



PHARMA DEKO PLC
(Registration number 6711)

**Annual Report and Financial Statements
for the year ended December 31, 2019**



Chartered Accountants
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Pharma Deko Plc

(Registration number 6711)

Annual Report And Financial Statements for the year ended December 31, 2019

General Information

Country of incorporation and domicile	Nigeria
Nature of business and principal activities	Manufacturing, packaging and marketing of high quality pharmaceutical and consumer products
Directors	Mr. F.R.A. Williams (Jr) Mr. J.A. Abibu (Deceased, Jan. 8 2020) Mr. C.C. Chikeluba Mr. K.A. Lawson Chief J.O. Anyigbo Mr. G.A. Alegieuno Alhaji B. Zakariyau (Resigned on May 22, 2018) Professor Herbert A.B Coker Mr. E.A. Anaba (Appointed on July 25, 2018)
Registered office	Plot C1/1 Okene Close, Agbara Industrial Estate, Agbara, Ogun State. P.O.Box 1479, Apapa Lagos. E-mail : info@pharmadekoplc.com
Secretary	Unity Trustees Limited 1, Shagamu Avenue, Ilupeju, Lagos.
Legal advisors	Chief Rotimi Williams' Chambers 1, Shagamu Avenue Ilupeju, Lagos P.O Box 3426, Marina, Lagos Tel: 2715354-61, 2719634-7 7419142, 7349941 Website: www.frawilliams.com Email: fra@frawilliams.com
Auditors	SIAO Partners Chartered Accountants 18b, Olu Holloway, Ikoyi, Lagos.
Bankers	Access Bank Plc Ecobank Nigeria Plc First City Monument Bank Plc United Bank for Africa Plc

Pharma Deko Plc

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Financial Highlights

	2019 N'000	2018 N'000	Difference N'000	Difference %
Revenue	484,574	1,023,806	(539,232)	(53)
Cost of Sales	(312,617)	(622,439)	309,822	(50)
Loss before taxation	(276,460)	(255,983)	(20,478)	8
Taxation	(2,423)	(9,277)	6,854	(74)
Loss after taxation	(278,883)	(265,260)	(13,623)	5
Issued Share Capital	108,466	108,466	-	-
Total Equity	1,311,474	1,590,356	(278,754)	(18)
Total Non Current Assets	1,733,933	1,812,288	(78,356)	(4)
Total Current Assets	463,469	510,849	(47,380)	(9)
Total Assets	2,197,402	2,323,137	(125,735)	(5)
Total Non Current Liabilities	246,887	186,991	59,897	32
Total Current Liabilities	639,041	545,790	93,252	17
Total Equity and Liabilities	2,197,402	2,323,137	(125,736)	(5)

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(Registration number 6711)

Annual Report And Financial Statements for the year ended December 31, 2019

Directors' Report

The directors have pleasure in submitting their report on the annual report and financial statements of Pharma Deko Plc for the year ended December 31, 2019.

1. Incorporation

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, Cap C20, LFN 2004, is now known as PHARMA DEKO PLC.

2. Nature 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 production facilities by third parties.

There have been no material changes to the nature of the company's business from the prior year.

3. Operating results

The Federal Government of Nigeria (FGN) placed a ban on the importation and sale of any pharmaceutical product that contains codeine phosphate. The ban affected the company's sale of its flagship product - "Parkalin Cough Syrup". The result of operations in the year as follows:

	2018 N'000	2017 N'000
Revenue	484,574	1,023,806
Cost of sales	312,617	622,439
Loss before taxation	(276,460)	(255,045)
Taxation	(2,423)	(9,277)
Loss after taxation	(278,883)	(265,260)
Other comprehensive income(net of tax)	-	123,791
Total comprehensive loss	(278,883)	(141,469)

4. Share capital

	2019 N. '000	2018 N. '000	2019 Number of shares	2018 Number of shares
Authorised				
Ordinary shares			150,000,000	150,000,000
Issued and fully paid				
Ordinary shares	108,466	108,466	216,931,596	216,931,596

There have been no changes to the authorised or issued share capital during the year under review.

5. Dividend

No dividend is proposed by the Board of Directors for the 2019 financial year.

6. Directorate

The directors in office at the date of this report are as follows:

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Annual Report And Financial Statements for the year ended December 31, 2019

Directors' Report

Directors		Designation	Nationality	Changes
Mr. F.R.A. Williams (Jr)	Chairman	Non-executive	Nigeria	
Mr. J.A. Abibu	Managing Director	Executive	Nigeria	Deceased Jan. 8 2020
Mr. C.C. Chikeluba		Non-executive	Nigeria	
Mr. K.A. Lawson		Non-executive	Nigeria	
Chief J.O. Anyigbo		Non-executive	Nigeria	
Mr. G.A. Alegieuno		Non-executive	Nigeria	Resigned on May 22, 2018
Alhaji B. Zakariyau		Non-executive	Nigeria	
Professor Herbert A.B Coker		Non-executive	Nigeria	Appointed on July 25, 2018
Mr. E.A. Anaba		Non-executive	Nigeria	

It was with deep sense of loss but with total submission to the will of God that the Staff, Management and Board of the company received the news of the death of the Managing Director, Engr. J. A. Abibu who passed away on 8 January 2020.

