges were:

N	N		
5,000,001	7,000,000		
7,000,001	9,000,000		
9,000,001	12,000,000	1	1
12,000,001	and Above	<u>1</u>	<u>1</u>

26.2 Transaction with Key Personnel Management

The Key Management personnel of the Company comprises of both the Board of Directors and the Management Team.

Short term Benefits (Board of Directors)

	2015	2014
Fees:	N'000	N'000
Chairman	250	250
Other Directors	1,400	1,200
	<u>1,650</u>	<u>1,450</u>
Other Emoluments:		
Chairman	-	-
Other Directors	22,530	12,091
	<u>22,530</u>	<u>12,091</u>

Short term Benefits (Management Team)

Salaries and Allowances:	74,132	68,390
Total Short term benefits	<u>74,132</u>	<u>68,390</u>

Post Employment Benefits (Management Team)

Pension	13,344	10,784
	<u>13,344</u>	<u>10,784</u>
Total Benefits to Key Personnel (Management Team)	<u>87,476</u>	<u>79,174</u>

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Notes to the Financial Statements (Cont'd)

26.2 The company's guest house located at Awka close, Agbara Estate belongs to Mr. Alegieuno, a Director of the Company. The rent of the guest house was negotiated at N1,500,000 per annum, payable in advance.

26.3 The Chairman of the Board of Directors is related to:

(i) The Legal Adviser to the Company - Chief Rotimi Williams Chambers. In 2015, services valued at N119,474,563 (2014: N14,834,649) was rendered to the company by the Chambers. The sum of N119,474,563 includes the sum of N84million paid to the Chambers for consultancy services on the sale of Pharma Deko Plant 1.

(ii) The Secretary to the Company - Unity Trustees Limited. The value of services rendered to the company during the year is N5,547,500 (2014: N3,405,000)

During the year, transactions between the related parties and the Company were conducted at arm's length.

27 Financial Instruments

2015	Note	Loans and Receivables	Other Amortised Cost	Total
Financial Assets		N'000	N'000	N'000
Trade Receivables		9,657	-	9,657
Staff Debtors		7,096	-	7,096
Cash Advance		-	-	-
Cash and Cash Equivalent		690,933	-	690,933
Total Financial Assets		707,687	-	707,686
Financial Liabilities				
Loans and Borrowings - Non Current		-	-	-
Loans and Borrowings - Current		-	100,000	100,000
Trade Payables		-	140,038	140,038
Other Payables		-	345,177	345,177
Total Financial Liabilities		-	585,215	585,216

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Notes Notes to the Financial Statements (Cont'd)

2014	Loans and Receivables	Other Amortised Cost	Total
Financial Assets	<i>N'000</i>	<i>N'000</i>	<i>N'000</i>
Trade Receivables	103,081	-	103,081
Staff Debtors	5,696	-	5,696
Cash Advance	-	-	-
Cash and Cash Equivalent	364,196	-	364,196
Total Financial Assets	<u>472,974</u>	<u>-</u>	<u>472,974</u>
Financial Liabilities			
Loans and Borrowings - Non Current	-	-	-
Loans and Borrowings - Current	-	884,203	884,203
Trade Payables	-	252,759	252,759
Other Payables	-	643,216	643,216
Total Financial Liabilities	<u>-</u>	<u>1,780,178</u>	<u>1,780,178</u>

28 FINANCIAL RISK MANAGEMENT

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

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

28.1 Risk Management Framework

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

The Company's risk management policies are established to identify and analyse the risks faced by the company's, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly by the Executive Management to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The company's Internal Audit oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

28.2 Credit Risk

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

	2015	2014
	N'000	N'000
Trade and other receivables	226,914	261,865
Less: Amount due from related party		
Cash and cash equivalents	690,933	364,196
	<u>917,847</u>	<u>626,061</u>

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Notes to the Financial Statements (Cont'd)

28.3 Cash and Cash equivalents

The cash and cash equivalents held as at 31 December 2015 was N690,933,000 (2014: N2,541,000). The cash and cash equivalents are held by banks and financial institutions in Nigeria.

28.4 Liquidity Risk

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

The company has a clear focus on ensuring sufficient access to capital to finance growth and to refinance maturing debt obligations. As part of the liquidity management process, the company has various credit arrangements with some banks which can be utilised to meet its liquidity requirements. At the year end, the company had N100,000,000 (2014: N884,203,000) utilized credit arrangements under loan and overdraft agreements respectively with its bankers.

