

PHARMA DEKO PLC
(RC 6711)

**Annual Report and Financial Statements
for the Year Ended 31 December 2017**



(Chartered Accountants)

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Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

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Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

CORPORATE INFORMATION

Directors

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

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@pharmadekopl.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
Fidelity Bank Plc
United Bank for Africa Plc

Pharma Deko Plc

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Financial Highlights

	2017 N'000	2016 N'000	Difference N'000	Difference %
Turnover	1,593,379	1,095,108	498,272	45
Cost of Sales	(830,230)	(595,558)	(234,672)	39
Profit/(Loss) before taxation	39,317	(208,522)	247,839	119
Taxation	(26,709)	(10,182)	(16,528)	162
Profit/(Loss) after taxation	12,607	(218,704)	231,311	106
Issued Share Capital	108,465	108,465	-	-
Total Equity	1,742,536	1,740,776	1,760	0.10
Total Non Current Assets	1,736,359	1,744,662	(8,303)	(0)
Total Current Assets	534,237	579,383	(45,146)	(8)
Total Assets	2,270,595	2,324,045	(53,450)	(2)
Total Non Current Liabilities	100,068	100,349	(281)	(0)
Total Current Liabilities	427,991	482,920	(54,929)	(11)
Total Equity and Liabilities	2,270,595	2,324,045	(53,451)	(2)

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

DIRECTOR'S REPORT

The Directors present their report and audited Financial Statements of the Company for the year ended 31st December 2017.

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 Act 2004, is now known as PHARMA DEKO PLC.

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 also allows 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:

	2017	2016
	N'000	N'000
Turnover	1,593,379	1,095,108
Cost of Sales	(830,230)	(595,558)
Profit/(Loss) before taxation	39,317	(208,522)
Taxation	(26,709)	(10,182)
Profit/(Loss) after taxation	12,607	(218,704)
Other Comprehensive Income(net of tax)	-	206,826
Total Comprehensive (Loss)/Income	12,607	(11,878)

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

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
C. C. Chikeluba	Re-appointed on 4 th May 2017
G. A. Alegieuno	Re-appointed on 28 th July 2016
K. A. Lawson	Re-appointed on 4 th May 2017
Alh. B. Zakariya'u	Re-appointed on 28 th July 2016
Chief J. O. Anyigbo	Re-appointed on 28 th July 2016
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 and Allied Matters Act 2004 as at 31st December 2017 is as follows:

Directors and their Shareholdings

NAME	DIRECT HOLDINGS	INDIRECT HOLDINGS	TOTAL HOLDING	% HOLDING
F. R. A. WILLIAMS (JR)	15,194,440	57,393,000	72,587,440	33.48
J. A. ABIBU	2,588,170	-	2,588,170	1.19
C. C. CHIKELUBA	23,136,950	-	23,136,950	10.67
G. A. ALEGIEUNO	500,000	-	500,000	0.23
K. A. LAWSON	300,000	3,079,141	3,379,141	1.56
ALH. B. ZAKARIYA'U	1,300	11,000,100	11,001,400	5.07
CHIEF J. O. ANYIGBO	25,000,000	-	25,000,000	11.53
PROF. H. A. B. COKER	150,000	-	150,000	0.07

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

DIRECTORS' REPORT (CONT'D)

Donations and Charity Gifts

The following are the donations and /or charitable gifts made during the year 2017:

S/N	RECIPIENT	DONATION	VALUE
1	National Youth Service Corps	Product Packs	19,302
2	Aribabs Orphanage Foundation	Rice & Product Packs	33,404
3	Agbara Community	Product Packs	26,904
4	Agbara Community- Chief	Product Packs	21,351
			100,961

Dividend

The Board of Directors is proposing a dividend of 5 Kobo per ordinary share be paid to members, whose names appear in the Register of Members on the 4th day of May, 2018. The dividend is to be paid on or before 23rd May, 2018.

In 2017, the Board of Directors paid a final dividend of 5K each on the issued share capital of 216,942,986 ordinary shares of 50k each for the year ended 31 December 2016. This was sequel to its approval by shareholders at the 47th AGM held on 4th May, 2017. This was in addition to the interim dividend of 15K paid in 2016 owing to the shareholders' approval at the 46th AGM held on the 28th July, 2016.

A 10% withholding tax was deducted at the time of payment and the payment was appropriated from retained earnings.

Compliance with the Law

The Board ensures that management complied 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.

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, 2017.

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.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

DIRECTORS' REPORT (CONT'D)

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.

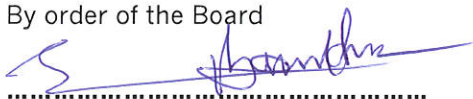
Training & Development

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



Asia Elvic Evbaruovbokhanre
FRC/2016/NBA/0000004224

Unity Trustees Limited
(Company Secretary)
1, Shagamu Avenue Ilupeju,
Lagos.

Date: 28th March 2018

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

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 2017. 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 2017

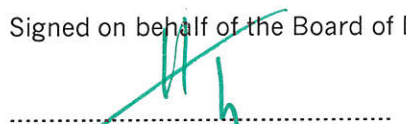
Certification Pursuant to Section 60 (2) of Investment and Securities Act No. 29 of 2007

On behalf of the Directors, we the undersigned hereby certify the following with regards to our Audited Financial Statements for the year ended 31 December 2017 that:

- We have reviewed the report;
- To the best of our knowledge, the report does not contain:
 - Any untrue statement of a material fact, or
 - Omit to state a material fact, which would make the statements misleading in the light of circumstances under which such statements were made;
- To the best of our knowledge, the financial statement and other financial information included in this report fairly present in all material respects the financial condition and results of operation of the company as of, and for the periods presented in this report.
- We:
 - are responsible for establishing and maintaining internal controls.
 - have designed such internal controls to ensure that material information relating to the Company and its consolidated subsidiary is made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared;
 - have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
 - have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;
- We have disclosed to the auditors of the Company and Audit Committee:
 - all significant deficiencies in the design or operation of internal controls which would adversely affect the company's ability to record, process, summarize and report financial data and have identified for the company's auditors any material weakness in internal controls, and
 - any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls;

We have identified in the report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Signed on behalf of the Board of Directors on 28th March 2018 by:


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 2017

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 company and the responses to the said Letter.

In our opinion, the plan and scope of the audit for the year ended 31 December, 2017 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 company are in accordance with the legal requirements and ethical practices.