7. Directors' interests in shares

As at December 31, 2019, the interest of the Directors in the issued share capital of the company as recorded in the register of shareholders and/or as notified by them for the purposes of section 275 and 276 of the Companies and Allied Matters Act CAP C20 LFN 2004 are as follows

Interests in shares

Directors	2019 Direct	2018 Direct	2019 Indirect	2018 Indirect
Mr. F.R.A. Williams (Jr)	15,194,440	15,194,440	57,393,000	57,393,000
Mr. J.A. Abibu (deceased, 8 Jan. 2020)	2,588,170	2,588,170	-	-
Mr. C.C. Chikeluba	23,136,950	23,136,950	-	-
Mr. K.A. Lawson	300,000	300,000	3,079,141	3,079,141
Chief J.O. Anyigbo	25,000,000	25,000,000	-	-
Mr. G.A. Alegieuno	500,000	500,000	-	-
Alhaji B. Zakariyau	1,300	1,300	-	-
Professor Herbert A.B Coker	150,000	150,000	-	-
Mr. E.A. Anaba	-	-	7,000,100	7,000,100
	66,870,860	66,870,860	67,472,241	67,472,241

8. Director's interest in contracts

During the financial year contracts were entered into which directors or officers of the company had an interest and which affected the business of the company. The transactions were however all conducted at arm's length.

9. Events after the reporting period

The novel coronavirus (COVID-19) pandemic which is spreading around the globe rapidly is taking a toll on not just human life, but on businesses and financial markets too, and the extent of this is currently indeterminate. Companies therefore need to carefully consider the accounting implications of this situation.

While the outbreak is having impact on almost all entities either directly or indirectly, it has directly affected the operations of our company especially since March 2020 with widespread lockdowns being enforced across the world.

The company's Consumer business is directly affected by COVID-19 as we are unable to import needed spare part for our Bottling Machine from Original Equipment Manufacturer (OEM) in China. The delay in importation of the spare parts from China due to lock down has disrupted in many ways the productions of Sans Cream Soda the major product of Pharma Deko Plc. This will definitely impact the profitability of our consumer business in 2020.

Pharma Deko Plc, also being a player in the pharmaceutical and medical subsector of the manufacturing industry, has been affected adversely on its raw materials input as many of the suppliers are unable to physically bring the materials to Pharma Deko premises because of the restriction of movement and border closure. This has affected the price of raw and packaging materials.

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Directors' Report

It is difficult at this early period to estimate the financial impact of the Novel COVID –19 Pandemic on the company as it is not yet practicable to do so. Therefore, no financial impact of this pandemic is disclosed in this financial statements. Moreover, this event is seen as a non- adjusting post period event, and thus will not have financial effect on the balances reported in year 2019 Financial Statements.

Based on the available information to date, the Directors believe that the Novel COVID –19 Pandemic will not a much significant effect on the future operations of the company especially as several measures have already been put in place as the lockdown is being eased, to ensure the company is able to maintain and even improve on its level of operations.

The Directors also believe that the Going-concern of Pharma Deko Plc is not threatened by this COVID -19 Pandemic because of the measures already put in place to keep the organisation on a Going-concern tooling.

10. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual report and financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

11. 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.

12. 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.

13. Donations and charity gifts

Recipients

1. PMG - Manufactural Association of Nigeria
2. LUTH-Lagos University TeachingHospital
3. Faculty of Dental science LUTH
4. Fed Ministry of Labour Abeokuta
5. NIFEST National Institute of Food Science & Tech.

Donations	Value
Product packs	33,800
Product packs	20,200
Product packs	6,250
Product packs	3,125
Product packs	4,265
	67,640

14. 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, 2019.

15. Health and safety at work

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.

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Annual Report And Financial Statements for the year ended December 31, 2019

Directors' Report

16. 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.

17. Training and 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.

18. Auditors

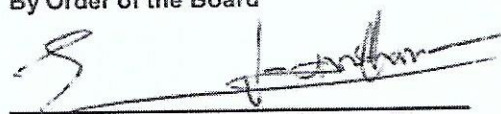
The auditors, SIAO (Chartered Accountants), having indicated their willingness, will continue in office in accordance with section 357(2) of the Companies and Allied Matters Act, (CAMA) CAP C20 LFN 2004.

19. Secretary

The company secretary is Unity Trustees Limited.

The annual report and financial statements set out on pages 13 to 46, which have been prepared on the going concern basis, were approved by the board of directors on 25th May 2020 and were signed on its behalf by:

By Order of the Board



Asia Elvis Evbaruovbokhanre
FRC/2016/NBA/0000004224
Unity Trustees Limited
(Company Secretary)
1, Shagamu Avenue Ilupeju,
Lagos.

Date 25th May 2020

Pharma Deko Plc

(Registration number 6711)

Annual Report And Financial Statements for the year ended December 31, 2019

Directors' Responsibilities and Approval

The directors are required in terms of the Companies and Allied Matters Act, Cap C20, LFN 2004 and the Financial Reporting Council of Nigeria Act 2011, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

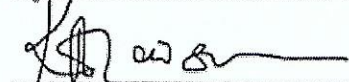
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to December 31, 2020 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 11 to 12.

