

# **FIDSON HEALTHCARE PLC**

Lagos, Nigeria

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Corporate information**

|                  |                             |  |
|------------------|-----------------------------|--|
| <b>DIRECTORS</b> | Mr. Segun Adebajji, FCA     | Chairman                                   |
|                  | Dr. Fidelis A. Ayebae       | Managing Director/ Chief Executive Officer |
|                  | Mrs. Olufunmilola O. Ayebae | Non- Executive                             |
|                  | Mr. Emmanuel E. Imoagene    | Non- Executive                             |
|                  | Mrs. Aisha P. Sadauki       | Non - Executive                            |
|                  | Mr. Olugbenga O. Olayeye    | Executive                                  |
|                  | Mr. Abiola A. Adebayo       | Executive                                  |

**COMPANY SECRETARY** Mr. J. Abayomi Adebajo

**REGISTERED OFFICE** 268, Ikorodu Road, Obanikoro  
Lagos.  
Tel: 01-7406817, 01-8936502  
www.fidson.com, e-mail-info@fidson.com

**AUDITORS** Deloitte & Touche  
(Chartered Accountants)  
Civic Towers, Plot GA1 Ozumba Mbadiwe Street,  
Victoria Island, Lagos.  
E-mail:ngci@deloitte.com.ng

**SOLICITORS** Oval Law Firm  
110, Obafemi Awolowo Way  
Ikeja, Lagos  
Tel: 234 802 326 4780  
Tokunbo Orimobi Legal Practioners  
Plot 1963B Braimoh Kenku Street Victoria Island, Lagos  
Tel: 2348055190065

**BANKERS** Access Bank Plc  
Bank of Industry  
FSDH Merchant Bank Limited  
Fidelity Bank Plc  
First Bank of Nigeria Limited  
First City Monument Bank Plc  
Guaranty Trust Bank Plc  
Stanbic IBTC Bank Plc  
Union Bank Plc  
United Bank for Africa Plc  
Wema Bank Plc  
Zenith International bank Plc

**REGISTRARS** Meristem Registrars  
213, Herbert Macaulay Way  
Adekunle, Yaba  
Lagos  
Tel: 234 18920491  
Email: info@meristemregistrars.com

**FIDSON HEALTHCARE PLC**  
*Annual report and financial statements*  
*For the year ended 31 December 2020*

**Results at a glance**

|   | <b>Dec-20</b> | <b>Dec-19</b> | <b>%</b>      |
|---|---------------|---------------|---------------|
|   | <b>N'000</b>  | <b>N'000</b>  | <b>Change</b> |
| Revenue   | 18,275,856    | 14,062,015    | 30%           |
| Profit before tax                               | 1,772,211     | 575,666       | 208%          |
| Profit for the year                             | 1,205,039     | 407,188       | 198%          |
| Retained earnings                               | 4,561,808     | 3,643,921     | 25%           |
| Authorised share capital                        | 1,200,000     | 1,200,000     | 0%            |
| Issued share capital                            | 1,043,180     | 1,043,180     | 0%            |
| Shareholders fund                               | 10,539,435    | 9,620,308     | 10%           |
| <b>PER SHARE DATA</b>                           |               |               |               |
| Earnings per share (Kobo)                       |               |               |               |
| Basic and diluted                               | 58            | 20            | 193%          |
| Net asset per share (Kobo)                      | 506           | 461           | 10%           |
| Stock exchange quotation at 31 December (Naira) | 4.50          | 3.10          | 45%           |
| Number of employees                             | 405           | 397           | 2%            |

**Report of the Directors**

**1.0** The Directors have pleasure in submitting to the members of the Company their report together with the audited financial statements for the year ended 31 December 2020.

**2.0 PRINCIPAL ACTIVITIES**

The principal activities of the Company are the manufacture and distribution of pharmaceutical products which includes drugs, infusion and injectables. The Company commenced local manufacturing of pharmaceutical products in July 2002.

**3.0 LEGAL FORM**

The Company operated as a Private Limited Liability Company until June 5, 2008 when it was registered as a Public Limited Liability Company. The shares are currently quoted on the floor of the Nigerian Stock Exchange (NSE).

**4.0 STATE OF AFFAIRS**

In the opinion of the Directors, the state of the Company's affairs is satisfactory and there has been no material change since the reporting date, which would affect the financial statements as presented.

**5.0 DIVIDEND**

The Directors propose to pay dividend of N0.25k amounting to N521, 590,562.50 out of the profit for the year ended 31 December 2020 (31 December 2019: N0.15k, N312, 939,037). Proposed dividend will only be recognised as a liability after approval by the shareholders at the Annual General Meeting.

**6.0 MAJOR CUSTOMERS**

**LAGOS**

Great Dan-White Int'l Limited  
Zimaco Pharm Limited  
Ozara Distribution Limited  
Berebzo Pharmaceuticals Limited  
Iykmavia Pharma Ltd.

**EAST**

John Medicals  
Okwytex International Concept Limited  
Grams Pharmacy  
Peton Investment (Nig) Limited  
Ifytex-xeejay Services Limited

**WEST**

Royal Michael  
Fiolu Pharmacy  
Gift Pharmaceuticals  
Tanimola Pharm  
Uchecare Pharmacy

**NORTH**

Gozeb Pharceuticals Nig. Limited  
Newhealth Pharmacy  
Ifeanyi Health Pharmaceutical Ltd.  
Klen Pharmacy Limited  
Skylark Pharm Limited

**Report of the Directors (cont'd)**

**7.0 MAJOR SUPPLIERS**

**Overseas Suppliers**

V.S International  
TIL Exports Pvt Limited India  
Gland Pharma Ltd India  
Capsugel (Belgium)  
Oriental Containers Ltd, India  
MJ Biopharm Pvt Ltd  
Themis Medicare Ltd  
Medinomics Healthcare Pvt Ltd  
JC Export Ltd,  
Mevish Export Ltd, India  
Charack Pvt Ltd  
Deva Export Ltd.

**Local Suppliers**

Libra Circle Ltd  
Knightsbridge Ltd  
Sankil Pharm Ltd  
Benchmark Sciences Ltd  
Fiyique Ventures Ltd  
Plural Dynamics  
Bates Pharm Ltd  
Sab Nigeria Ltd  
Micabolad Global Investment  
Caxtonjoe Nig Ltd  
Imtor Limited  
Dowell Resources & Logistics Ltd

**8.0 DIRECTORS**

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

|                             |   |
|-----------------------------|---|
| Mr. Olusegun Adebajji       | Chairman                                  |
| Dr. Fidelis A. Ayebae       | Managing Director/Chief Executive Officer |
| Mrs. Olufunmilola O. Ayebae | Non-Executive                             |
| Mr. Olugbenga O. Olayeye    | Executive                                 |
| Mr. Abiola A. Adebayo       | Executive                                 |
| Mr. Emmanuel E. Imoagene    | Non-Executive                             |
| Mrs. Aisha P. Sadauki       | Non- Executive                            |

**NEWLY APPOINTED DIRECTORS**

The following people were appointed as Directors with effect from 1<sup>st</sup> January 2021

Dr. Vincent Ahonkhai  
Mr. Ekwunife Okoli  
Mr. Ola Ijimakin

**9.0 DIRECTORS' INTERESTS**

The Directors' interests in the issued share capital of the Company as at 31 December 2020 are as follows:

|                                   | Numbers of<br>Shares<br>2020 | %     | Numbers of<br>Shares<br>2019 | %     |
|-----------------------------------|------------------------------|-------|------------------------------|-------|
| Mr. Olusegun Adebajji             | -                            | -     | -                            | -     |
| Dr. Fidelis A. Ayebae             | 689,585,227                  | 33.05 | 689,585,227                  | 33.05 |
| Mrs. Olufunmilola O. Ayebae       | 67,845,000                   | 3.25  | 67,845,000                   | 3.25  |
| Mr. Olugbenga O. Olayeye          | 19,581,040                   | 0.94  | 19,581,040                   | 0.94  |
| Mr. Abiola A. Adebayo             | 16,626,609                   | 0.80  | 16,626,609                   | 0.80  |
| Mr. Emmanuel E. Imoagene          | 34,012,000                   | 1.63  | 18,012,000                   | 0.86  |
| Mrs. Aisha P. Sadauki             | 781,550                      | 0.04  | 781,550                      | 0.04  |
| <b>Indirect interest</b>          |                              |       |                              |       |
| Glorious Haven Ltd – on behalf of |                              |       |                              |       |
| Dr. Fidelis A. Ayebae             | 1,000,000                    | 0.05  | 1,000,000                    | 0.07  |

**Report of the Directors (cont'd)**

**10.0 BOARD OF DIRECTORS**

In accordance with the provisions of Section 285 of the Companies & Allied Matters Act, 2020, one third of the Directors of the Company shall retire from office. The Directors to retire every year shall be those who have been longest in office since their last election. Accordingly, Mrs. Aishatu Pamela Sadauki, Mr. Emmanuel E. Imoagene and Mr. Abiola Adebayo retired by rotation and being eligible, offer themselves for re-election.