Dated this ... 15th March 2018



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

Members

Alhaji. K. A. Saka - *Chairman*
Mr. C. C. Chikeluba
Mr. E. A. Anaba
Mr. G. A. Alegieuno
Mr. O. S. Olusegun
Alhaja. O. T. Assan

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Pharma Deko Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pharma Deko Plc, which comprise the statement of financial position as at December 31, 2017, and the statement of profit of loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statement present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) applicable and in the manner required by the Financial Reporting Council Act, 2011 and Companies and Allied Matters Act, CAP C20 LFN 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

The Directors are responsible for the other information. The Other Information comprises all the information in the Pharma Deko Plc 2017 annual report other than the financial statements and our auditors' report thereon ("the Other Information"). Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our Objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations; or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information or business activities of the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Council of Nigeria Act 2011, the Investment and Securities Act 2007 and the Companies and Allied Matters Act, Cap C20, laws of the Federation of Nigeria 2004, we confirm that:

- We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of the audit.
- The Company has kept proper books of account, so far as appears from our examination of those books.
- The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.



For: SIAO (Chartered Accountants)
Lagos, Nigeria.

Engagement Partner: Joshua Ansa
FRC/2013/ICAN/00000001728

Date: 28th March, 2018



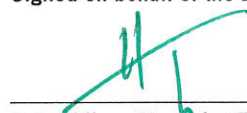
Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

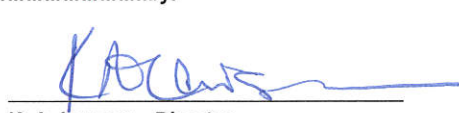
Statement of Financial Position

		2017	2016
		N'000	N'000
Non - Current Assets	Notes		
Property, Plant and Equipment	7	1,736,114	1,733,678
Intangible assets	8	244	977
Deferred Tax Asset	17.2	-	10,007
Total Non Current Assets		1,736,359	1,744,662
Current Assets			
Inventories	9	228,779	331,045
Trade Receivables	10	131,763	7,197
Other Receivables and Prepayment	10.1	110,737	195,715
Cash and bank balances	11	62,958	45,426
Total Current Assets		534,237	579,383
Total Assets		2,270,595	2,324,045
Equity and Liabilities			
Share Capital	12.1	108,465	108,465
Share Premium	12.2	380,009	380,009
Revaluation Reserve	12.3	1,241,432	1,241,432
Retained Earnings	12.4	12,629	10,869
Total Equity		1,742,536	1,740,776
Non Current Liabilities			
Employee Benefits	13.1	95,752	100,349
Deferred Tax Liability	17.2	4,316	-
Total Non Current Liabilities		100,068	100,349
Current Liabilities			
Loans and Borrowings	14	-	50,000
Trade Payables	15	82,862	53,050
Other Payables	16	231,773	268,976
Tax Payable	17.1	113,356	110,894
Total Current Liabilities		427,991	482,920
Total Liabilities		528,059	583,269
Total Equity and Liabilities		2,270,595	2,324,045

Signed on behalf of the Board of Directors on 28th March 2018 by:


J. A. Abibu - Managing Director

FRC/2015/IODN/00000011374


K. A. Lawson - Director

FRC/2013/ICAN/00000004354

 28th March 2018
Ayinde Adegboyega - Chief Financial Officer (Acting)

FRC/2016/ICAN/00000013996

The accounting policies on pages 19 to 27 and the accompanying notes on pages 28 to 49 form an integral part of these financial statements.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2017 N'000	2016 N'000
Revenue	4	1,593,379	1,095,108
Cost of sales	18	(830,230)	(595,558)
		<u>763,150</u>	<u>499,549</u>
Other income	6	4,139	37,547
		<u>767,289</u>	<u>537,096</u>
Selling and distribution expenses	19	(192,189)	(137,171)
Administrative expenses	20	(535,784)	(608,447)
		<u> </u>	<u> </u>
Profit/(loss) before tax		39,317	(208,522)
Taxation	17.3	(26,709)	(10,182)
		<u> </u>	<u> </u>
Profit/(loss) after tax		12,607	(218,704)
Other Comprehensive Income			
Revaluation surplus(net of tax)	7.3	-	206,826
		<u> </u>	<u> </u>
Other comprehensive income for the year, net of tax		-	206,826
		<u> </u>	<u> </u>
Total Comprehensive Income/(loss) for the Period		12,607	(11,878)
		<u> </u>	<u> </u>
Earnings/(Loss) Per Share			
Basic Earnings/(Loss) per share (kobo)	21.1	5.81	(101)

The accounting policies on pages 19 to 27 and the accompanying notes on pages 28 to 49 form an integral part of these financial statements.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

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 2017	108,465	380,009	1,241,433	10,869	1,740,777
Total Comprehensive income for the Period					
Profit for the year	.	.	.	12,607	12,607
Transactions in Equity					
Dividend paid				(10,847)	(10,847)
Refund on Right Issue	.	.	.		.
Revaluation Surplus (net of tax)	.	.	.	.	.
	.	.	.	1,761	1,762
Balance as at December 31 2017	108,465	380,009	1,241,433	12,630	1,742,538
Balance as at January 1 2016	108,471	380,024	1,034,607	262,095	1,785,198
Total Comprehensive income for the Period					
Loss for the year				(218,703)	(218,703)
Transactions in Equity					
Dividend paid				(32,523)	(32,523)
Increase in share Capital	(6)	(15)			(21)
Revaluation Surplus	.	.	206,826	.	206,826
	6	15	206,826	(251,226)	(44,420)
Balance as at December 31 2016	108,465	380,009	1,241,433	10,869	1,740,777

The accounting policies on pages 19 to 27 and the accompanying notes on pages 28 to 49 form an integral part of these financial statements.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

Statement of Cash Flow

		2017	2016
	Notes	N'000	N'000
Cash flows from operating activities			
Cash generated from operations	22	115,212	(305,913)
VAT		(17,294)	(13,462)
Tax paid	17.1	(9,923)	(26,618)
Net cash provided by operating activities		87,995	(345,993)
Cash flows from investing activities			
Purchase of fixed assets	7	(59,617)	(269,770)
Insurance claim proceeds from accidented motor vehicle	6.1		2,798
Net cash (used) by investing		(59,617)	(266,972)
Cash flows from financing activities			
Dividend paid	12.4	(10,847)	(32,523)
(Decrease)/ Increase in Share Capital	12.1	-	(6)
(Decrease)/ Increase in Share Capital premium	12.2	-	(15)
Net cash (used) by financing activities		(10,847)	(32,543)
Net increase in cash and cash equivalents		17,532	(645,508)
Cash and cash equivalents, 1 January		45,426	690,934
Cash and cash equivalents, 31 December	11	62,958	45,426

The accounting policies on pages 19 to 27 and the accompanying notes on pages 28 to 49 form an integral part of these financial statements.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

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 2017 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.