The financial statements set out on pages 13 to 46, which have been prepared on the going concern basis, were approved by the board of directors on 25th May 2020 and were signed on their behalf by:

Signed on behalf of the Board of Directors By:



K. A. Lawson - Director
FRC/2013/ICAN/0000004354



Mr. G. A. Alegieuno - Director
FRC/2014/ICAN/0000007613

Pharma Deko Plc

(Registration number 6711)

Annual Report And Financial Statements for the year ended December 31, 2019

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 2019 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:

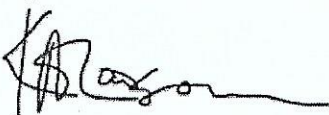
- are responsible for establishing and maintaining internal controls.
- have designed such internal controls to ensure that material information relating to the Company is made known to all officers during the period in which the periodic reports are being prepared;
- have evaluated the effectiveness 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 25th May 2020 by:



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



G. A. Alegicuno - Director
FRC/2014/ICAN/00000007613

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Report of the audit committee

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, 2019 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 17th day of March, 2020



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



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Website: www.siao-ng.com

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Pharma Deko Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pharma Deko Plc set out on pages 13 to 44, which comprise the statement of financial position as at December 31, 2019, and the statement of profit or 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 financial statements present fairly, in all material respects, the financial position of Pharma Deko Plc as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, Cap C20, LFN 2004 and the Financial Reporting Council of Nigeria Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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 (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies and Allied Matters Act, Cap C20, LFN 2004 and the Financial Reporting Council of Nigeria Act 2011, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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 International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, Cap C20, LFN 2004, the Financial Reporting Council of Nigeria Act 2011 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.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement and maintain professional scepticism 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 the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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.

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 year and are therefore the key audit matters. We describe these matters in our auditor's 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 and the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004; we confirm that:

- i) 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.
- ii) The Company has kept proper books of account, so far as appears from our examination of those books.
- iii) The Company's statement of financial position and the statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

For SIAO (Chartered Accountants)


Joshua Ansa
Partner

FRC/2013/ICAN/00000001728

Date

28th May 2020



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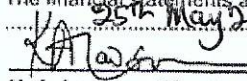
Annual Report And Financial Statements for the year ended December 31, 2019

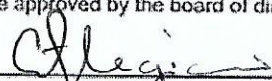
Statement of Financial Position

Figures in Naira thousand

	Note(s)	2019	2018
Assets			
Non-Current Assets			
Property, plant and equipment	3	1,733,933	1,812,288
Current Assets			
Inventories	5	293,330	255,224
Trade and other receivables	6	116,401	169,522
Other receivables and prepayment	7	47,575	48,416
Cash and cash equivalents	8	6,163	37,687
		463,469	510,849
Total Assets		2,197,402	2,323,137
Equity and Liabilities			
Equity			
Share capital	9	108,466	108,466
Share premium	10	380,009	380,009
Reserves	11	1,365,223	1,365,223
Retained income		(542,225)	(263,342)
		1,311,473	1,590,356
Liabilities			
Non-Current Liabilities			
Retirement benefit obligation	12	228,816	168,920
Deferred tax	13	18,071	18,071
		246,887	186,991
Current Liabilities			
Trade and other payables	14	40,853	68,098
Borrowings	15	15,000	50,000
Current tax payable	16	123,450	121,027
Other payables	17	459,739	306,665
		639,042	545,790
Total Liabilities		885,929	732,781
Total Equity and Liabilities		2,197,402	2,323,137

The financial statements and the notes on pages 4 to 46, were approved by the board of directors on the 25th May 2020 and were signed on its behalf by:


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


Mr. G. A. Alegbeun - Director
FRC/2014/ICAN/00000007613


Ayinde Adegboyega - Chief Financial Officer (Ag.)
FRC/2016/ICAN/00000013996

The accounting policies on pages 17 to 27 and the notes on pages 28 to 44 form an integral part of the financial statements.

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Annual Report And Financial Statements for the year ended December 31, 2019

Statement of Profit or Loss and Other Comprehensive Income

Figures in Naira thousand	Note(s)	2019	2018
Revenue	18	484,574	1,023,806
Cost of sales	19	(312,617)	(622,439)
Gross profit		171,957	401,367
Other operating income	20	90,668	11,223
Other operating gains (losses)	21	764	7
Selling and distribution expenses	22	(87,837)	(92,181)
Administrative expenses	23	(444,561)	(575,461)
Operating (loss)/profit	24	(269,009)	(255,045)
Finance costs	25	(7,451)	(938)
(Loss) profit before taxation		(276,460)	(255,983)
Taxation	26	(2,423)	(9,277)
(Loss) profit for the year		(278,883)	(265,260)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation		-	137,545
Income tax relating to items that will not be reclassified		-	(13,754)
Total items that will not be reclassified to profit or loss		-	123,791
Other comprehensive income for the year net of taxation	28	-	123,791
Total comprehensive (loss) income for the year		(278,883)	(141,469)
Earnings per share			
Per share information			
Basic (loss)/earnings per share (kobo)	29	(129)	(122)

The accounting policies on pages 17 to 27 and the notes on pages 28 to 44 form an integral part of the financial statements.