**11.0 DIRECTORS' INTEREST IN CONTRACTS**

None of the Directors has notified the Company for the purpose of Section 303 of the Companies and Allied Matters Act, 2020, of any disclosable interest in contracts with which the Company is involved as at 31 December 2020.

**12.0 SUBSTANTIAL INTEREST IN SHARES**

The registrar has advised that according to the register of members as at 31 December 2020, the following held more than 5% of the issued share capital of the Company:

| Shareholder              | No of Shares | % Holding |
|--------------------------|--------------|-----------|
| Dr. Fidelis Ayebae       | 689,585,227  | 33.05%    |
| Stanbic IBTC Nominee Ltd | 514,747,303  | 24.67%    |

**13.0 CORPORATE SOCIAL RESPONSIBILITIES**

The Company made contributions as part of its corporate social responsibility. The beneficiaries are as follows:

|                               | 2020              | 2019              |
|-------------------------------|-------------------|-------------------|
|                               | N                 | N                 |
| Religious organisations       | 350,000           | 1,200,000         |
| Hospitals/Health institutions | 19,613,521        | 16,944,129        |
| Schools/Communities           | 38,407,878        | 8,187,509         |
|                               | <u>58,371,399</u> | <u>26,331,638</u> |

**14.0 EVENTS AFTER THE REPORTING PERIOD**

As stated in Note 44, no material events have occurred between the end of the reporting period and the date of this report which could have had a material effect on the state of affairs of the Company as at 31 December 2020.

**15.0 ANALYSIS OF SHAREHOLDERS**

Analysis of shareholdings as at 31 December 2020

| Range               | No. of Holders | % Members  | Units                | % Holding    |
|---------------------|----------------|------------|----------------------|--------------|
| 1 - 50,000          | 5631           | 88         | 50,779,489           | 2.43         |
| 50,001 - 100,000    | 342            | 5          | 26,950,420           | 1.29         |
| 100,001 - 1,000,000 | 385            | 6          | 106,194,413          | 5.09         |
| 1,000,001 and above | 57             | 1          | 1,902,435,928        | 91.18        |
|                     | <u>6415</u>    | <u>100</u> | <u>2,086,360,250</u> | <u>100.0</u> |

**Report of the Directors (cont'd)**

**16.0 EMPLOYMENT AND EMPLOYEES**

**a. Employment of disabled Persons**

It is the Company's policy that there is no discrimination in considering applications for employment including those from disabled persons. All employees whether or not disabled are given equal opportunities to develop their expertise and knowledge and to qualify for promotion in furtherance of their careers. As at 31 December 2020, there were one disabled employee working in the administrative section of the factory.

**b. Welfare**

The Company has retainership agreement with a number of private hospitals to whom cases of illness are referred for treatment and/or admission.

The Company provides subsidy to employees in respect of transportation, lunch, housing and healthcare.

Incentive schemes designed to meet the circumstances of each individual are implemented wherever appropriate and some of these schemes include bonus, promotions and wage review.

**c. Training**

The Company attaches great importance to training and all categories of staff attend courses or seminars as considered necessary by the Company's management.

**17.0 AUDIT COMMITTEE**

Pursuant to Section 404 of the Companies and Allied Matters Act, 2020, the Company has in place an Audit Committee comprising of Directors and shareholders, namely:

|                             |                              |
|-----------------------------|------------------------------|
| Chief Matthew Akinlade, FCA | Chairman                     |
| Alhaji Abdulkabir Sarumi,   | Shareholders' representative |
| Mr. Solomon S. Akinsanya    | Shareholders' representative |
| Mrs. Olufunmilola O. Ayebae | Directors' representative    |
| Mr. Emmanuel E. Imoagene    | Directors' representative    |

Mrs A. P. Saduaki represented the board on the committee until 25<sup>th</sup> of March 2021 when she stepped down so that the Company would comply with the provision of S.404 (3) of CAMA 2020. The functions of the Audit Committee are laid down in Section 404(7) of the Companies and Allied Matters Act, 2020.

**18.0 AUDITORS**

Messrs Deloitte and Touche (Chartered Accountants) have indicated their willingness to continue in office in accordance with section 401 (2) of the Companies and Allied Matters Act, 2020 Nigeria.



**BY ORDER OF THE BOARD**  
**J. ABAYOMI ADEBANJO, FCIS**  
**COMPANY SECRETARY**  
**FRC/2013/ICSAN/00000002161**  
**25 March 2021**



## **Corporate governance report**

As the regulatory and statutory environments keep changing, the internal dynamics at Fidson Healthcare Plc also get constantly adjusted to align with the realities of our time. Processes are strengthened and we continue to imbibe the principle of full disclosure as required by Principle 28 of the Nigerian Code of Corporate Governance and the provisions of the Listing Rules particularly Rule 17.5 and other rules of the exchange bothering of transparency and effective communication with stakeholders and the investing public. Good governance and fair-trade practices remain at the heart of our business activities. In this report, reviews were made to existing principles where necessary while sustaining them, namely:

**People:** Our stakeholders are at the center of our Corporate Governance practices. Demands of our stakeholders whether directly or indirectly impacting our operations are constantly considered and promptly attended to. In this area of our operations are robust Corporate Social Responsibility policies, remuneration and motivation schemes that are second to none in the industry and concern for our end users. We realize that our shareholders are important and all efforts were made throughout the year to reach out to them in a bid to ensure amicable shareholder-management relationship. Aside from the statutory register of members, we created a directory of notable members for the purposes of engagement and operational reporting whenever the need arises.

**Prices:** Our pricing policies are geared towards optimizing our resources for continued growth and development without exploiting the market. We have continued to consider the general inflationary trend and affordability to the common man before arriving at our prices.

**Planet:** Because we value life, our operations are conducted in a way that minimizes negative externalities. At the heart of this is our robust policy on Health, Safety, and Environment (HSE). We conducted regular HSE training throughout the year in addition to appointing Safety Officers in each of our locations and the Head office. Obsolete equipment are disposed of in order to allow for recycling. Expired drugs are also destroyed under the supervision of regulators and each time this is done a Certificate of Destruction is received from the relevant Government Agency. We have imbibed best practices and ethical standards in all our dealings.

**Probity:** We reviewed our governance principles and we imbibed the 'probity' as one of the essentials of good governance. All officers, including the Directors, are requested to give an honest account of all the Company resources in their custody as and when due.

In addition to the above, we have strengthened our risk management team and general practice of risk awareness and control consciousness company-wide.

### **OUR CORPORATE GOVERNANCE PLATFORM**

Our corporate governance strategy and initiatives are geared towards complying with the Securities and Exchange Commission's Corporate Governance Code and maintaining an amicable relationship with the various stakeholders on which our continued existence rely. Our second approach to Corporate Governance is to use the doctrines of good governance to engender sustainability of our operations.

We have continued to subject our operations to periodic examinations and audit by independent auditors which include current Good Manufacturing Practice (GMP) and National Agency for Food and Drugs Administration and Control (NAFDAC). Each audit/examination report is made the subject for consideration by a committee headed by an Executive Director for proper review and implementation.

Overseen by the Board of Directors, corporate governance practices are constantly under review in line with the dynamics of the business environment. The Corporate Governance policies adopted by the Board of Directors are designed to ensure that the Company's business is conducted in a fair, honest and transparent manner which conforms to high ethical standards.

**Corporate governance report (cont'd)**

The day-to-day affairs of the Company are run by the Executive Management with regular meetings to brainstorm on the Company's operations and to also give departmental reports for reviews.

The governance structure of the business aligns with the Nigerian Code of Corporate Governance 2018.

The framework for our corporate governance is hinged on:

- 1 The Nigerian Code of Corporate Governance 2018.
- 2 Various Standard Operations manual and ISO compliance requirements
- 3 Provisions of the Companies and Allied Matters Act, Laws of the Federation of Nigeria, 2004
- 4 Financial Reporting Council Act, 2011
- 5 International Financial Reporting Standards (IFRS)
- 6 The listing rules of the Nigerian Stock Exchange as well as the Securities and Exchange Commission's rules.
- 7 Good Manufacturing Practice.
- 8 International best practices.