Annual Report and Financial Statements for the Year Ended 31 December 2017

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
Guest House Equipment	20
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

Annual Report and Financial Statements for the Year Ended 31 December 2017

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.

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

ii. 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 2017

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.

Annual Report and Financial Statements for the Year Ended 31 December 2017

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 Application of new and amended standards

For the preparation of these financial statements, the following amendments to Standards are mandatory for the first time for the financial year beginning 1 January 2017.

• Amendments to IAS 7 titled Disclosure Initiative (issued in January 2016)

The amendments require entities to provide information that enables users of financial statements to evaluate changes in liabilities arising from the entity's financing activities. The effect of the amendments on the financial statements has been the inclusion of additional disclosures.

• Amendments to IAS 12 titled Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016)

The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base (eg deferred tax asset related to unrealised losses on debt instruments measured at fair value), as well as certain other aspects of accounting for deferred tax assets. The amendments had no effect on the financial statements.

• Amendments to IFRS 12 (Annual Improvements to IFRS Standards 2014–2016 Cycle, issued in December 2016)

The amendments clarify that the disclosure requirements of the Standard apply to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations except for summarised financial information for those interests. The amendments had no effect on the financial statements.

3.18 Standards, amendments and interpretations issued but not yet effective

The Company has not applied the following new or amended standards that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2017 (the list does not include information about new or amended requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to IFRS Statements Limited). The Directors anticipate that the new standards and amendments will be adopted in the Company's financial statements when they become effective. The Company has assessed, where practicable, the potential effect of all these new standards and amendments that will be effective in future periods.

• Amendments to IAS 28 (Annual Improvements to IFRS Standards 2014–2016 Cycle, issued in December 2016)

The amendments, applicable to annual periods beginning on or after 1 January 2018 (earlier application permitted), clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments are not expected to have an effect on the Company's financial statements.

Annual Report and Financial Statements for the Year Ended 31 December 2017

Notes to the Financial Statement (continued)

• Amendments to IAS 40 titled Transfers of Investment Property (issued in December 2016)

The amendments, applicable to annual periods beginning on or after 1 January 2018 (earlier application permitted), clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred. The amendments are not expected to have a material effect on the Company's financial statements.

• Amendments to IFRS 2 titled Classification and Measurement of Share-based Payment Transactions (issued in June 2016)

The amendments, applicable to annual periods beginning on or after 1 January 2018 (earlier application permitted), clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment (SBP) transactions, the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity-settled. The amendments are not expected to have a material effect on the company's consolidated financial statements.

• Amendments to IFRS 4 titled Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued in September 2016)

The amendments, applicable to annual periods beginning on or after 1 January 2018, give all insurers the option to recognise in other comprehensive income, rather than in profit or loss, the volatility that could arise when IFRS 9 is applied before implementing IFRS 17 ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying IFRS 9, thus continuing to apply IAS 39 instead ('the deferral approach'). As the Company has not issued insurance contracts, the amendments are not expected to have an effect on its financial statements.

• Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)

The amendments address a current conflict between the two Standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after 1 January 2016, was deferred indefinitely in December 2015 but earlier application is still permitted. This is not expected to have an effect on the Company's financial statements.

• IFRS 9 Financial Instruments (issued in July 2014)

The Standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018 (earlier application permitted). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.

IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, IFRS 9 introduces an "expected credit loss (ECL)" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

Annual Report and Financial Statements for the Year Ended 31 December 2017

Notes to the Financial Statement (continued)

For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. The recognition and derecognition provisions are carried over almost unchanged from IAS 39. Apart from equity investments classified currently as available-for-sale and measured at fair value through other comprehensive income that should be measured at fair value through profit or loss under IFRS 9, all the financial assets and financial liabilities should continue to be measured on the same bases as currently under IAS 39.

Concerning impairment, the Directors expect to apply the simplified approach to recognise lifetime ECL for the trade receivables. Although the Directors are currently assessing the extent of this impact, they anticipate that the application of the ECL model of IFRS 9 will result in earlier recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until the detailed review that is in progress has been completed. In particular, the implementation of the new ECL model proves to be challenging and might involve significant modifications to the company's credit management systems.

As the new hedge accounting requirements will align more closely with the Company's risk management policies, a preliminary assessment of the Company's current hedging relationships indicate that they will qualify as continuing hedging relationships upon application of IFRS 9. The Directors do not anticipate that the application of the IFRS 9 hedge accounting requirements will have a material impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers (issued in May 2014 and amended for effective date and clarifications in September 2015 and April 2016 respectively)

The Standard, effective for annual periods beginning on or after 1 January 2018 (earlier application permitted), replaces IAS 11, IAS 18 and their Interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (eg the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The Directors anticipate that IFRS 15 will be adopted in the Company's financial statements when it becomes mandatory, and they intend to use the full retrospective method of transition to the new Standard.

Based on the current accounting treatment of the Company's major sources of revenue the Directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Company, apart from providing more extensive disclosures on the Company's revenue transactions. However, as the Directors are still in the process of assessing the full impact of the application of IFRS 15 on the Company's financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the Directors complete the detailed review.

IFRS 16 Leases (issued in January 2016)

The Standard, effective for annual periods beginning on or after 1 January 2019 (earlier application permitted only if IFRS 15 also applied), replaces IAS 17 and its Interpretations. The biggest change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The Directors anticipate that IFRS 16 will be adopted in the Company's financial statements when it becomes mandatory.

Annual Report and Financial Statements for the Year Ended 31 December 2017

Notes to the Financial Statement (continued)

The Directors do not anticipate that the application of IFRS 16 will have an impact on the amounts recognised in the Company's financial statements as the company is not involved in leasing as at the year end.

• IFRS 17 Insurance Contracts (issued in May 2017)

The Standard that replaces IFRS 4, effective for annual periods beginning on or after 1 January 2021 (earlier application permitted only if IFRS 9 and IFRS 15 also applied), requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts, giving a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. As the Company has neither issued insurance contracts nor held reinsurance contracts, the Standard is not expected to have an effect on its financial statements.

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

Notes to the Financial Statements (Cont'd)

4 Revenue

	Continuing Operations 2017 N'000	Continuing Operations 2016 N'000
Pharma	868,094	474,669
Consumer	725,285	620,440
	<u>1,593,379</u>	<u>1,095,108</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.