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Statement of Changes in Equity

Figures in Naira thousand	Share capital	Share premium	Revaluation reserve	Retained income	Total equity
Balance at January 1, 2018	108,466	380,009	1,241,432	12,630	1,742,537
Loss for the year	-	-	-	(265,260)	(265,260)
Other comprehensive income	-	-	123,791	-	123,791
Total comprehensive Loss for the year	-	-	123,791	(265,260)	(141,469)
Transfer between reserves	-	-	-	129	129
Dividend Paid	-	-	-	(10,841)	(10,841)
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	(10,712)	(10,712)
Balance at January 1, 2019	108,466	380,009	1,365,223	(263,342)	1,590,356
Loss for the year	-	-	-	(278,883)	(278,883)
Total comprehensive Loss for the year	-	-	-	(278,883)	(278,883)
Balance at December 31, 2019	108,466	380,009	1,365,223	(542,225)	1,311,473

Note(s)

The accounting policies on pages 17 to 27 and the notes on pages 28 to 44 form an integral part of the financial statements.

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Statement of Cash Flows

Figures in Naira thousand	Note(s)	2019	2018
Cash flows from operating activities			
Cash generated from/(used in) operations	30	10,161	(47,434)
Finance costs		(7,451)	(938)
Tax paid	31	-	(1,606)
Net cash from operating activities		2,710	(49,978)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	-	(14,459)
Cash flows from financing activities			
Loans and borrowings		(35,000)	50,000
Dividends paid	32	-	(10,841)
Net cash from financing activities		(35,000)	39,159
Total cash movement for the year		(32,290)	(25,278)
Cash at the beginning of the year		37,687	62,958
Effect of exchange rate movement on cash balances		766	7
Total cash at end of the year	8	6,163	37,687

The accounting policies on pages 17 to 27 and the notes on pages 28 to 44 form an integral part of the annual report and financial statements.

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Accounting Policies

Corporate information

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. The address of the company is Plot C1/1 Okene Close, Agbara Industrial Estate, Agbara, Ogun State.

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.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

(a) Statement of Compliance

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies and Allied Matters Act, Cap C20, LFN 2004.

(b) Basis of Measurement

The financial statements have been prepared on the historic cost basis, unless otherwise stated in the accounting policies which follow. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(c) Functional and presentation currency

These financial statements are presented in Naira, which is the company's functional currency. All financial information presented in Naira has been rounded to the nearest thousand, except where otherwise indicated.

These accounting policies are consistent with the previous period.

1.2 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating-decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the finance and general purpose committee that makes strategic decisions.

The basis of segmental reporting has been set out in note 1.16

1.3 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

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Accounting Policies

13 Significant judgements and sources of estimation uncertainty (continued)

Revenue recognition

In making their judgement, management considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the company had transferred control of the goods to the customer. Following the detailed quantification of the company liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, management are satisfied that control has been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate warranty provision for the rectification costs.

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Allowance for slow moving, damaged and obsolete inventory

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in cost of sales.

Fair value estimation

Observable market data is used as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Information about the specific techniques and inputs of the various assets and liabilities is disclosed in note and note .

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

The useful life of the aluminium plant in Taarlton was assessed to be - years shorter than originally estimated. This is as a result of chemical deposits corroding the equipment more rapidly than previously assessed. The impact of the change has resulted in increased depreciation of N. - per annum for the current and following - reporting periods.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note .

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Accounting Policies

14 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.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50
Plant and machinery	Straight line	10
Furniture and fixtures	Straight line	6.67
Motor vehicles	Straight line	5
Computer equipment	Straight line	3

Land is not depreciated

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

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where 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'.

Asset in progress represents the company's investment in plant and machinery and other assets. Transfers are made from asset in progress to respective asset class upon the arrival and installation of such property, plant and equipments.

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Accounting Policies

15 Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

1.6 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

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Accounting Policies

1.7 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 35 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

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Accounting Policies

Financial instruments (continued)

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 6).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Trade and other payables

Classification

Trade and other payables (note 14), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 25).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 35 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

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Accounting Policies

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.9 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.

1.10 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

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Accounting Policies

1.10 Impairment of assets (continued)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.11 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

1.12 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 statement of financial position 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.

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Accounting Policies

1.13 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.

1.14 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. 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 also 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.

1.15 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

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Accounting Policies

1.16 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 that cannot be traced to the above segments with reasonable accuracy.

1.17 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

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. 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.

The management and audit committee are of the view that actuarial valuation was not necessary in view of the nature of the gratuity.

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Accounting Policies

1.18 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.

1.19 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.

1.20 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.

1.21 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.

1.22 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Cost of sales is reduced by the amount recognised in inventory as a "right to returned goods asset" which represents the company's right to recover products from customers where customers exercise their right of return under the company returns policy.

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Notes to the Annual Report And Financial Statements

2. New Standards and Interpretations

21 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after January 1, 2019.

The company expects to adopt the interpretation for the first time in the 2019 annual report and financial statements.

The impact of the interpretation is not material.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

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2 New Standards and Interpretations (continued)

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after January 1, 2019.

The company has adopted the standard for the first time in the 2019 annual report and financial statements.

The impact of the standard is not material.