**BOARD COMMITTEES**

In line with our strict adherence to Corporate Governance principles, we constantly review all areas of operations that hinge on it. Accordingly, board committees were reviewed for better performance, equalization and structural balance for control and involvement early in the current financial year. The committees are now composed as follows:

| S/N | NAME OF COMMITTEE                                 | MEMBERS  |
|-----|---|--|
| 1   | Governance, Nomination and Remuneration Committee | Mrs. A. P. Sadauki (Chairman)<br>Mr. E. E. Imoagene<br>Mrs. O. O. Ayebae<br>Mr. Ekwunife Okoli<br>Dr. Vincent Ahonkhai   |
| 2   | Finance and General purposes committee            | Mr. E. E. Imoagene (Chairman)<br>Mr. O. S. Adebajji (Interim Member)<br>Dr Vincent Ahonkhai<br>Mr. Ekwunife Okoli<br>Mr. O. O. Olayeye<br>Mr. A. A. Adebayo<br>Mr. Ola Ijimakin<br>Dr F. A. Ayebae |
| 3.  | Risk, Audit & Credit Control Committee            | Mr. O. S. Adebajji (Interim Chairman)<br>Mr. E. E. Imoagene<br>Mr. Ekwunife Okoli<br>Mrs. O. O. Ayebae<br>Mr. O. O. Olayeye<br>Mr. A. A. Adebayo<br>Dr. F. A. Ayebae                               |

|    |                                   |  |
|----|-----------------------------------|--|
| 4. | Strategy and Business Development | Mr. Ekwunife Okoli (Chairman)<br>Dr. Vincent Ahonkhai<br>Mrs. A. P. Sadauki<br>Mr. Emmanuel Imoagene<br>Mr. O. O. Olayeye<br>Mr. A. A. Adebayo<br>Mr. Ola Ijimakin<br>Dr. Fidelis Ayebae |
|----|-----------------------------------|--|

**The Company Secretary acts as Secretary to all Board committees.**

**COMMITTEES' TERMS OF REFERENCE**

The terms of reference for all the committees are in line with the provisions of the Corporate Governance Code 2018 and generally accepted best practices. The committee's terms of reference in summary are as follows:

- 1.0 Governance, Nomination and Remuneration Committee:** The committee's main responsibility is to assist the Board of Directors in developing policies to fill any vacancy on the board however occasioned and to ensure at all times that competence gaps are closed so that the Company is not short of the required skills. The Committee is also responsible for the review and approval of executive compensation.

In doing this, the Committee considers the need to attract, motivate and retain suitably qualified individuals to the Board and Management.

It is also the responsibility of the Committee to ensure that remunerations paid to the employees of the Company are adequate and commensurate with performance.

- 2.0 Finance and General Purposes Committee:** The committee assists the Board in ensuring that the Company's strategic initiatives and objectives are translated into actions and processes. In doing this, the Committee considers and makes recommendations to the Board with regards to:-

- a) the annual estimates of revenue and expenditure (statement of profit or loss).
- b) capital expenditure requirements including loans.
- c) investment and borrowing policies.
- d) to make recommendation to the board with regard to the framework for the Company's strategic plan.
- e) to consider the draft strategic plan prior to submission to the Board.
- f) to consider any other matters referred to the Committee by the Company.

- 3.0 Risk, Audit and Credit Control Committee:** The committee assists the Board in the monitoring, reviewing and the administration of the credit policy and risk management. Its terms of reference include the following:

- i. Consider the nature, extent and categories of the risks facing the Company, and the likelihood of such risks materializing, the Company's ability to reduce the incidence and the impact on its business, if the risks do materialize.
- ii. Advise the Board on the cost of operating particular controls relative to the benefits thereby obtained in the managing the related risks;
- iii. Ensure that the Company's policy on ethics adequately impacts positively on its business partners and stakeholders e.g. Customers, Shareholders, Community, Government, Suppliers and the public;
- iv. Prescribe new standards and mechanisms related to ethics and make the recommendations to the Board
- v. Review the risk register and to notify the Board of changes in the status and control evaluation of risks;
- vi. Keep under review and monitor the effectiveness of the Company's system of internal controls, non-financial activities of management, including operational and compliance controls and risk management, environment, health and safety and report to the Board on annual basis and;
- vii. Monitor compliance with the provisions of the Companies and Allied Matters Act 2020 as they affect the operations of the business and adherence to the rules and regulations of relevant regulatory bodies.

- viii. To obtain Board approval for any policy changes, actions or decisions of the Committee that require such approval. Communication path shall be through the Company Secretary and/or the Chairman.
- ix. The committee shall be responsible for putting in place a structure for risk management.
- x. To review the implementation of the Company's processes as they relate to risk management framework and recommend best practice.
- xi. To consider likely impact on breaches in the Company's operations.
- xii. To put in place a Business Continuity Plan (BCP) for the Company.

#### **4.0 Strategy and Business Development Committee**

**The Committee is responsible for formulating Strategy and also agreeing with various functions of the business to agree on strategic initiatives.**

These committees meet on regular basis to discharge their functions and report to the Board.

**Information flow to the Board:** The executive management ensures that the Board receives adequate information on a timely basis. Board papers are circulated at least two weeks before every board meeting.

As part of the Board's resolve to ensure adequate compliance with and to engender good corporate governance, at every board meeting the Corporate Governance Report is presented by the Company Secretary for consideration by the Board. This way, the Board is kept abreast of the regulatory, statutory and ethical requirements expected of listed companies in Nigeria.

**Board Charter:** In order to ensure good governance is engendered in the Company, the Board is run by a Charter which amongst other things make provisions concerning:

- a) Frequency of Board meetings
- b) Process for adoption and circulation of board minutes
- c) Disclosure of interests
- d) Guidelines for ensuring integrity and independence of the Directors
- e) Commitment to comply with the Corporate Governance Code

**Board Structure:** The Board is made up of 10 (ten) Directors. Majority (6) of them are non-executive directors amongst whom are three Independent Non-Executive Director. The structure has engendered a culture of objective assessment and balanced view on the Board on every issue brought up for discussion.

In structuring the Board, there was consideration for diversity in terms of gender and core competencies of individual directors, hence there are three women and five men on the board. Among the board members are experts in Human Resources, corporate governance, medical sciences, Marketing, finance, agriculture and banking.

**Directors during the year under review were<sup>1</sup>:**

|   |                               |   |   |
|---|-------------------------------|---|---|
| 1 | Mr. Olusegun S. Adebajji      | - | Chairman                                  |
| 2 | Dr. Fidelis A. Ayebae         | - | Managing Director/Chief Executive Officer |
| 3 | Mr. Emmanuel E. Imoagene      | - | Non-Executive Director                    |
| 4 | Mrs. Oluwafunmilola O. Ayebae | - | Non-Executive Director                    |
| 5 | Mrs. Aishatu P. Sadauki       | - | Non-Executive Director                    |
| 6 | Mr. Olugbenga O. Olayeye      | - | Executive Director, Sales and Marketing   |
| 7 | Mr. Abiola A. Adebayo         | - | Executive Director, Operations.           |

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<sup>1</sup> Three new Directors as mentioned above were appointed in 2021 after the reporting period.

**Board evaluation and appraisal:** The board has decided to conduct an evaluation of its members before the end of the 2020 financial year.

**Related party transaction:** Though the shareholders gave an anticipatory approval at the last annual general meeting, there was no material related part transaction throughout the year under review.

**THE AUDIT COMMITTEE**

In accordance with section 404 (3) of the Companies and Allied Matters Act, 2020, the audit committee is made up of five (5) members, three representatives of the shareholders and two representatives of the Board of Directors. Members of the audit committee are elected at the annual general meeting. The Committee was engaged maximally in all aspects of its responsibility as stipulated by the law. In addition, the committee was encouraged to take on other assignments that may be of benefit to the Company. Members of the Committee during the year under review were:

- |    |                             |                         |
|----|-----------------------------|-------------------------|
| 1. | Chief Matthew Akinlade, FCA | Shareholder – Chairman. |
| 2. | Alhaji Abdulkabir B. Sarumi | Shareholder             |
| 3. | Mr. Solomon S. Akinsanya    | Shareholder             |
| 4. | Mrs. Olufunmilola O. Ayebae | Director                |
| 5. | Mrs. A. P. Sadauki          | Director <sup>2</sup>   |
| 6. | Mr. Emmanuel E. Imoagene    | Director                |

Attendance of Board Members, Board Committees and Audit Committee at Meetings during the Year Ended 31 December 2020

| BOARD MEETINGS     | 19-03-20 | 20-05-20 | 21-07-20 | 22-10-20 | 09-12-20 | %   |
|--------------------|----------|----------|----------|----------|----------|-----|
| Mr. Segun Adebajji | ✓        | ✓        | ✓        | ✓        | ✓        | 100 |
| Dr. F A Ayebae     | ✓        | ✓        | ✓        | ✓        | ✓        | 100 |
| Mrs. A. P. Sadauki | ✓        | X        | ✓        | ✓        | ✓        | 80  |
| Mrs. O. O. Ayebae  | ✓        | ✓        | ✓        | ✓        | ✓        | 100 |
| Mr. E. Imoagene    | ✓        | ✓        | ✓        | ✓        | ✓        | 100 |
| Mr. O. O. Olayeye  | X        | ✓        | ✓        | ✓        | ✓        | 80  |
| Mr. A. A. Adebayo  | ✓        | ✓        | ✓        | ✓        | ✓        | 100 |

| AUD IT COMMITTEE       | 17-03-20 | 10-06-20 | 20-07-20 | 21-10-20 | %   |
|------------------------|----------|----------|----------|----------|-----|
| Chief Matthew Akinlade | ✓        | ✓        | ✓        | ✓        | 100 |
| Alhaji A. B. Sarumi    | ✓        | ✓        | ✓        | ✓        | 100 |
| Mrs. O. O. Ayebae      | ✓        | ✓        | ✓        | ✓        | 100 |
| Mrs. A P Sadauki       | X        | ✓        | ✓        | ✓        | 75  |
| Mr. S. S. Akinsanya    | ✓        | ✓        | ✓        | ✓        | 100 |
| Mr. Emmanuel Imoagene  | ✓        | ✓        | ✓        | ✓        | 100 |

| REMUNERATION COMMITTEE | 07-12-20 | %   |
|------------------------|----------|-----|
| Mrs. A. P. Sadauki     | ✓        | 100 |
| Mrs. O. O. Ayebae      | ✓        | 100 |
| Mr. E. E. Imoagene     | ✓        | 100 |
| Mr. O.S. Adebajji      | ✓        | 100 |

<sup>2</sup> Mrs. A P Sadauki was a member of the Committee until 25<sup>th</sup> of March 2021 when she stepped down.