2017	Pharma N'000	Consumer N'000	Total N'000
External Revenue (Segment Revenue)	<u>868,094</u>	<u>725,285</u>	<u>1,593,379</u>
Cost of sales:			
- Raw Materials & Other Consumables	340,394	454,522	794,916
- Depreciation	15,122	20,192	35,314
Selling and Distribution Expenses	104,707	87,482	192,189
Admin. Expenses	291,902	243,882	535,784
Impairments	-	-	-
Interest Expenses	-	-	-
	<u>752,125</u>	<u>806,077</u>	<u>1,558,202</u>
Segment Profit/(Loss) before Income Tax	<u>115,969</u>	<u>(80,791)</u>	<u>35,178</u>
2016	Pharma N'000	Consumer N'000	Total N'000
External Revenue (Segment Revenue)	<u>474,669</u>	<u>620,440</u>	<u>1,095,108</u>
Cost of sales:			
- Raw Materials & Other Consumables	197,099	370,064	567,163
- Depreciation	9,868	18,527	28,395
Selling and Distribution Expenses	59,456	77,715	137,171
Admin. Expenses	263,728	344,719	608,447
Impairments	-	-	-
Interest Expenses	-	-	-
	<u>530,151</u>	<u>811,026</u>	<u>1,341,177</u>
Segment Loss before Income Tax	<u>(55,482)</u>	<u>(190,586)</u>	<u>(246,069)</u>

Pharma Deko Plc

Annual Report and Financial Statements for the Year Ended 31 December 2017

Notes to the Financial Statements (Cont'd)

5.1 Reconciliation of Operating Segment revenue to Company Revenue	2017	2016
	N'000	N'000
Revenue for Segments	1,593,378	1,095,108
Discontinued Operations	-	-
Company Revenue	<u>1,593,378</u>	<u>1,095,108</u>
5.2 Reconciliation of Operating Segment Profit/(Loss) to Company Profit/(Loss) before tax	2017	2016
	N'000	N'000
Total Profit/(loss) for Segments	35,178	(246,068)
	<u>35,178</u>	<u>(246,068)</u>
Add: Unallocated Amount		
Exchange gain	-	5,673
Sale of scrap & impaired motor vehicles	4,135	1,864
Write-back of provision	-	21,222
Interest income	4	8,241
(Loss)/ Profit on Disposal of Motor Vehicles	-	546
Company Profit/(Loss) before Income Tax	<u>39,317</u>	<u>(208,521)</u>
6 Other Income		
Write-back of provision	-	21,222
Exchange gain	-	5,673
Sale of Scrap	4,135	1,864
Profit on Disposal of Motor Vehicles	-	546
Interest income	4	8,241
	<u>4,139</u>	<u>37,547</u>

Sale of scrap represents sales from used kegs, drums, caps and nylons.

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 2017	485,612	658,838	150,785	9,115	97,473	10,637	383,351	1,795,810
Additions	-	6,199	46,375	364	1,288	848	4,542	59,617
Movement			178,389				(178,389)	-
At 31 December 2017	485,612	665,036	375,550	9,479	98,761	11,485	209,504	1,855,428
Accumulated Depreciation								
At 1 January, 2017	-	-	-	2,421	52,219	7,493	-	62,134
Charge for the year	-	13,369	26,542	1,213	14,854	1,202	-	57,180
At 31 December 2017	-	13,369	26,542	3,634	67,073	8,695	-	119,313
Net book value								
At 31 December 2017	485,612	651,668	349,008	5,844	31,688	2,790	209,504	1,736,114
<i>At 31 December 2016</i>	<i>485,612</i>	<i>658,838</i>	<i>150,785</i>	<i>6,694</i>	<i>45,254</i>	<i>3,144</i>	<i>383,351</i>	<i>1,733,678</i>

7.1 Land and Buildings

In December 29, 2016, land and building were revalued at open market value of N485,612,495 (land with structured - N340,412,495 and land without structured - N145,200,000) and N658,837,700 respectively by Messrs Jide Taiwo & Co. (Estate Surveyors and Valuers). This led to a total revaluation surplus of N67,650,108 as at December 29, 2016. However, after considering 10% deferred capital gain on land, it resulted into total revaluation surplus (net of tax) of N66,059,108 as at December 29, 2016. The company revalues its Property Plant and Equipment every two years.

7.2 Plant and Machinery

On December 31, 2016, Plant and Machinery in operation and in-progress were revalued at open market value of N150,785,225 and N383,351,186 respectively by Sola Oluseyi & Co. (Estate Surveyors & Valuers) (FRC/2014/NIESV/00000009167). This led to revaluation surplus of N49,845,682 and N101,023,348 in Plant and Machinery in operation and in-progress respectively, representing total surplus of N150,869,030 as at December 31, 2016. However, after considering 10% deferred capital gain on Plant and Machinery in-progress, it resulted into total revaluation surplus (net of tax) of N140,767,030 as at December 29, 2016.

7.3 Revaluation Surplus

2017 - The company elects to revalue its Property, Plant and Equipment every two years. There was no revaluation in 2017

2016**7.3.1 Revalued land and building**

	N'000	N'000	N'000	N'000
	Land		Building	Total
Cost:				
Land 1 with structure	336,000			
Land 2 without structure	133,702			
Total cost		469,702	660,211	1,129,914
Accumulated Depreciation		-	(53,114)	(53,114)
Carrying cost		469,702	607,098	1,076,800
Market value:				
Land 1 with structure	340,412			
Land 2 without structure	145,200			
		485,612	658,838	1,144,450
Revaluation surplus		15,910	51,740	67,650
Less: Deferred Capital Gain Tax (10%)		(1,591)	-	(1,591)
Revaluation surplus (net of tax)		14,319	51,740	66,059

7.3.2 Revalued Plant and machinery

	in Operation N'000	In Progress N'000	Total N'000
Cost	817,421	282,328	1,099,749
Accumulated Depreciation	(641,118)	-	(641,118)
Impairment	(75,363)	-	(75,363)
Carrying cost	100,940	282,328	383,267
Market value	150,785	383,351	534,136
Revaluation surplus	49,846	101,023	150,869
Less: Deferred Capital Gain Tax (10%)	-	(10,102)	(10,102)
Revaluation surplus (net of tax)	49,846	90,921	140,767
Total Revaluation surplus	65,756	152,763	218,519
Less: Total Deferred Capital Gain Tax (10%)	(1,591)	(10,102)	(11,693)
Total Revaluation surplus (net of tax)	64,165	142,661	206,826

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Notes to the Financial Statements (Cont'd)

8	Intangible Asset	2017	2016
	Computer Software		
	Cost	N'000	N'000
	At 1 January	2,197	2,197
	Additions	-	-
	At 31 December	2,197	2,197
	Accumulated amortisation and impairment:		
	At 1 January	1,221	488
	Amortisation	732	732
	At 31 December	1,953	1,221
	Carrying amount		
	At 31 December	244	977
9	Inventories	N'000	N'000
	Raw materials	114,386	99,035
	Packaging materials	74,782	77,550
	Consumables	25,126	25,627
	Finished goods	14,485	128,833
		228,779	331,045
	Impaired inventories (note 9.1)	-	-
		228,779	331,045

Inventories are measured at the lower of cost and net realisable value. In 2017, a total of ₦653,922,654 (2016: ₦449,204,550) inventories were recognised in the cost of sales. There was nil write-down (2016: Nil) and no reversal of write-down of inventories in 2017 (2016: Nil). None of the inventories were pledged as securities for liabilities.