22 Standards and interpretations not yet effective

There is none applicable to the company

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Notes to the Annual Report And Financial Statements

3. Property, plant and equipment

	2019		2018			
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	606,160	-	606,160	606,160	-	606,160
Buildings	655,365	(13,259)	642,106	655,365	-	655,365
Plant and machinery	522,727	(122,723)	400,004	521,824	(71,445)	450,379
Furniture and fixtures	10,002	(6,162)	3,840	10,002	(4,886)	5,116
Motor vehicles	98,761	(94,153)	4,608	98,761	(81,943)	16,818
Computer equipment	11,781	(11,436)	345	11,781	(10,201)	1,580
Asset in progress	76,870	-	76,870	76,870	-	76,870
Total	1,981,666	(247,733)	1,733,933	1,980,763	(168,475)	1,812,288

Reconciliation of property, plant and equipment - 2019

	As at 1 Jan.	Depreciation	As at 31 Dec.
Land	606,160	-	606,160
Buildings	655,365	(13,259)	642,106
Plant and machinery	450,379	(51,279)	400,004
Furniture and fixtures	5,116	(1,276)	3,840
Motor vehicles	16,818	(12,210)	4,608
Computer equipment	1,580	(1,235)	345
Asset in progress	76,870	-	76,870
	1,812,288	(79,259)	1,733,933

Reconciliation of property, plant and equipment - 2018

	As at 1 Jan.	Additions	Transfers	Revaluations	Depreciation	As at 31 Dec.
Land	485,612	-	-	120,548	-	606,160
Buildings	651,667	-	-	16,999	(13,301)	655,365
Plant and machinery	349,008	13,640	132,634	-	(44,903)	450,379
Furniture and fixtures	5,845	523	-	-	(1,252)	5,116
Motor vehicles	31,688	-	-	-	(14,870)	16,818
Computer equipment	2,790	296	-	-	(1,506)	1,580
Asset in progress	209,504	-	(132,634)	-	-	76,870
	1,736,114	14,459	-	137,547	(75,832)	1,812,288

4. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	2,197	(2,197)	-	2,197	(2,197)	-

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	244	(244)	-

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5. Inventories

Raw materials	78,831	85,329
Finished goods	120,640	87,579
Consumables	23,129	24,546
Packaging materials	70,730	57,770
	293,330	255,224

Included in the finished goods is Parkalin Dry Cough valued at about =N=45 millions

Included in the raw material is Codeine Phosphate valued at about =N=58 millions.

6. Trade and other receivables

Trade receivables	116,401	169,522
Total trade and other receivables	116,401	169,522

Trade Receivables are non-interest bearing and are generally on a 30 day term. Trade receivables are measured at amortised cost.

7. Other receivables and prepayment

Staff debtors	-	1,147
Sundry receivables	19,842	19,660
Prepayment	3,103	3,914
Deposit for import	24,630	23,695
	47,575	48,416

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

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

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	27
Bank balances	6,163	37,660
	6,163	37,687

9. Share capital

Authorised

300,000,000 ordinary shares of 50k each	150,000	150,000
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Issued and fully paid

216,931,596 ordinary shares of 50k each	108,466	108,466
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Figures in Naira thousand	2019	2018
10. Share premium		
Share premium	380,009	380,009
11. Revaluation reserve		
As at Jan 1	1,365,223	1,241,432
Transferred revaluation surplus on revalued/ (disposed) asset(net of tax)	-	123,791
As at Dec 31	1,365,223	1,365,223
In line with IAS 16, the revaluation surplus of N123.8 million (net of tax) realised on the revalued property plant and equipment was credited to revaluation reserve in 2018.		
12. Retirement benefits		
At January 1	168,920	95,752
Charge for the year	62,415	88,938
Payments during the year	(2,519)	(15,770)
At December 31	228,816	168,920
The Management and the Audit Committee are of the view that actuarial valuation was not necessary in view of the nature of the gratuity.		
13. Deferred tax		
The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:		
Deferred tax liability	(18,071)	(18,071)
Reconciliation of deferred tax asset / (liability)		
At beginning of year	(18,071)	(4,316)
Increases (decrease) in tax loss available for set off against future taxable income - gross of valuation allowance	-	(13,755)
	(18,071)	(18,071)
14. Trade and other payables		
Financial instruments:		
Trade payables	40,853	68,098
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.		
15. Borrowings		
Held at amortised cost		
Promissory note	15,000	50,000

Borrowings relate to a 90 day promissory note at 22.5% obtained from United Investments Limited and one of the directors during the year.

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Figures in Naira thousand 2019 2018

16. Current tax payable

	Company tax	Education tax	Capital gain tax	Total
At January 1	21,066	45	99,916	121,027
Charge for the year (minimum tax)	2,423	-	-	2,423
At December 31	23,489	45	99,916	123,450

The charge for taxation in this financial statement for the year ended 31 December 2019 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. Other payables

Sundry creditors (note 17.1)	157,433	82,181
Accruals	151,358	124,165
VAT payable	23,765	13,519
Employee benefits – unremitted contribution (17.2)	127,413	86,799
	459,969	306,664

17.1 Sundry creditors

Other creditors	831	831
Industrial training fund (ITF)	16,585	14,412
Union dues	1,167	471
Withholding tax on dividend	231	231
Withholding tax on services	46,460	45,315
Pay as you earn (PAYE)	5,429	1,206
Salaries and wages payable	66,680	1,967
NSITF	15,064	12,892
Dividend payable (17.3)	4,856	4,856
	157,303	82,181

17.2 Employee benefits – unremitted contribution

At January 1	86,799	76,976
Charge for the year	44,530	42,949
Remittances during the year	(3,916)	(33,126)
At December 31	127,413	86,799

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 2019, the Company had a liability of N127 million (2018: N87 million) as unremitted pension contribution under this scheme.