**FIDSON HEALTHCARE PLC**  
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*For the year ended 31 December 2020*

| <b>FINANCE AND GENERAL PURPOSES COMMITTEE</b> | 16-01-20 | 19-03-20 | 19-05-20 | 21-07-20 | 09-09-20 | 22-10-20 | 09-12-20 | 21-12-20 | %    |
|---|----------|----------|----------|----------|----------|----------|----------|----------|------|
| Mr. E. E. Imoagene                            | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        | 100  |
| Dr. F. A. Ayebae                              | X        | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        | 87.5 |
| Mr. O.S. Adebajji                             | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        | 100  |
| Mr. O. O. Olayeye                             | ✓        | X        | X        | ✓        | ✓        | ✓        | ✓        | ✓        | 75   |
| Mr. A. A. Adebayo                             | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        | ✓        | 100  |

| <b>RISK MANAGEMENT AND AUDIT COMMITTEE.</b> | 13-11-20 | %   |
|---|----------|-----|
| Mr. Segun Adebajji                          | ✓        | 100 |
| Dr. F. A. Ayebae                            | ✓        | 100 |
| Mr. O. O. Olayeye                           | ✓        | 100 |
| Mr. E. E. Imoagene                          | ✓        | 100 |
| Mr. A. A. Adebayo                           | ✓        | 100 |

| <b>NOMINATION COMMITTEE</b> | 07-12-20 | %   |
|-----------------------------|----------|-----|
| Mrs. A. P. Sadauki          | ✓        | 100 |
| Mrs. O. O. Ayebae           | ✓        | 100 |
| Mr. E. E. Imoagene          | ✓        | 100 |
| Mr. O.S. Adebajji           | ✓        | 100 |

**Corporate governance report (cont'd)**

**Securities Trading**

The company's directors are constantly reminded and they are aware of the restrictions imposed on them with regards to trading in the shares of the Company during closed periods. The policy in place is obeyed by the Directors and other senior employees who by virtue of their position constantly come in contact with price sensitive information.

Enquiries have been made and it is hereby stated that in respect of this financial statements submitted in the course of the year under review none of the Directors violated the rules relating to securities trading.

**Payment of penalty:**

The company paid no penalty to the Nigerian Stock Exchange during the year under review (2019: Nil).

**Compliance with code of corporate governance:**

The company complied with the Nigerian Code of Corporate Governance 2018 during the year under review.

Detailed explanations were given in the annual corporate governance return (Form SEC1) made to the Securities and Exchange Commission.

**The complaints management policy of the Company**

The company is in the process of putting in place a policy document on complaints management to support the existing policies dealing with allied matters.

**THE BOARD**

Frequency of meetings:

The Board of Directors holds at least 4 (four) meetings in each financial year. Each meeting is scheduled to receive quarterly operating results among other reports on the Company's operations. All matters reserved for the Board are duly considered and resolved. These include consideration and approval of budgets, major capital expenditures, corporate strategy, review of policies on internal risk management, review of performance and generally direct the affairs of the Company's operations.

Attendance at Board meetings during the year under review was impressive. In line with Section 404(2) of the Companies and Allied Matters Act 2020, the record of Directors attendance at Board meetings is available at the annual general meeting for inspection.

Responsibilities of the Board of Directors:

It is the responsibility of the Board of Directors to:

- a) ensure that the Company's operations are conducted in a fair and transparent manner that conforms with high ethical standards;
- b) ensure the integrity of the Company's financial and internal control policies;
- c) ensure the accuracy, adequacy and timely rendition of the statutory returns and financial reports to the regulatory authorities, namely, The Nigerian Stock Exchange (NSE), Securities and Exchange Commission (SEC), Corporate Affairs Commission (CAC), National Agency for Food and Drug Administration and Control (NAFDAC) and shareholders through the Company Secretary;
- d) ensure value creation for the shareholders, employees and other stakeholders;
- e) review and approve corporate policies, strategies, annual budgets and business plans;
- f) monitor implementation of policies and strategic direction of the Company;
- g) set performance objectives, monitor implementation and corporate performance;
- h) review and approve all major capital expenditure of the Company;
- i) ensure that the statutory rights of all stakeholders are protected at all times; and,
- j) institute appropriate mechanism for measuring adherence by management to all regulations.

In the course of the financial year 2020, the statutory Audit Committee of Fidson Healthcare Plc met four times as illustrated in the table below.

**FIDSON HEALTHCARE PLC**  
*Annual report and financial statements*  
*For the year ended 31 December 2020*

| <b>AUDIT COMMITTEE</b>      | <b>17-03-20</b> | <b>10-06-20</b> | <b>20-07-20</b> | <b>21-10-20</b> | <b>%</b> |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|----------|
| Chief Matthew Akinlade, FCA | ✓               | ✓               | ✓               | ✓               | 100      |
| Alhaji A. B. Sarumi         | ✓               | ✓               | ✓               | ✓               | 100      |
| Mrs. O. O. Ayebae           | ✓               | ✓               | ✓               | ✓               | 100      |
| Mrs. A P Sadauki            | X               | ✓               | ✓               | ✓               | 75       |
| Mr. S. S. Akinsanya         | ✓               | ✓               | ✓               | ✓               | 100      |
| Mr. Emmanuel Imoagene       | ✓               | ✓               | ✓               | ✓               | 100      |

Our terms of reference include but are not limited to the following:

- 1 Assist in the oversight of the integrity of Fidson Healthcare Plc (“the Company”) financial statements, compliance with legal and other regulatory requirement, assessment of qualifications and independence of external auditor, and performance of the company’s internal audit functions well as that of external auditors;
- 2 Ensure the development of a comprehensive internal control framework for the Company, obtains assurance and report annually in the financial report, on the operating effectiveness of the Company’s internal framework;
- 3 Oversee management’s process for the identification of significant fraud risks across the Company and ensure that adequate prevention, detection and reporting mechanism are in place;
- 4 Discuss the annual audited financial statements with management and external auditors;
- 5 Discuss policies and strategies in respect to risk assessment and management;
- 6 Review and ensure that adequate whistle blowing procedures are in place and that a summary of issues reported are highlighted to the Chairman;
- 7 Review, with the external auditor, any audit scope limitations or problems encountered and management responses to same. In addition, to review the independence of external auditors and ensure that where non-audit services are provided by the external auditors, there is no conflict of interest;
- 8 Preserve auditor independence, by setting clear hiring policies for employees or former employees of independent auditors;
- 9 Invoke its authority to investigate any matter within its terms of reference for which purpose the Company must make available the resources to the internal auditors with which to carry out these functions, including access to external advice where necessary.




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**J. Abayomi Adebajo, FCIS**  
**Company Secretary**  
**FRC/2013/ICSAN/0000002161**  
**25 March 2021**



**Statement of Directors' Responsibilities**  
**For the preparation and approval of the Financial Statements**

The Directors of Fidson Healthcare Plc accept responsibility for the preparation of the financial statements that give a true and fair view of the financial position of the as at 31 December 2020, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act, 2020 and Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

**Going Concern:**

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

**Certification of financial statements**

In accordance with section 405 of the Companies and Allied Act of Nigeria 2020, the Chief Executive Officer and the Chief Financial Officer certify that the financial statements have been reviewed and based on our knowledge, the:

- (i) audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and
- (ii) audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the periods covered by the audited financial statements.

**We state that management and Directors:**

- (i) are responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the Company is made known to the officer by other officers of the Company , particularly during the period in which the audited financial statement report is being prepared,
- (ii) has evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of its audited financial statements, and
- (iii) certifies that Company's internal controls are effective as of that date;

**Statement of Directors' responsibilities (cont'd)**

We have disclosed:

- (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and has identified for the Company's auditors any material weaknesses in internal controls, and
- (ii) whether or not, there is any fraud that involves management or other employees who have a significant role in the Company's internal control; and
- (iii) as indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The financial statements of the Company for the year ended 31 December 2019 were approved by the Directors on 26 March 2020.