9.1 Movements in the allowance for impairment of inventories

	2017	2016
	N'000	N'000
At 1 January	-	-
Charge for the Year	-	-
Write-back	-	-
At 31 December	-	-
10 Trade Receivables	N'000	N'000
Trade Receivables	131,763	7,197
Impairment of trade receivables	-	-
	131,763	7,197

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

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Notes to the Financial Statements (Cont'd)

	2017	2016
	N'000	N'000
10 Other Receivables		
Staff Debtors	2,169	6,560
Cash Advance	-	-
	<u>2,169</u>	<u>6,560</u>
Sundry Receivables	72,990	88,830
Prepayments	12,486	5,462
Deposit for Import - PPE	23,091	51,625
Prepaid Housing Allowance	-	43,238
	<u>108,568</u>	<u>189,155</u>
	<u>110,737</u>	<u>195,715</u>

Included in Staff Debtors 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).

	2017	2016
	N'000	N'000
11 Cash and Cash Equivalents		
Cash at bank	62,935	45,422
Cash in hand	23	4
	<u>62,958</u>	<u>45,426</u>
Cash and Cash Equivalents in the Statement of Cash Flows	<u>62,958</u>	<u>45,426</u>

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	2017	2016
	N'000	N'000
300,000,000 ordinary shares of 50k each	<u>150,000</u>	<u>150,000</u>
Ordinary Shares Issued and Fully Paid		
At 1 January	108,465	108,471
Movement during the year (Note 12.5)	-	(6)
At 31 December	<u>108,465</u>	<u>108,465</u>

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Notes to the Financial Statements (Cont'd)

Ordinary Shares Issued and Fully Paid - (Cont'd)	2017	2016
	Number in thousand of shares	Number in thousand of shares
At 1 January	216,930	216,942
Movement during the year		(12)
At 31 December	216,930	216,930

The decrease in 2016 was as a result of refund by the Company to untraceable names on the list of qualified shareholders.

	2017	2016
	N'000	N'000
12.2 Share Premium		
At 1 January	380,009	380,024
Movement during the year (Note 12.5)	-	(15)
At 31 December	380,009	380,009

12.3 Revaluation Reserve		
At 1 January	1,241,432	1,034,607
Transferred revaluation surplus on revalued/ (disposed) asset(net of tax)		206,826
At 31 December	1,241,432	1,241,432

In line with IAS 16, the revaluation surplus of N67.65 million realised on the revalued PD (factory) 2's land and building was credited to revaluation reserve in 2016. Also, the revaluation surplus of N49.85 million realised on the revalued Plant and Machinery was credited to revaluation reserve in 2016.

12.4 Retained Earnings/ (Loss)		
At 1 January	10,869	262,095
Transferred revaluation surplus on asset disposal	-	-
Dividend paid	(10,847)	(32,523)
(Loss)/ Profit for the year	12,607	(218,703)
At 31 December	12,629	10,869

During the year, the directors paid a final dividend of 5K as approved by shareholders at the 47th AGM held on 4th May, 2017. Accordingly, the gross dividend of N10,846,580 was paid out of 2016 retained profit.

In 2016, the directors proposed that an interim dividend of 15 kobo per ordinary share be paid to shareholders and this was approved by the shareholders at the 46th Annual General Meeting (AGM) held on Thursday 28 July, 2016. Accordingly, the gross dividend of N32,522,924 was paid out of retained profit in the year 2015.

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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:

	2017	2016
Categories:	Number	Number
Managerial	7	14
Other Staff	110	130
	<u>117</u>	<u>144</u>
	N'000	N'000
Salaries and Wages	222,603	228,092
Staff Gratuity	26,350	75,588
Pension Contribution	28,215	28,730
Welfare, Training and Development	82,099	87,208
	<u>359,267</u>	<u>419,617</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	2017	2016
830,001	880,000	.	.
880,001	930,000	26	34
930,001	1,080,000	21	26
1,080,001	1,180,000	.	.
1,180,001	1,230,000	.	.
1,300,001	1,350,000	3	3
1,350,001	1,400,000	.	.
1,400,001	1,450,000	3	3
1,450,001	1,500,000	12	15
1,500,001	1,550,000	.	3
1,550,001	1,880,000	12	14
1,880,001	2,100,000	1	24
2,330,001	2,380,000	18	8
2,380,001	2,430,000	3	.
2,550,001	2,600,000	3	.
2,600,001	4,000,000	7	9
4,000,001	4,950,000	3	.
4,950,001	5,000,000	.	.
5,000,000	5,950,000	2	.
5,950,001	6,000,000	.	3
6,000,001	7,000,000	1	.
7,000,000	8,000,000	.	.
8,000,000	8,800,000	.	.
8,950,001 and above		2	2
		<u>117</u>	<u>144</u>

Pharma Deko Plc**Annual Report and Financial Statements for the Year Ended 31 December 2017****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 2017, the Company had a liability of ₦76,975,961 (2016: ₦66,166,939) as unpaid pension contribution under this scheme.

Defined Contribution Scheme	2017	2016
	N'000	N'000
At 1 January	66,167	81,451
Charge for the year	44,121	48,446
Payments during the year	(33,312)	(63,730)
At 31 December	<u>76,976</u>	<u>66,167</u>

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

Defined Benefit Scheme	2017	2016
	N'000	N'000
At 1 January	100,349	72,340
Charge for the year	39,521	76,043
Payments during the year	(44,118)	(48,034)
At 31 December	<u>95,752</u>	<u>100,349</u>

The Management and the Audit Committee are of the view that actuarial valuation was not necessary in view of the nature of the gratuity.

14 Loans and Borrowings – Current Financial Liabilities

	2017	2016
	N'000	N'000
Bank Overdrafts	-	-
Commercial Papers	-	50,000
	<u>-</u>	<u>50,000</u>

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. Also in 2016, 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. According to the exit agreement, the first instalment of N50 million was made in the year 2016. The final N50 million made in March 2017.