Typically, the credit terms with clients are more favourable compared to payment terms to its vendors in order to help provide sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

28.5 Non-Derivative Financial Liabilities:

Notes	Carrying amount N'000	Contractual cash flows N'000	Within 1 year N'000	1 - 2 years N'000	2 - 5 years N'000	5 - 10 years N'000
31 December 2015						
Overdraft from banks						
Trade and other payables	485,215	485,215	485,215			
Borrowings	100,000	100,000	100,000			
	585,215	585,215	585,215			
31 December 2014						
Overdraft from banks	336,745	-	361,655			
Trade and other payables	895,975	-	895,975			
Borrowings	522,548	-	522,548			
	1,755,269	-	1,780,179			

28.6 FINANCIAL RISK MANAGEMENT (continued)

Market risk

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

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

28.7 Currency risk

The Company is exposed to currency risk on sales and purchases and borrowings that are denominated in a currency other than the functional currency of the Company, primarily the Naira. The currency in which these transactions primarily are denominated is US Dollars (USD). The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the company aims to reduce the impact of short-term fluctuations on earnings. The company's significant exposure to currency risk relates to its purchases that are mainly in USD. Although the company has various measures to mitigate exposure to foreign exchange rate movement over the longer term, the gains/losses on foreign exchange balances impact on the income statement. The company monitors the movement in the currency rates on an on-going basis.

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Notes to the Financial Statements (Cont'd)

FINANCIAL RISK MANAGEMENT (continued)

28.8 Exposure to currency risk

The company's transactional exposure to US Dollar (USD) was based on notional amounts as follows:

	2015 N'000	2014 N'000
Financial assets		
Due from related parties	-	-
Trade and other receivables	-	-
Cash and cash equivalents	-	-
	<u>-</u>	<u>-</u>
Borrowings		
Due to related parties	-	-
Trade and other payables	-	-
	<u>140,038</u>	<u>252,759</u>
	<u>140,038</u>	<u>252,759</u>
Net statement of financial position exposure	<u>(140,038)</u>	<u>(252,759)</u>

28.9 Sensitivity Analysis

A strengthening of the Naira, as indicated below against the Dollar at 31 December 2015 would have increased (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis at 31 December 2015, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

	Increase/ (decrease) in profit 2015 N'000	Increase/ (decrease) in profit 2014 N'000
USD (5 percent strengthening)	<u>-</u>	<u>-</u>

The following significant exchange rates were applied during the year:

	Average rate 2015	2014	Reporting Rate 2015	2014
US Dollar	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

28.10 Interest rate risk profile:

In managing interest rate risk, the Company aims to reduce the impact of short-term fluctuations in earnings. Dividend pay-out practices seek a balance between giving good returns to shareholders on one hand and maintaining a solid debt ratio on the other hand.

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

	2015 N'000	2014 N'000
Fixed rate instruments		
Financial liabilities	<u>100,000</u>	<u>522,548</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT (continued)

28.11 Capital Risk Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity.

The Company's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2015 N'000	2014 N'000
Total borrowings (note 14)	100,000	884,203
Less: Cash and cash equivalents (note 11)	(690,933)	(364,196)
Net debt	(590,933)	520,007
Total equity	1,785,197	931,204
Total capital Employed	1,194,264	1,451,212
Debt to adjusted capital ratio	8.37	60.93

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

28.12 Financial assets and liabilities

The fair values of financial assets and liabilities, being the carrying amounts are shown in the statement of financial position, are as follows:

	Assets at Fair Value (OCI) N'000	Financial assets N'000	Trade & other receivable N'000	Total N'000	Financial Liabilities	
					N'000	Total N'000
31 December 2015						
Marketable securities (Available for sale financial assets)	-	-	-	-	-	-
Borrowings/Loans	-	-	-	-	100,000	100,000
Trade and other receivables / payables	-	-	226,914	226,914	485,215	485,215
Cash and cash equivalents	-	690,933	-	690,933	-	-
	-	690,933	226,914	917,847	585,215	585,215
31 December 2014						
Marketable securities	-	-	-	-	-	-
Borrowings/Loans	-	-	-	-	884,203	884,203
Trade and other receivables / payables	-	-	261,865	261,865	895,975	895,975
Cash and cash equivalents	-	364,196	-	364,196	-	-
	-	364,196	261,865	626,061	1,780,178	1,780,179

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT (continued)

28.13 Financial Assets and Liabilities (Cont'd)

The terms of the receivables, borrowings and financial liabilities, all carried at amortised cost on the statement of financial position are comparable with the terms of new similar instruments. Consequently, management is of the opinion that the carrying values of these instruments materially approximate their fair values as at the relevant dates stated.

The interest rates used to determine the discount estimated cash flows, where applicable are based on external sources and were as follows:

	2015	2014
Borrowings	15%	15%

Fair Value Hierarchy

Fair Value

31 December 2015

Investment in marketable securities
Investment in subsidiaries

Level 1 N'000	Level 2 N'000	Level 3 N'000
-	-	-
-	-	-

31 December 2014

Investment in marketable securities

-	-	-
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There were no marketable securities during the year.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29 Capital Commitments

There are no material commitment for capital expenditure not provided for in these financial statements.

30 Post Statement of Financial Position Events

The Company is on the concluding phase of its strategic restructuring exercise which includes the issuing of rights issue to existing shareholders and realignment of assets.

31 Contingent Liability

Contingent Liabilities in respect of pending litigations as provided by the Company's solicitor which amounted to N15,769,023 (2014:N30,228,206) have not been provided for in these financial statements as the Directors are of the opinion that the claims will not materialise.

32 Approval of financial statements

The Financial Statements were approved by the Board of Directors on 22/3/16