On behalf of the Directors of the Company



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**Abiola Adebayo**  
Director  
FRC/2013/PSNIG/00000002162

**25 March 2021**



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**Fidelis Ayebae**  
MD/CEO  
FRC/2014/CIANG/00000002376

**25 March 2021**

**Audit committee’s report**

In the course of the financial year 2020, the statutory Audit Committee of Fidson Healthcare Plc met four times as illustrated in the table below.

| <b>AUDIT COMMITTEE</b>      | <b>17-03-20</b> | <b>10-06-20</b> | <b>20-07-20</b> | <b>21-10-20</b> | <b>%</b> |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|----------|
| Chief Matthew Akinlade, FCA | ✓               | ✓               | ✓               | ✓               | 100      |
| Alhaji A. B. Sarumi         | ✓               | ✓               | ✓               | ✓               | 100      |
| Mrs. O. O. Ayebae           | ✓               | ✓               | ✓               | ✓               | 100      |
| Mrs. A P Sadauki            | X               | ✓               | ✓               | ✓               | 75       |
| Mr. S. S. Akinsanya         | ✓               | ✓               | ✓               | ✓               | 100      |
| Mr. Emmanuel Imoagene       | ✓               | ✓               | ✓               | ✓               | 100      |

**Key**

- ✓ - Present
- x - Absent

Our terms of reference include but are not limited to the following:

- 1 Assist in the oversight of the integrity of Fidson Healthcare Plc (“the Company”) financial statements, compliance with legal and other regulatory requirement, assessment of qualifications and independence of external auditor, and performance of the company’s internal audit functions well as that of external auditors.
- 2 Ensure the development of a comprehensive internal control framework for the Company, obtains assurance and report annually in the financial report, on the operating effectiveness of the Company’s internal framework.
- 3 Oversee management’s process for the identification of significant fraud risks across the Company and ensure that adequate prevention, detection and reporting mechanism are in place.
- 4 Discuss the annual audited financial statements with management and external auditors.
- 5 Discuss policies and strategies in respect to risk assessment and management.
- 6 Review and ensure that adequate whistle blowing procedures are in place and that a summary of issues reported are highlighted to the Chairman.
- 7 Review, with the external auditor, any audit scope limitations or problems encountered and management responses to same. In addition, to review the independence of external auditors and ensure that where non- audit services are provided by the external auditors, there is no conflict of interest.
- 8 Preserve auditor independence, by setting clear hiring policies for employees or former employees of independent auditors.
- 9 Invoke its authority to investigate any matter within its terms of reference for which purpose the Company must make available the resources to the internal auditors with which to carry out these functions, including access to external advice where necessary.

**Audit committee's report contd.**

Consequently, in accordance with the provisions of section 359(6) of the Companies and Allied Matters Act 2020, the members of the statutory Audit committee of Fidson Healthcare Plc hereby report that we have exercised our statutory functions under this act and we acknowledge the cooperation of the Management and staff of the conduct of these responsibilities.

Specifically, we confirm that:

- 1 The accounting and reporting policies of the Company are consistent with the legal requirements and ethical practices.
- 2 The internal audit programmes are extensive and provide a satisfactory evaluation of the efficiency of the internal controls systems; and
- 3 We have considered the independent auditor's post audit report and management responses thereon, and are satisfied with responses to our question as well as the state of Fidson Healthcare Plc.



**Chief Matthew Akinlade, FCA**  
**FRC2013/ICAN/0000002111**  
**Chairman**  
**Statutory Audit Committee**

Dated 24 March 2021

Members of the Statutory Audit Committee are:

|                             |                                       |
|-----------------------------|---------------------------------------|
| Chief Matthew Akinlade, FCA | Shareholder representative (Chairman) |
| Alhaji Abdulkabir Sarumi,   | Shareholders' representative          |
| Mr. Solomon S. Akinsanya    | Shareholders' representative          |
| Mrs. Olufunmilola O. Ayebae | Directors' representative             |
| Mrs. Aisha P. Sadauki       | Directors' representative             |
| Mr. Emmanuel E. Imoagene    | Directors' representative             |



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## **Independent Auditor's report**

**To the Shareholders of Fidson Healthcare Plc**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Fidson Healthcare Plc set out on pages 5 to 67, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of financial position of Fidson Healthcare Plc as at 31 December 2020, 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 and Financial Reporting Council Act, 2011.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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 other ethical requirements that are relevant to our audit of Financial Statements in Nigeria.

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

#### **Key Audit Matter**

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current year. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.



| Key Audit Matter  | How the matter was addressed in the audit  |
|---|--|
| <b>Inventory</b>  |  |
| <p>As at 31 December 2020, the Company had an inventory balance of N6.8 billion representing an increase of 100% from N3.4 billion as at 31 December 2019. Further assessment revealed that significant part of the increase relates to Finished goods and Goods in transit with increase of 119% and 179% respectively.</p> <p>Inventory is valued at lower of cost and net realisable value in line with IAS 2.</p> <p>Given the materiality of the increase in the account balance, and the extent of audit procedures performed, we have considered this a Key Audit Matter.</p> <p>Details of the Key Audit Matter (KAM) are disclosed in note 20 of the financial statements.</p> | <p>In evaluating the reasonableness of the increase in the account balance, we performed the following procedures:</p> <ol style="list-style-type: none"><li>1. Observed the inventory count to ascertain the existence of inventory items at year end.</li><li>2. Understood key controls over inventory</li><li>3. Reconciled inventory balance to general ledger to ensure proper recording, completeness and ownership</li><li>4. Obtained and reviewed the inventory valuation report to ascertain the appropriateness of the valuation method and accuracy of inventory valuation.</li><li>5. Obtained and reviewed details of goods in transit for completeness and accuracy. On a sample basis reviewed the underlying documents supporting the items in transit at year end.</li><li>6. Reviewed the status of Goods in transit after year end to confirm the items that were received subsequent to year end.</li><li>7. Performed procedures to ensure inventory records are properly cut-off</li><li>8. Ensured appropriate disclosure of inventory balance in the financial statements.</li></ol> <p>The result of procedures performed shows that the increase in the account balance is reasonable.</p> |

#### Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Corporate governance Report, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The 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 and will 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 on the other information obtained prior to the date of this auditor's report, 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, the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act 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.

### **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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional 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.

# Deloitte.

We communicate with the audit committee and Directors 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Companies and Allied Matters Act we expressly state 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 our audit.
- ii) The Company have kept proper books of account, so far as appears from our examination of those books.
- iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

**Chigozie Okoro, FCA-FRC/2013/ICAN/00000004457**  
**For: Deloitte & Touche**  
**Chartered Accountants**  
**Lagos, Nigeria**  
**31 March, 2021**





**FIDSON HEALTHCARE PLC**  
Annual report and financial statements  
For the year ended 31 December 2020

**Statement of profit or loss and other comprehensive income**

|  | Notes | Dec-20<br>N'000    | Dec-19<br>N'000    |
|--|-------|--------------------|--------------------|
| Revenue  | 5     | 18,275,856         | 14,062,015         |
| Cost of sales  | 6     | <u>(9,694,516)</u> | <u>(8,186,458)</u> |
| Gross profit   |       | 8,581,340          | 5,875,557          |
| Other operating income   | 7     | 349,745            | 296,642            |
| Administrative expenses  | 8     | (3,734,059)        | (2,520,319)        |
| Selling and distribution expenses                                    | 9     | <u>(2,099,537)</u> | <u>(1,398,476)</u> |
| Operating profit   |       | 3,097,489          | 2,253,404          |
| Finance costs  | 10    | (1,333,927)        | (1,735,098)        |
| Finance income   | 11    | <u>9,240</u>       | <u>57,360</u>      |
| Profit before tax  | 12    | 1,772,802          | 575,666            |
| Income tax   | 13a   | <u>(567,763)</u>   | <u>(168,478)</u>   |
| Profit for the year  |       | <u>1,205,039</u>   | <u>407,188</u>     |
| Other comprehensive income: (OCI)                                    |       |                    |                    |
| Items to be reclassified to profit or loss in subsequent years:      |       |                    |                    |
| Fair value profit on available for sale financial instruments        | 34    | <u>1,240</u>       | <u>(890)</u>       |
| Net other comprehensive income to be reclassified to profit or loss  |       | <u>1,240</u>       | <u>(890)</u>       |
| Items not to be reclassified to profit or loss in subsequent years:  |       |                    |                    |
| Re- measurement gain on defined benefit plans                        | 26    | 36,838             | 44,514             |
| Income tax effect  | 13c   | <u>(11,051)</u>    | <u>(13,354)</u>    |
| Net other comprehensive income not to be reclassified profit or loss |       | <u>25,787</u>      | <u>31,160</u>      |
| Other comprehensive income, net of tax                               |       | <u>27,027</u>      | <u>30,270</u>      |
| Total comprehensive income, net of tax                               |       | <u>1,232,066</u>   | <u>437,458</u>     |
| Earnings per share – basic (in kobo)                                 |       |                    |                    |
| Basic and diluted  | 43    | <u>58</u>          | <u>20</u>          |

The notes and accounting policies form an integral part of these financial statements.