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Notes to the Financial Statements (Cont'd)

15	Trade Payables – Current Financial Liabilities	2017	2016
		N'000	N'000
	Trade Payables	82,862	53,050

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	2017	2016
		N'000	N'000
	Financial Liability		
	Sundry creditors (16.1)	71,321	109,251
	Accruals	69,026	74,699
	VAT payable	14,449	18,859
	Employee Benefits – Unpaid Contribution (see note 13.1)	76,976	66,167
		231,773	268,976

16.1	Sundry Creditors	2017	2016
		N'000	N'000
	Other Creditors	831	35,657
	Industrial Training Fund	9,442	5,678
	Union Dues	352	152
	Withholding Tax on Dividend	231	231
	Withholding Tax on Services	46,210	45,392
	Pay As You Earn (PAYE)	2,137	2,072
	Salaries and Wages Payable	2,728	10,499
	NSITF	8,489	8,670
	Dividend Payable (note 16.1.1)	900	900
		71,321	109,251

16.1.1 Proposed Dividend

In respect of the current year, the directors proposed that a dividend of 5 kobo (2016: 5 kobo) per ordinary share be paid to shareholders. The dividend is subject to the approval of shareholders at the Annual General Meeting (AGM) and has not been included as a liability in these financial statements. Dividend to shareholders is now accounted for on the date of declaration as it does not meet the criterion of present obligation as per IAS 37. The proposed dividend will be subject to withholding tax at the appropriate rate and it is payable to shareholders whose names appear in the Register of Members at closure date. The gross dividend to be paid is N10.847million (2016: N10.847million).

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Notes to the Financial Statements (Cont'd)

17 Tax Payable

17.1 Current Income Tax 2017

	Company Tax	Education Tax	Capital Gain Tax	Total
	N'000	N'000	N'000	N'000
At 1 January	10,933	44	99,917	110,894
Charge for the year (Minimum tax)	10,779	1,606	-	12,386
Payments	(9,923)	-	-	(9,923)
At 31 December	<u>11,789</u>	<u>1,651</u>	<u>99,917</u>	<u>113,356</u>

The charge for taxation in this financial statement for the year ended 31 December 2017 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.

17.2 Deferred Income Tax

	2017	2016
	N'000	N'000
Start of the Year	(10,007)	(21,700)
Charge/(Write back) for the year	14,324	11,693
End of the Year	<u>4,316</u>	<u>(10,007)</u>

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

17.3 Tax Charge for the Year

Below is the breakdown of the tax charge for year ended December 2016:

	2017	2016
	N'000	N'000
Education tax	1,606	-
Minimum tax	10,779	10,182
Company income tax	-	-
Capital gain tax	-	-
Deferred tax charge/(write back)	14,324	-
Total	<u>26,709</u>	<u>10,182</u>

17.4 Deferred tax

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

Deferred tax on continuing operations	2017	2016
	N'000	N'000
Deferred tax assets	10,007	10,007
Deferred tax liabilities	(14,324)	-
Net Balance At 31 December	<u>(4,317)</u>	<u>10,007</u>

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.

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Annual Report and Financial Statements for the Year Ended 31 December 2017

Notes to the Financial Statements (Cont'd)

Deferred tax liabilities	Recognised in		
	Other Comprehensive Income	Profit or Loss	Equity
As at 1 January 2016	.	21,700	.
Property, plant and equipment	.	11,693	.
Available-for-sale investments	.	.	.
Other	.	.	.
As at 31 December 2016	.	(10,007)	.
Property, plant and equipment	.	.	.
Available-for-sale investments	.	.	.
Revaluation surplus	.	14,324	.
As at 31 December 2017	.	4,317	.

Deferred tax computation resulted into a deferred tax liability of ₦14,323,688 (2016: ₦10,006,869 Asset). Deferred capital gain tax of ₦11,693,300 (₦1,591,000 and ₦10,102,300 on land and plant & machinery in-progress respectively) on revaluation surplus was recognised in the year 2016.

	2017 N'000	2016 N'000
17.5 Tax Expense Reconciliation		
Profit/(Loss) for the Year	39,317	(208,522)
Expected tax base on statutory rate of 32%	11,795	(62,557)
Adjusted for the Effect of:		
Deferred Tax (Asset)/Liability	14,324	.
Expenses not deductible for Tax purposes	17,165	23,090
Adjustment to tax in respect of prior periods - loss relief	(24,097)	39,100
Balancing charge	-	530
Effect of capital allowances on taxable profit	-	.
Income not liable to tax	(1,379)	(164)
Effect of capital gains tax	-	.
Education tax	1,606	.
Other items - effect of minimum tax option	10,779	10,182
Income tax expense recognised in income statement	26,709	10,182
Effective Tax Rate	68%	-4.88%
18 Cost of Sales		
Cost of sales for the period is as follows:	N'000	N'000
Pharma	340,394	197,099
Consumer	454,522	370,064
Depreciation	35,314	28,395
	830,230	595,558
Discontinued operations - Cost of Sales	-	-
	830,230	595,558

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Notes to the Financial Statements (Cont'd)

	2017	2016
	N'000	N'000
19 Selling and Distribution Cost		
Advertising & Publicity	8,954	6,085
Rebate & Promotion	120,201	76,949
Distribution & Freight	63,034	54,138
	<u>192,189</u>	<u>137,171</u>
Discontinued Operations	-	-
	<u>192,189</u>	<u>137,171</u>
20 Administrative Expenses		
Administrative expense for the period is as follows:		
Directors Benefits:		
Directors Emoluments - Fees	1,650	1,650
Directors Sitting Allowance	22,868	32,545
Directors Travelling Allowance	20,000	20,000
Other Expenses	680	6,675
Sub Total	<u>45,198</u>	<u>60,870</u>
Personnel cost:		
Staff cost	222,603	228,092
Medical expenses	5,606	2,920
Staff welfare	75,561	81,784
Staff training and development	933	2,503
Staff gratuity	26,350	75,588
Pension	28,215	28,730
Staff Productivity Bonus	-	-
Sub Total	<u>359,267</u>	<u>419,617</u>
Office and establishment expenses:		
Telephone and postages	3,868	2,663
Printing and stationeries	2,223	2,373
Newspapers and periodicals	522	23
Rent and rate	1,500	3,192
Subscriptions and donations	38	2,289
Transport and travelling	2,481	3,709
Repairs and maintenance	8,052	11,889
Motor running expenses	1,481	2,040
Security and domestic utilities	17,424	11,205
Audit fee	4,725	4,725
Agbara Estate Service charge	7,721	7,390
Annual General Meeting expenses	4,888	5,468
Balance carried forward	<u>54,922</u>	<u>56,965</u>

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Notes to the Financial Statements (Cont'd)