17.3 Dividend payable

At January 1	4,856	900
Returned dividend	-	4,085
Unclaimed dividend transferred to retained income	-	(129)
At December 31	4,856	4,856

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Figures in Naira thousand	2019	2018
18. Revenue		
Pharma	70,245	580,026
Consumer	414,329	443,780
	484,574	1,023,806
19. Cost of sales		
Pharma	45,600	244,869
Consumer	201,576	319,366
Manufactured goods:		
Depreciation and impairment	65,441	58,204
	312,617	622,439
20. Other operating income		
Interest income	597	101
Arbitration income	90,000	-
Miscellaneous income	71	11,122
	90,668	11,223
Arbitration Income represents the amount awarded and payment made in favour of the company with respect to a canceled contract by Guinness Nigeria Plc.		
21. Other operating gains (losses)		
Foreign exchange gains (losses)		
Net foreign exchange gains	764	7
22. Selling and distribution expenses		
Advert and publicity	12,780	17,263
Rebate and promotion	51,574	40,611
Distribution and freight	23,483	34,307
	87,837	92,181

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Figures in Naira thousand 2019 2018

23. Administrative expenses

Audit fee	4,950	4,725
Bank charges	521	1,051
Consulting and professional fees	15,591	26,831
Donations	-	262
Entertainment	169	766
Insurance	8,667	10,363
Rent	1,810	1,500
Newspaper	-	61
Transport and traveling	1,024	2,906
Motor vehicle expenses	1,438	2,318
Postage	2,868	4,337
Printing and stationery	875	2,199
Repairs and maintenance	1,603	10,303
Agbara estate charge	8,859	11,047
Security	5,125	16,556
Miscellaneous expense	821	604
AGM expenses	2,723	2,773
Personnel cost (note 23.1)	323,936	406,994
Depreciation, amortisation and impairments	13,818	17,871
Director's benefit (note 23.2)	45,550	32,863
Secretarial fees	4,188	5,235
Judgment debt	-	13,896
Subscriptions	25	-
	444,561	575,461

23.1 Personnel cost

Staff salary	180,823	213,019
Staff gratuity	62,416	88,938
Staff welfare	50,127	76,061
Medical expenses	2,953	5,554
Staff training and development	1,872	1,292
Pension	25,745	22,130
	323,936	406,994

23.2 Director's benefit

Directors travelling allowance	20,000	17,500
Directors emoluments - fees	1,650	1,450
Directors sitting allowance	23,900	13,154
Other expenses	-	759
	45,550	32,863

24. Operating profit (loss)

Operating (loss)/profit for the year is stated after charging (crediting) the following, amongst others:

Auditor's remuneration - external

Audit fee (net of VAT)	4,500	4,500
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The auditor did not supply any other service to the company.

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	2019	2018
Figures in Naira thousand		
24. Operating profit (loss) (continued)		
Remuneration, other than to employees	15,591	26,831
Consulting and professional services	4,188	5,235
Secretarial services	19,779	32,066
Employee costs		
Personnel cost and director's benefit	226,373	245,882
Staff salary	180,823	213,019
Staff gratuity	62,416	88,938
Staff welfare	50,127	76,061
Medical expense	2,953	5,554
Staff training and development	1,872	1,292
Pension	25,745	22,130
Total employee costs	550,309	652,876
Average number of persons employed during the year	-	7
Administration	-	103
Other staff	-	110
The table shows the number of employees whose earnings during the year fell within the ranges shown below:		
N830,001 - N1,080,000	45	47
N1,080,001 - N1,350,000	1	2
N1,350,001 - N1,880,000	25	25
N1,880,001 - N2,430,000	16	19
N2,430,001 - N4,000,000	9	10
N4,000,001 - N5,950,000	4	4
N5,950,001 - N7,000,000	-	-
N7,000,001 - N8,950,000	-	-
N8,950,001 and above	3	3
	103	110
Depreciation and amortisation	79,259	76,075
Depreciation of property, plant and equipment	79,259	76,075
Total depreciation and amortisation	(65,441)	(58,204)
Less: Depreciation and amortisation included in cost of merchandise sold and inventories	13,818	17,871
Total depreciation and amortisation expensed		
25. Finance costs		
Current borrowings	7,451	938

Finance cost relates to interest on promissory note issued by the company to United Investment Ltd and a director.

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Figures in Naira thousand

2019

2018

26. Taxation

Major components of the tax expense

Current

Company income tax

2,423

9,277

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting (loss)/profit

(276,460)

(255,983)

Tax at the applicable tax rate of 30% (2018: 30%)

(82,938)

(76,795)

Tax effect of adjustments on taxable income

Effect of expenses that are not deductible in determining taxable profit

41,747

44,779

Adjustment to tax in respect of prior periods - loss relief

41,191

32,016

Other items - effect of minimum tax option

2,423

9,277

2,423

9,277

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Figures in Naira thousand	2019	2018
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27. 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.