**FIDSON HEALTHCARE PLC**  
Annual report and financial statements  
For the year ended 31 December 2020

**Statement of financial position**  
**As at 31 December 2020**

|                                       | Notes | Dec-20<br>N'000   | Dec-19<br>N'000   |
|---------------------------------------|-------|-------------------|-------------------|
| <b>ASSETS</b>                         |       |                   |                   |
| Non-current assets                    |       |                   |                   |
| Property, plant and equipment         | 14    | 13,387,810        | 11,996,884        |
| Right of use assets                   | 15    | 595,194           | 703,182           |
| Investment property                   | 16    | 32,742            | 33,586            |
| Intangible assets                     | 17    | 23,530            | 27,736            |
| Available-for-sale investments        | 18a   | 4,960             | 3,720             |
| Loans and receivables                 | 18b   | 12,871            | 10,172            |
| Other non-current financial asset     | 19    | 171,673           | 441,337           |
|                                       |       | <u>14,228,780</u> | <u>13,216,617</u> |
| <b>Current assets</b>                 |       |                   |                   |
| Inventories                           | 20    | 6,780,766         | 3,375,439         |
| Trade and other receivables           | 21    | 2,731,272         | 3,263,707         |
| Prepayments                           | 22    | 296,312           | 167,469           |
| Cash and cash equivalents             | 23    | 3,205,354         | 303,919           |
|                                       |       | <u>13,013,704</u> | <u>7,110,534</u>  |
| <b>Total assets</b>                   |       | <u>27,242,484</u> | <u>20,327,151</u> |
| <b>Equity and liabilities</b>         |       |                   |                   |
| <b>Equity</b>                         |       |                   |                   |
| Issued share capital                  | 32    | 1,043,180         | 1,043,180         |
| Share premium                         | 33    | 4,933,932         | 4,933,932         |
| Retained earnings                     |       | 4,561,808         | 3,643,921         |
| Available for sale reserve            | 34    | 515               | (725)             |
|                                       |       | <u>10,539,435</u> | <u>9,620,308</u>  |
| <b>Non-current liabilities</b>        |       |                   |                   |
| Interest bearing loans and borrowings | 24    | 4,050,683         | 2,695,082         |
| Obligation under Finance Lease        | 25    | 164,459           | 313,409           |
| Retirement benefit obligation         | 26    | 447,792           | 278,533           |
| Government grant                      | 27    | 938,248           | 245,975           |
| Deferred revenue                      | 28    | 4,751             | 7,917             |
| Deferred tax liability                | 13c   | 1,548,311         | 1,085,534         |
|                                       |       | <u>7,154,244</u>  | <u>4,626,450</u>  |
| <b>Current liabilities</b>            |       |                   |                   |
| Trade and other payables              | 29    | 2,177,568         | 1,361,844         |
| Interest bearing loans and borrowings | 24    | 6,636,268         | 3,627,583         |
| Bank Overdraft                        | 23    | 232,229           | 546,604           |
| Other financial liabilities           | 30    | -                 | 65,000            |
| Obligations under Finance Lease       | 25    | 95,982            | 215,507           |
| Government grant                      | 27    | 244,229           | 121,900           |
| Deferred revenue                      | 28    | 3,168             | 3,167             |
| Income tax payable                    | 13b   | 120,424           | 99,851            |
| Unclaimed dividend                    | 31b   | 38,937            | 38,937            |
|                                       |       | <u>9,548,805</u>  | <u>6,080,393</u>  |
| <b>Total liabilities</b>              |       | <u>16,703,049</u> | <u>10,706,843</u> |
| <b>Total equity and liabilities</b>   |       | <u>27,242,484</u> | <u>20,327,151</u> |

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS ON 25 MARCH 2021



**Fidelis Ayebae**  
Managing Director/CEO  
FRC/2014/CIANG/0000002376



**Olakunle Ajayi**  
Head, Accounting & Reporting  
FRC/2018/ICAN/00000018533



**Abiola Adebayo**  
Director  
FRC/2013/PSNIG/00000002162

The notes and accounting policies form an integral part of these financial statements.

**FIDSON HEALTHCARE PLC**  
*Annual report and financial statements*  
For the year ended 31 December 2020

**Statement of changes in equity**

|   | Share<br>capital        | Share<br>premium        | Retained<br>earnings    | Available-<br>for-sale<br>reserve | Total                    |
|---|-------------------------|-------------------------|-------------------------|-----------------------------------|--------------------------|
|   | <b>N000</b>             | <b>N000</b>             | <b>N000</b>             | <b>N000</b>                       | <b>N000</b>              |
| At 1 January 2019                               | 750,000                 | 2,973,043               | 3,430,573               | 165                               | 7,153,781                |
| Increase in Share capital                       | 293,180                 | 1,960,889               | -                       | -                                 | 2,254,069                |
|   | <u>1,043,180</u>        | <u>4,933,932</u>        | <u>3,430,573</u>        | <u>165</u>                        | <u>9,407,850</u>         |
| Profit for the year                             | -                       | -                       | 407,188                 |                                   | 407,188                  |
| Other comprehensive income for<br>the year, net | -                       | -                       | 31,160                  | (890)                             | 30,270                   |
|   | <u>-</u>                | <u>-</u>                | <u>438,348</u>          | <u>(890)</u>                      | <u>437,458</u>           |
| Total Comprehensive Income for<br>the year      | -                       | -                       | 438,348                 | (890)                             | 437,458                  |
| Dividends (Note 32)                             | -                       | -                       | (225,000)               | -                                 | (225,000)                |
|   | <u>-</u>                | <u>-</u>                | <u>(225,000)</u>        | <u>-</u>                          | <u>(225,000)</u>         |
| <b>At 31 December 2019</b>                      | <b><u>1,043,180</u></b> | <b><u>4,933,932</u></b> | <b><u>3,643,921</u></b> | <b><u>(725)</u></b>               | <b><u>9,620,308</u></b>  |
| At 1 January 2020                               | 1,043,180               | 4,933,932               | 3,643,921               | (725)                             | 9,620,308                |
| Profit for the year                             | -                       | -                       | 1,205,039               | -                                 | 1,205,039                |
| Other comprehensive income for<br>the year, net | -                       | -                       | 25,787                  | 1,240                             | 27,027                   |
|   | <u>-</u>                | <u>-</u>                | <u>25,787</u>           | <u>1,240</u>                      | <u>27,027</u>            |
| Total Comprehensive Income for<br>the year      | -                       | -                       | 1,230,826               | 1,240                             | 1,232,066                |
| Dividends (Note 32)                             | -                       | -                       | (312,939)               | -                                 | (312,939)                |
|   | <u>-</u>                | <u>-</u>                | <u>(312,939)</u>        | <u>-</u>                          | <u>(312,939)</u>         |
| <b>At 31 December 2020</b>                      | <b><u>1,043,180</u></b> | <b><u>4,933,932</u></b> | <b><u>4,561,808</u></b> | <b><u>515</u></b>                 | <b><u>10,539,435</u></b> |