20	Administrative Expenses (continued)	2017	2016
		N'000	N'000
	Balance brought forward	54,922	56,965
	Professional charges	40,040	31,287
	Miscellaneous expenses	206	398
	Depreciation and amortisation	17,949	19,103
	Entertainment	1,048	2,726
	Insurance	11,323	9,166
	Bank charges	1,747	2,455
	Secretarial fees	4,084	5,861
	Provision for Arbitral Award	-	-
	Sub Total	<u>131,319</u>	<u>127,961</u>
	Total	<u>535,784</u>	<u>608,447</u>
	Discontinued Operations	-	-
	Company Administrative Expenses	<u>535,784</u>	<u>608,447</u>

21 Earnings/(Loss) Per Share

The calculation of the basic earnings/(loss) per share was based on the profit/(loss) for the year and weighted average number of ordinary shares outstanding:

	Continued	Discontinued	Total
	Operations	Operations	
	N'000	N'000	N'000
Loss at 31 December 2016	<u>(218,704)</u>	<u>-</u>	<u>(218,704)</u>
Profit as at 31 December 2017	<u>12,607</u>	<u>-</u>	<u>12,607</u>

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Notes to the Financial Statements (Cont'd)

21.1 Weighted Average Number of Shares for Basic Earnings Per Share	2017	2016
	Thousand	Thousand
Issued ordinary shares for full year	216,930	216,942
(Refunded)/ Additional Issued ordinary shares	-	(12)
	216,930	216,930
Basic Earnings Per Share	2017	2016
Earnings/(Loss) per share from continued Operations (kobo)	5.81	(101)
	5.81	(101)
22 Reconciliation of Profit before Taxation to Cash generated by Operating Activities	2017	2016
	N'000	N'000
Profit/(Loss) before taxation	39,317	(208,522)
Adjustments to reconcile Net profit to Net Cash provided by Operating Activities		
Depreciation	57,180	46,668
Amortisation	732	732
(Loss)/ Profit on PPE disposal	-	(546)
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Inventories	102,266	3,472
(Increase)/Decrease Trade debtors	(124,566)	2,460
(Increase)/Decrease Other Debtors and Prepayments	84,978	21,542
Increase/(Decrease) in Trade Creditors	29,812	(86,988)
Increase/(Decrease) in Other Creditors	(19,911)	(62,740)
Increase/(Decrease) in Loans and Borrowings	(50,000)	(50,000)
Decrease in retirement benefits	(4,597)	28,009
	75,896	(97,392)
Cash provided by operating activities	115,212	(305,913)
23 Related party transactions	2017	2016
The Company had transactions with the following related parties during the year:		
23.1 Chairman's and Directors' Emoluments	N'000	N'000
Fees		
Chairman	250	250
Other Directors	1,400	1,400
	1,650	1,650
Emoluments as Executives	43,548	69,875
	45,198	71,525

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Notes to the Financial Statements (Cont'd)

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

N	N	2017	2016
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	1	1

23.2 Transaction with Key Personnel

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

Short term Benefits (Board of Directors)	2017	2016
Fees:	N'000	N'000
Chairman	250	250
Other Directors	1,400	1,400
	<u>1,650</u>	<u>1,650</u>
Other Emoluments:		
Chairman	-	-
Other Directors	20,000	20,000
	<u>20,000</u>	<u>20,000</u>
Short term Benefits (Management Team)		
Salaries and Allowances:	-	67,919
Total Short term benefits	<u>-</u>	<u>67,919</u>
Post Employment Benefits (Management Team)		
Pension	-	12,226
	<u>-</u>	<u>12,226</u>
Total Benefits to Key Personnel (Management Team)	<u>-</u>	<u>80,145</u>

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.

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

(i) The Legal Adviser to the Company - Chief Rotimi Williams Chambers. In 2017, services valued at ₦10,500,000 (2016: ₦22,402,317) was rendered to the company by the Chambers.

(ii) The Secretary to the Company - Unity Trustees Limited. The value of services rendered to the company during the year was ₦4,084,000 (2016: ₦5,861,250).

(iii) Impact Business Consulting Services - The value of consultancy services rendered to the Company during the year is ₦17.7million (2016: ₦26 million).

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Notes to the Financial Statements (Cont'd)

24 Financial Instruments

2017	Note	Loans and Receivables	Other Amortised Cost	Total
Financial Assets		N'000	N'000	N'000
Trade Receivables		131,763	-	131,763
Staff Debtors		2,169	-	2,169
Cash Advance		-	-	-
Cash and Cash Equivalent		62,958	-	62,958
Total Financial Assets		196,890	-	196,889
Financial Liabilities				
Loans and Borrowings - Current		-	-	-
Trade Payables		-	82,862	82,862
Other Payables		-	231,773	231,773
Inocme Tax Payable		-	113,356	113,356
Total Financial Liabilities		-	427,991	427,991
2016		Loans and Receivables	Other Amortised Cost	Total
Financial Assets		N'000	N'000	N'000
Trade Receivables		7,197	-	7,197
Staff Debtors		6,560	-	6,560
Cash Advance		-	-	-
Cash and Cash Equivalent		45,426	-	45,426
Total Financial Assets		59,183	-	59,183
Financial Liabilities				
Loans and Borrowings - Current		-	50,000	50,000
Trade Payables		-	53,050	53,050
Other Payables		-	268,976	268,976
Inocme Tax Payable		-	110,894	110,894
Total Financial Liabilities		-	482,920	482,920

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Annual Report and Financial Statements for the Year Ended 31 December 2017

Notes to the Financial Statements (Cont'd)

25 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.

25.1 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.

25.2 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.

	2017	2016
	N'000	N'000
Trade and other receivables	242,501	202,912
Cash and cash equivalents	62,958	45,426
	<u>305,459</u>	<u>248,338</u>

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Notes to the Financial Statements (Cont'd)

25.3 Cash and Cash equivalents

The cash and cash equivalents held as at 31 December 2017 was ₦62,958,000 (2015: ₦44,373,000). The cash and cash equivalents are held by banks and financial institutions in Nigeria.

25.4 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 Nil (2016: ₦50,000,000) utilized credit arrangements under loan and overdraft agreements respectively.

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.

25.5 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 2017						
Overdraft from banks	-	-	-	-	-	-
Trade and other payables	427,991	427,991	427,991	-	-	-
Borrowings	-	-	-	-	-	-
	427,991	427,991	427,991	-	-	-
31 December 2016						
Overdraft from banks	-	-	-	-	-	-
Trade and other payables	432,920	-	432,920	-	-	-
Borrowings	50,000	-	50,000	-	-	-
	482,921	-	482,921	-	-	-

25.6 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.

25.7 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.