2019	Pharma	Consumer	Total
External revenue (segment revenue)	70,245	414,329	484,574
Raw materials & other consumables	(45,600)	(201,576)	(247,176)
Depreciation	(12,052)	(53,389)	(65,441)
Selling and distribution expenses	(12,733)	(75,104)	(87,837)
Admin. expenses	(64,444)	(380,117)	(444,561)
Interest expense	(1,080)	(6,371)	(7,451)
Segment profit/(loss) before income tax	(65,664)	(302,228)	(367,892)

2018	Pharma	Consumer	Total
External revenue (segment revenue)	580,026	443,780	1,023,806
Raw materials & other consumables	(244,869)	(319,366)	(564,235)
Depreciation	(25,260)	(32,944)	(58,204)
Selling and distribution expenses	(52,224)	(39,957)	(92,181)
Admin. expenses	(326,021)	(249,440)	(575,461)
Interest expense	(531)	(407)	(938)
Total profit/(loss) for segments	(68,879)	(198,334)	(267,213)

Reconciliation of operating segment revenue to company revenue	2019	2018
Revenue for segments	484,574	1,023,806
Discontinued operations	-	-
Company revenue	484,574	1,023,806

Reconciliation of operating segment profit/(loss) to company profit/(loss) before tax	2019	2018
Total profit/(loss) for segments	(367,892)	(267,213)
Sales of scrap	71	11,122
Profit (loss) on exchange differences	764	7
Arbitration income	90,000	-
Interest income	597	101
Company profit/(loss) before income tax	(276,460)	(255,983)

28. Other comprehensive income

Components of other comprehensive income - 2019

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Figures in Naira thousand	2019	2018
28. Other comprehensive income (continued)		
Components of other comprehensive income - 2018		
	Gross	Tax Net
Items that will not be reclassified to profit (loss)		
Movements on revaluation		
Gains (losses) on property revaluation	137,545	(13,754) 123,791
29. Earnings per share		
Basic (loss) earnings per share		
From continuing operations (kobo per share)		(129) (122)
From discontinued operations (kobo per share)		- -
		<u>(129) (122)</u>
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:		
Reconciliation of profit or loss for the year to basic earnings		
Profit or loss for the year attributable to equity holders of the parent		(278,883) (265,260)
30. Cash generated from/(used in) operations		
Profit (loss) before taxation		(276,460) (255,983)
Adjustments for:		
Depreciation and amortisation		79,259 76,075
Gains on foreign exchange		(764) (7)
Finance costs		7,451 938
Movements in retirement benefit assets and liabilities		59,896 73,168
Changes in working capital:		
Inventories		(38,106) (26,445)
Trade and other receivables		53,121 (37,759)
Other receivables and prepayment		841 119,979
Trade and other payables		(27,246) (14,764)
Other payables		152,169 17,364
		<u>10,161 (47,434)</u>
31. Tax paid		
Balance at beginning of the year		(121,027) (113,356)
Current tax for the year recognised in profit or loss		(2,423) (9,277)
Balance at end of the year		123,450 121,027
		<u>- (1,606)</u>
32. Dividends paid		
Dividends		- (10,841)

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Figures in Naira thousand 2019 2018

34. Related parties

Related party transactions

The Chairman of the Board of Directors is related to:

- (i) The Legal Adviser to the Company - Chief Rotimi Williams Chambers. In 2019, services valued at N8,514,142 (2018: N1,550,000) 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 N4,187,500 (2018: N5,310,000).

Mr. Alegieuno

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.

Compensation to directors and other key management

Short-term directors' benefits	45,550	32,863
Fees - chairman	250	250
Fees - other directors	1,200	1,200
Emoluments as executives	33,913	33,913
	35,363	35,363

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

N5,000,000 - N7,000,000	-	-
N7,000,001 - N9,000,000	-	-
N9,000,001 - N12,000,000	1	1
N12,000,000 and above	1	1
	2	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)

Fees:		
Chairman	250	250
Other directors	1,200	1,200
	1,450	1,450

Other emoluments:

Chairman	-	-
Other directors	17,500	17,500
	17,500	17,500

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35. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2019

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	6	116,401	116,401	116,401
Cash and cash equivalents	8	6,163	6,163	6,163
		122,564	122,564	122,564

2018

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	6	169,522	169,522	169,522
Cash and cash equivalents	8	37,687	37,687	37,687
		207,209	207,209	207,209

Categories of financial liabilities

2019

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	14	40,852	40,852	-
Borrowings	15	15,000	15,000	-
		55,852	55,852	-

2018

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	14	68,098	68,098	-
Borrowings	15	50,000	50,000	-
		118,098	118,098	-

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2019

2018

36. 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.

36.1 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, 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.

36.2 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.

Trade and other receivables	116,401	169,522
Other receivables and prepayment	47,575	48,416
Cash and cash equivalents	6,163	37,687
	170,139	255,625

36.3 Cash and cash equivalents

The cash and cash equivalents held as at 31 December 2019 was N6.2 million (2018: N37.6 million). The cash and cash equivalents are held by banks and financial institutions in Nigeria.

36.4 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.

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.

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Figures in Naira thousand	2019	2018
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36.5 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.

36.6 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.

36.7 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:

Debts	15,000	50,000
Less: Cash and cash equivalents	(6,163)	(37,687)
Total equity	1,311,473	1,590,356
Adjusted capital	1,320,310	1,602,669
Debts to adjusted capital ratio	1	3

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.