**FIDSON HEALTHCARE PLC**  
Annual report and financial statements  
For the year ended 31 December 2020

**Statement of cash flows**

|  | Notes | Dec-20<br>N'000    | Dec-19<br>N'000  |
|--|-------|--------------------|------------------|
| <b>Operating activities:</b>                                 |       |                    |                  |
| Profit before tax  |       | 1,772,802          | 575,666          |
| Adjustments to reconcile profit before tax to net cash flows |       |                    |                  |
| Depreciation of property, plant and equipment                | 14    | 668,435            | 635,224          |
| Depreciation - Right of use assets                           | 15    | 106,911            | 79,703           |
| Impairment loss/(gain)                                       | 7/8   | 276,028            | (12,414)         |
| Gain on disposal of plant, property and equipment            | 7     | (8,785)            | (6,216)          |
| Net exchange difference                                      | 8     | 309,345            | (3,093)          |
| Depreciation of investment property                          | 16    | 919                | 918              |
| Grant income   | 7     | (200,088)          | (159,645)        |
| Amortisation of Intangible assets                            | 17    | 37,769             | 61,729           |
| Interest income on loans and receivables                     | 11    | (3,384)            | (36,995)         |
| Interest income on fixed deposit                             | 11    | (1,823)            | (20,383)         |
| Finance costs  | 10    | 1,333,927          | 1,735,098        |
| Employee benefit expense                                     | 26    | 36,838             | 44,514           |
| Amortisation of deferred revenue                             | 28    | (3,167)            | (2,583)          |
| <b>Changes in working capital:</b>                           |       |                    |                  |
| Decrease in trade and other receivables                      |       | 532,435            | 540,275          |
| (Increase)/decrease in prepayments                           |       | (128,842)          | 186,825          |
| (Increase) in inventories                                    |       | (3,405,327)        | (537,506)        |
| Increase in government grant                                 |       | 814,602            | 61,646           |
| (Decrease) in other financial liabilities                    |       | (65,000)           | (1,029,789)      |
| (Increase)/Decrease in trade and other payables              |       | 914,276            | (2,108,611)      |
|  |       | <u>2,987,871</u>   | <u>4,363</u>     |
| Income tax paid  | 13b   | (95,465)           | (89,411)         |
| Benefits paid  | 26    | (6,390)            | (22,424)         |
| Net cash flow from/(used in) operating activities            |       | <u>2,886,016</u>   | <u>(107,472)</u> |
| <b>Cash flows from investing activities:</b>                 |       |                    |                  |
| Purchase of property, plant & equipment                      | 14    | (2,070,862)        | (658,270)        |
| Additions to intangible assets                               | 17    | (33,563)           | (34,990)         |
| Interest received  | 11    | 1,823              | 20,383           |
| Additions to loans and receivables                           | 18b   | -                  | (366,218)        |
| Drawdown on loans and receivables                            | 18b   | -                  | 407,958          |
| Proceeds from sale of property, plant and equipment          |       | 21,358             | 20,768           |
| Investment in other financial assets                         | 19    | -                  | (571,079)        |
| Liquidation of investment in other financial asset           | 19    | 272,030            | 558,072          |
| Net cash utilised by investing activities                    |       | <u>(1,809,214)</u> | <u>(623,376)</u> |
| <b>Cash flows from financing activities:</b>                 |       |                    |                  |
| Payments of finance lease liabilities                        |       | (269,068)          | (265,783)        |
| Interest paid on loans & borrowings                          | 10    | (1,333,927)        | (1,735,098)      |
| Dividend paid  | 31    | (312,939)          | (225,000)        |
| Payment of unclaimed dividend                                | 31b   | -                  | (3,229)          |
| Proceed from loans & borrowings                              | 24a   | 6,768,450          | 4,134,756        |
| Proceed from right issues                                    |       | -                  | 2,345,441        |
| Right issues Cost  |       | -                  | (91,372)         |
| Loan repayment   | 24a   | (2,404,163)        | (3,645,066)      |
| Net cash provided by financing activities                    |       | <u>2,448,353</u>   | <u>514,649</u>   |
| Net increase/(decrease) in cash and cash equivalents         |       | 3,525,155          | (216,199)        |
| Net foreign exchange difference                              |       | (309,345)          | 3,093            |
| Cash and cash equivalents at the beginning of the year       |       | <u>(242,685)</u>   | <u>(29,579)</u>  |
| Cash and cash equivalents at the end of the year             | 23    | <u>2,973,125</u>   | <u>(242,685)</u> |

**Notes to the financial statements.**

**1.0 Corporate information.**

The Company was incorporated as a private limited liability Company on 13 March 1995 and commenced business activities on 15 March 1995. The principal activities of the Company include manufacturing and distribution of pharmaceutical products. The Company's shares were quoted the Nigerian Stock Exchange on 5 June 2008. The issued share capital is held as to 38.86% directly by the Directors, 5.74% indirectly by the Directors and 54.94% by the Nigerian Public.

**1.1 Composition of the financial statements**

The Financial statements are drawn up in Naira, the functional currency of Fidson Healthcare Plc. In accordance with IFRS accounting presentation, the Financial Statements comprise:

- Statement of Profit or Loss and Other Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash flows
- Notes to the Financial Statements.

**1.2 Financial period**

These Financial Statements cover the financial year ended 31 December 2020 with comparative amounts for the year ended 31 December 2019.

**2.0 Significant accounting policies**

**2.1 Basis of preparation and measurement**

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, except for certain available-for-sale financial assets which have been measured at fair value. The financial statements are presented in the Nigerian Naira and all values are rounded to the nearest thousands (₦'000), except when otherwise indicated.

**2.2 Summary of significant accounting policies**

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

**Notes to the financial statements.**

**2.2.1 Current versus non-current classification**

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Company classifies all other liabilities as non-current.

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

**2.2.2 Fair value measurement**

The Company measures some financial instruments and non-financial assets at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 41a.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

**Notes to the financial statements.**

**2.2.2 Fair value measurement (cont'd)**

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the relevant observable inputs and minimizing the use of unobservable inputs. Refer to Note 42b for fair value hierarchy.

**2.2.3 Revenue recognition**

Revenue is recognised to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised by applying a five-step approach:

- Identify the contract
- Identify the separate performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to separate performance obligations
- Recognise revenue when (or as) each performance obligation is

The Company recognises revenue from the following major sources:

- Sale of Ethical Products
- Sale of Over the Counter (OTC) products.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

**Interest income**

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

**Dividends**

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

**2.2.4 Government grants**

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

**Notes to the financial statements.**

**2.2.4 Government grants (cont'd)**

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

**2.2.5 Taxes**

**Current income tax**

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

Current income tax relating to items recognised outside the profit or loss are recognised outside profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

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

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

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

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.



**Notes to the financial statements.**

**2.2.5 Taxes (cont'd)**

**Deferred tax (cont'd)**

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that.
- the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

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

**Value Added Tax (VAT)**

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

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

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

**2.2.6 Foreign currency transaction**

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

**Notes to the financial statements.**

**2.2.7 Property plant and equipment**

Property, plant and equipment are stated at cost of purchase or construction, net of accumulated depreciation and/or accumulated impairment loss, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long term projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, such parts are recognised as individual assets with specific useful lives and depreciated accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

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

|                                | Years   |
|--------------------------------|---------|
| Land                           | Nil     |
| Buildings                      | 50      |
| Plant and machinery            | 4 to 25 |
| Office equipment               | 4 to 10 |
| Furniture and fittings         | 8       |
| Motor vehicles                 | 4 to 6  |
| Capital work-in-progress (WIP) | Nil     |

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

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

Impairment reviews are performed when there are indicators that the carrying amounts may not be recoverable.

Impairment losses and reversals of impairment losses are recognised in the profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Notes to the financial statements.**

**2.2.8 Leases**

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

**Notes to the financial statements.**

**2.2.8 Leases (cont'd)**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component based on the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**The Company as a lessee**

Finance leases transfer to the Company substantially all the risks and rewards incidental to ownership of the leased asset.

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

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

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

**Notes to the financial statements.**

**2.2.8 Leases (cont'd)**

**Leases – as a lessor**

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

**2.2.9 Borrowing costs.**

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

**2.2.10 Investment properties**

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

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

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

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

## **Notes to the financial statements**

### **2.2.11 Intangible assets**

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

Intangible assets with finite lives are amortised over the useful economic lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

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

An intangible asset is derecognised on disposal or when no future economic benefit is expected from use or disposal. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds and the carrying amount of the intangible asset and recognised in the statement of profit or loss when the asset is derecognised

#### **Research and development costs**

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

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

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

Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

#### **Licences**

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

**Notes to the financial statements.**

**2.2.11 Intangible assets (cont'd)**

**Trademark**

The Company made upfront payments to purchase trademarks. The trademarks have been granted for a period of 5-10 years by the relevant government agency with the option of renewal at the end of this period. Licences for the use of intellectual property are granted for periods ranging between five and ten years.

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

|                               | <b>Licences</b>  | <b>Trademarks</b>  | <b>Software</b>   |
|-------------------------------|--|--|---|
| Useful lives                  | Finite (Over 5 years)  | Finite (Over 5-10years)  | Finite (Over 4 years)   |
| Amortisation method used      | Amortised on a straight-line basis over the period of the licence amortisation | Amortised on a straight-line basis over the period of the trademark amortisation | Amortised on a straight-line basis over the period of the software amortisation |
| Internally generated acquired | Acquired or  | Acquired   | Acquired  |

**2.2.12 Financial instruments**

**(i) Financial assets**

A financial asset is any asset that is:

- cash.
- an equity instrument of another entity.
- a contractual right to receive cash or another financial asset (e.g., receivables); or
- a contractual right to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to GSK (e.g., derivatives resulting in an asset, bonds, and investments)

**(ii) Financial liability**

A financial liability is any liability that is:

- a contractual obligation to deliver cash or another financial asset (e.g., payable); or
- a contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company (e.g., payables, loans and derivatives resulting in a liability).

**Notes to the financial statements.**

**2.2.12 Financial instruments (cont'd)**

**(iii) Amortised cost**

Most of Fidson's financial assets and liabilities are measured at amortised cost, including, most trade receivables and trade payables. The amortised cost of a financial asset or financial liability is the amount at which the asset or liability is measured at initial recognition minus principal repayments to date, and minus any reduction for impairment.