FINANCIAL RISK MANAGEMENT (continued)**25.8 Sensitivity Analysis**

A strengthening of the Naira, as indicated below against the Dollar at 31 December 2017 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 2017, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

	Increase/ (decrease) in profit 2017 N'000	Increase/ (decrease) in profit 2016 N'000
USD (5 percent strengthening)	-	-

The following significant exchange rates were applied during the year:

	Average rate 2017	2016	Reporting Rate 2017	2016
US Dollar	-	-	-	-

25.9 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:

Fixed rate instruments	2017 N'000	2016 N'000
Financial liabilities	-	50,000

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT (continued)

25.11 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:

	2017 N'000	2016 N'000
Total borrowings (note 14)	-	50,000
Less: Cash and cash equivalents (note 11)	(62,958)	(45,426)
Net cash/ (debt)	(62,958)	4,574
Total equity	1,742,536	1,740,776
Total capital Employed	1,679,578	1,745,350
Debt to adjusted capital ratio	-	2.86

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.

25.12 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 2017						
Marketable securities (Available for sale financial assets)	-	-	-	-	-	-
Borrowings/Loans	-	-	-	-	-	-
Trade and other receivables / payables	-	-	242,501	242,501	427,991	427,991
Cash and cash equivalents	-	62,958	-	62,958	-	-
	-	62,958	242,501	305,459	427,991	427,991
31 December 2016						
Marketable securities	-	-	-	-	-	-
Borrowings/Loans	-	-	-	-	50,000	50,000
Trade and other receivables / payables	-	-	202,912	202,912	432,920	432,920
Cash and cash equivalents	-	45,426	-	45,426	-	-
	-	45,426	202,912	248,338	482,920	482,921

Pharma Deko Plc

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26 Capital Commitments

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

27 Post Period 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.

There is a dispute in respect of canning contract between Pharma Deko Plc and Guinness Nigeria Ltd which was terminated by the latter on 21st October 2008. The Arbitrator awarded the sum of N195,167,986.87 in favor of Pharma Deko Plc with interest at 4% and the sum of N21,222,421.43 in favor of Guinness Plc. In total, the net sum of N175,699,317.99 was awarded in favour of Pharma Deko Plc. However, management had initiated steps to recover the award.

Subsequent to the end of the reporting period, the Board of Directors proposed a final dividend of ₦0.00(2016: 5K) each on the issued share capital of 216,931,595 ordinary shares of 50k each as at 31 December 2017.

Celebration Brewing Company filed an action against Pharma Deko Plc seeking to enforce the arbitral award made by Hon. Justice Abdullahi Mustapha OFR in the arbitration between Pharma Deko and Celebration Brewing Company in the sum N13,895,706.64. Celebration Breweries also claims interest at 15%.

28 Contingent Liability

A contingent liability in favour of Celebration Breweries Ltd amounting to N13,895,707 has not been provided for in these financial statements; the Directors are of the opinion that no liability will arise as there is a pending appeal which the Company's Solicitors have advised is likely to succeed.

29 Approval of financial statements

The Financial Statements were approved by the Board of Directors on... 28th March 2018

Other national disclosures

Pharma Deko Plc

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VALUE ADDED STATEMENTS

	2017		2016	
	N'000	%	N'000	%
Revenue	1,593,379		1,095,108	
Other loss/ gain	4,139		37,547	
	1,597,518		1,132,653	
Less: Bought in materials and services	(1,126,699)		(874,158)	
Value (Eroded)/ Added	470,819	100	258,495	100
Applied as follows				
To Pay Employees				
Salaries, wages and other benefits	359,267	76	419,617	162
To Pay Providers of Capital				
Finance costs	-	-	-	-
To Pay Government				
Tax	26,709	6	10,182	4
To Provide for Enhancement of Assets and Growth				
Depreciation	57,913	11	47,400	18
Deferred Tax	14,323.69	3	-	-
Retained (Loss)/Profit	12,607	4	(218,704)	(85)
	470,819	100	258,495	100

"Value added" represents the additional wealth the company has been able to create by its own and employees' efforts. This statement shows the allocation of that wealth among employees, capital providers, government and that retained for future creation of more wealth.

Pharma Deko Plc

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FIVE YEAR FINANCIAL SUMMARY

Statement of Financial Position

	2017	2016	2015	2014	2013
	N'000	N'000	N'000	N'000	N'000
Assets Employed					
Non Current Assets					
Property, Plant and Equipment	1,736,114	1,733,678	1,294,310	2,000,586	2,020,263
Intangible assets	244	977	1,709	-	-
Deferred Tax Asset	-	10,007	21,700	-	-
	<u>1,736,359</u>	<u>1,744,662</u>	<u>1,317,719</u>	<u>2,000,586</u>	<u>2,020,263</u>
Current Assets	534,237	579,383	1,252,363	838,643	477,873
Total Assets	<u>2,270,595</u>	<u>2,324,045</u>	<u>2,570,082</u>	<u>2,839,228</u>	<u>2,498,136</u>
Equity and Liabilities					
Total Equity					
Share Capital	108,465	108,465	108,471	50,000	50,000
Share Premium	380,009	380,009	380,024	243,766	243,766
Revaluation Reserve	1,241,432	1,241,432	1,034,607	1,434,607	1,434,607
Retained Earnings	12,629	10,869	262,095	(797,169)	(898,176)
	<u>1,742,536</u>	<u>1,740,775</u>	<u>1,785,199</u>	<u>931,204</u>	<u>830,198</u>
Non-Current Liabilities	100,068	100,349	72,340	116,089	99,593
Current Liabilities	427,991	482,920	712,545	1,791,935	1,568,346
Total Equity and Liabilities	<u>2,270,595</u>	<u>2,324,045</u>	<u>2,570,083</u>	<u>2,839,229</u>	<u>2,498,136</u>

Statement of Profit or Loss and Other Comprehensive Income

	2016	2015	2014	2013	2012
	N'000	N'000	N'000	N'000	N'000
Revenue	<u>1,593,379</u>	<u>1,095,108</u>	<u>1,481,964</u>	<u>1,566,190</u>	<u>1,060,308</u>
(Loss)/Profit before taxation	39,317	(208,522)	701,674	150,171	(127,993)
(Loss) / Profit after taxation	12,607	(218,704)	659,265	101,007	(121,182)
Issued Share Capital of 50K each (number)	216,930	216,930	197,452	100,000	100,000
(Loss)/Earning per share	<u>6</u>	<u>(101)</u>	<u>334</u>	<u>101</u>	<u>(121)</u>

The (loss)/earning per share is based on the shareholding of 216,931,595 ordinary shares of 50k each at 31 December, 2017.