37. Contingent liabilities

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 N13,895706.64. Celebration Breweries also claims interest at 15%.

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Figures in Naira thousand

2019

2018

38. Event after reporting date

The novel coronavirus (COVID-19) pandemic which is spreading around the globe rapidly is taking a toll on not just human life, but on businesses and financial markets too, and the extent of this is currently indeterminate. Companies therefore need to carefully consider the accounting implications of this situation.

While the outbreak is having impact on almost all entities either directly or indirectly, it has directly affected the operations of our company especially since March 2020 with widespread lockdowns being enforced across the world.

The company's Consumer business is directly affected by COVID-19 as we are unable to import needed spare part for our Bottling Machine from Original Equipment Manufacturer (OEM) in China. The delay in importation of the spare parts from China due to lock down has disrupted in many ways the productions of Sans Cream Soda the major product of Pharma Deko Plc. This will definitely impact the profitability of our consumer business in 2020.

Pharma Deko Plc, also being a player in the pharmaceutical and medical subsector of the manufacturing industry, has been affected adversely on its raw materials input as many of the suppliers are unable to physically bring the materials to Pharma Deko premises because of the restriction of movement and border closure. This has affected the price of raw and packaging materials.

It is difficult at this early period to estimate the financial impact of the Novel COVID -19 Pandemic on the company as it is not yet practicable to do so. Therefore, no financial impact of this pandemic is disclosed in this financial statements. Moreover, this event is seen as a non- adjusting post period event, and thus will not have financial effect on the balances reported in year 2019 Financial Statements.

Based on the available information to date, the Directors believe that the Novel COVID -19 Pandemic will not a much significant effect on the future operations of the company especially as several measures have already been put in place as the lockdown is being eased, to ensure the company is able to maintain and even improve on its level of operations.

The Directors also believe that the Going-concern of Pharma Deko Plc is not threatened by this COVID -19 Pandemic because of the measures already put in place to keep the organisation on a Going-concern footing.

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Value Added Statement

Figures in Naira thousand

	2019	2019 %	2018	2018 %
Value Added				
Value added by operating activities				
Revenue	484,574		1,023,806	
Bought - in materials and services	(461,711)		(832,353)	
Other operating income	90,668		11,223	
Other operating gains (losses)	764		7	
	114,295	100	202,683	100
Value Distributed				
To Pay Employees				
Salaries, wages, medical and other benefits (including directors)	369,486		439,857	
	369,486	323	439,857	217
To Pay Providers of Capital				
Finance costs	7,451		938	
	7,451	7	938	-
To Pay Government				
Income tax	2,423		9,277	
	2,423	2	9,277	5
To be retained in the business for expansion and future wealth creation:				
Value reinvested				
Depreciation and amortisation	13,818		17,871	
	13,818	12	17,871	9
Value retained				
Retained profit	(278,883)		(265,260)	
	(278,883)	(244)	(265,260)	(131)
Total Value Distributed	114,295	100	202,683	100

Value added represents the additional wealth which the company has been able to create by its own and employees efforts.

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Five Year Financial Summary

Figures in Naira thousand	2019	2018	2017	2016	2015
Statement of Financial Position					
Assets					
Non-current assets	1,733,933	1,812,288	1,736,358	1,744,661	1,317,719
Current assets	463,469	510,849	534,236	579,383	1,252,363
Total assets	2,197,402	2,323,137	2,270,594	2,324,044	2,570,082
Liabilities					
Non-current liabilities	246,887	186,991	100,068	100,349	72,340
Current liabilities	639,041	545,790	427,991	482,920	712,545
Total liabilities	885,928	732,781	528,059	583,269	784,885
Equity					
Share capital	488,475	488,475	488,475	488,475	488,495
Reserves	1,365,223	1,365,223	1,241,432	1,241,432	1,034,607
Retained income	(542,224)	(263,342)	12,628	10,868	262,095
Total equity	1,311,474	1,590,356	1,742,535	1,740,775	1,785,197
Total equity and liabilities	2,197,402	2,323,137	2,270,594	2,324,044	2,570,082
Statement of Profit or Loss and Other Comprehensive Income					
Revenue	484,574	1,023,806	1,593,379	1,095,109	1,481,964
Cost of sales	(312,617)	(622,439)	(830,230)	(595,558)	(769,751)
Gross profit	171,957	401,367	763,149	499,551	712,213
Other operating income	90,668	11,223	3,383	31,930	885,443
Other operating gains (losses)	764	7	756	5,615	-
Other operating expenses	(532,398)	(667,642)	(727,974)	(745,619)	(1,311,458)
Operating (loss) profit	(269,009)	(255,045)	39,314	(208,523)	286,198
Finance costs	(7,451)	(938)	-	-	-
Derecognition of loan liability	-	-	-	-	415,476
(Loss) profit before taxation	(276,460)	(255,983)	39,314	(208,523)	701,674
Taxation	(2,423)	(9,277)	(26,709)	(10,182)	(42,410)
(Loss) profit from continued operations	(278,883)	(265,260)	12,605	(218,705)	659,264
(Loss) profit for the year	(278,883)	(265,260)	12,605	(218,705)	659,264
Retained (loss) income for the year	(278,883)	(265,260)	12,605	(218,705)	659,264