If there is a difference between the initial amount and the maturity amount (arising from reasons other than impairment), amortised cost will also be plus or minus the cumulative amortisation using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in profit or loss as finance costs.

**(iv) Effective interest method**

The effective interest method calculates amortised cost by allocating the interest payment or expense over the relevant period. This calculation only applies if a premium has been paid or a discount received. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. When estimating cash flows, all contractual terms are considered but expected future credit losses are not taken into account unless the financial instrument is credit impaired.

**(v) Expected credit loss (ECL)**

The expected credit loss is the difference between the cash flows due under the contract and the cash flows expected to be received, discounted at the original effective interest rate. An expected credit loss allowance is similar to an impairment provision.

**(vi) Expected credit loss allowance**

An allowance for expected credit losses (ECLs) on all financial assets measured at amortised cost, e.g. most trade and other receivables, is set up through the Income Statement at initial recognition of the asset. The ECL is deducted from the carrying value of the asset on the balance sheet. Subsequent movements in the ECL (including release of the ECL if the asset is recovered in full) are reported in the Income Statement.

All ECL (impairment) allowances must be reviewed at least quarterly.

In applying the IFRS 9 impairment requirements, an entity needs to apply one of the following approaches:

- The simplified approach, which will be applied to trade receivables.
- The general approach, which will be applied to other receivables, including royalty receivables, and to loan assets and investments in debt securities.



**Notes to the financial statements.**

**2.2.12 Financial instruments (cont'd)**

**(vi) Expected credit loss allowance (cont'd)**

**a) The simplified impairment approach**

The simplified approach applied to trade receivables requires the recognition of lifetime ECLs at all times. Fidson uses a provision matrix as a practical expedient for determining ECLs on trade receivables, including non-overdue balances. The provision matrix should incorporate forward-looking information into historical customer default rates and, where appropriate, group receivables into customer segments that have similar loss patterns, such as Distributors, Sales representatives, and Institutions.

**b) The general impairment approach**

Under the general approach, prior to an asset actually being credit-impaired, entities recognise expected credit losses (ECLs) in two stages. For assets for which there has not been a significant increase in credit risk since initial recognition (i.e. 'good' exposures), entities are required to provide for ECLs that would result from default events that are possible within the next 12 months (a 12-month ECL).

For assets for which there has been a significant increase in credit risk since initial recognition, a loss allowance for ECLs expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL), is required. "

Indicators of a significant increase in credit risk include:

- An actual or expected significant change in the financial asset's external or internal credit rating.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations, such as an increase in interest rates or a significant increase in unemployment rates;
- An actual or expected significant change in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant change in the debtor's ability to meet its debt obligations, such as a decline in the demand for the debtor's sales product because of a shift in technology;
- Expected changes in the loan documentation (i.e. changes in contract terms) including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group (e.g., an increase in the expected number or extent of delayed contractual payments); and
- Past due information on debtors.

For current assets (expected to be recovered in less than 12 months), there will be no difference between the 12-month ECL and the lifetime ECL.

**Notes to the financial statements.**

**2.2.12 Financial instruments (cont'd)**

**(vii) Impairment on available-for-sale financial investments**

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the year in which the fair value has been below its original cost.

When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss – is reclassified from equity and to the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognized in other comprehensive income.

**(viii) Derecognition of financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Company has transferred substantially all the risks and rewards of the asset, or
  - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Notes to the financial statements.**

**2.2.12 Financial instruments (cont'd)**

**(ix) Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

**(x) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**2.2.13 Inventories**

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

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

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

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

**2.2.14 Impairment of non-financial assets**

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

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

**Notes to the financial statements.**

**2.2.14 Impairment of non-financial assets (cont'd)**

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

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

**2.2.15 Cash and cash equivalents**

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

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

**2.2.16 Provisions**

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

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

**2.2.17 Pension and other post-employment benefits**

**Retirement benefit Schemes**

The gratuity scheme is a defined benefit plan. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Actuarial gains and losses are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the year in which they occur. Actuarial gains and losses are not reclassified to the profit or loss in subsequent years.

**Notes to the financial statements.**

**2.2.17 Pension and other post-employment benefits (cont'd)**

**Pension**

The Company operates a defined contribution plan in line with the provisions of the Pension Reform Act 2014 as amended. This plan is in proportion to the services rendered to the Company by the employees with no further obligation on the part of the Company. The Company and its employee contribute 10% and 8% respectively of employees' current salaries and designated allowances to the scheme. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recorded as personnel expenses in the profit or loss.

Past service costs are recognized in the profit or loss on the earlier of:

- the date of the plan amendment or curtailment, and
- the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs and gains and losses on curtailments
- Net interest expense or income

**Short term benefits**

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short term cash-bonus plans if the Company has a present and constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

**Termination benefits**

Termination benefits are recognized as an expense when the Company is demonstrably committed without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

**2.2.18 Dividends**

Dividends on ordinary shares are recognised as a liability when they are approved by the Company's shareholders at the Annual General Meeting. Dividends are recognised, when they are paid. Dividends for the year that are approved after the reporting date are disclosed in the financial statements as a non-adjusting event.

**Notes to the financial statements.**

**2.2.19 Segment reporting**

For management purposes, the Company is organised into business units based on its products and has two reportable segments as follows:

- The over-the-counter segment, which represent the products that may be sold directly to the consumer without a prescription.
- Ethical products segment, which are drugs, injectables and infusion which would be sold to the consumer only on the possession of a valid prescription.
- Consumer segment, which represent household items was introduced in 2016.

No operating segments have been aggregated to form the above reportable operating segments. The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue and cost of sales. The Executive Management Committee monitors the operating results of the whole business for the purpose of making decisions about resource allocation and performance assessment.

**3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management - Note 43
- Financial risk management and policies - Note 41

**3.1 Judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

**Operating lease commitments — Company as lessor**

The Company has entered commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

**Notes to the financial statements.**

**3.2 Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities.

**Retirement benefits**

The cost of defined benefit gratuity scheme is determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Refer to Note 2 for assumptions relating to retirement benefits.

**Fair value measurement of financial instruments**

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 41 for further disclosures.

**Available-for-Sale financial instruments**

The Company assesses at each reporting date whether there is any objective evidence that the available for sale financial assets is impaired. Available-for-sale financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the Available-for-sale financial assets that can be reliably estimated. The objective evidence the Management relies upon in assessing the Available-for-sale financial assets for impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also seen as an objective evidence of impairment.

**Notes to the financial statements.**

**3.2 Estimates and assumptions (cont'd)**

**Available-for-Sale financial instruments (cont'd)**

The Company judges that the impairment is significant if the fair value declined is between 20% and 30% and prolonged when it is between 9 and 12 months.

When the fair value of available-for-sale financial assets cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to Note 19 on the details of available for sale financial assets.

**Property, plant and equipment**

The Company carries its property, plant and equipment at cost in the Statement of Financial Position. Estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. The Company reviews the estimated the useful lives and residual values of its property, plant and equipment, and accounts for any changes prospectively. Refer to Note 15 on property plant and equipment.

**Allowance for uncollectible accounts receivable**

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the aging of the receivable balances and historical experience based on the facts and circumstances prevailing as at reporting date. In addition, a large number of minor receivables is grouped into homogeneous groups and assessed for impairment collectively. Individual trade receivables are written off when management considers them to be uncollectable.

**Property, plant and equipment**

The Company own a property with dual purpose. The portion not occupied by the Company cannot be separately sold or leased out under a finance lease arrangement. Management believe it occupies a significant portion of the property; hence the whole property has been classified as property, plant & equipment.



**Notes to the financial statements.**

**4.0 Application of new and revised International Financial Reporting Standards (IFRSs)**

**New and amended IFRS Standards that are effective for the current year**

**Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.**

In September 2019, the IASB issued *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*.

These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments is not relevant to the Company given that it does not apply hedge accounting to its benchmark interest rate exposures.

**Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16**

In May 2020, the IASB issued *Covid-19-Related Rent Concessions (Amendment to IFRS 16)* that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

The standard is not applicable to the Company in current financial year as it has not received any rent concessions. The Company has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in the prior period.

**Impact of the initial application of other new and amended IFRS Standards that are effective for the current year**

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

**Notes to the financial statements.**

**4.0 Application of new and revised International Financial Reporting Standards (IFRSs) (cont'd)**

**New and amended IFRS Standards that are effective for the current year (cont'd)**

**Amendments to References to the Conceptual Framework in IFRS Standards**

The Company has adopted the amendments included in *Amendments to References to the Conceptual Framework in IFRS Standards* for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new *Framework*. Not all amendments, however, update those pronouncements with regard to references to and quotes from the *Framework* so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Framework* they are referencing to (the IASB *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

**Amendments to IFRS 3 Definition of a business**

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020. The amendments to IFRS 3 is not applicable to the Company in the current year, there was no acquisition.

**Amendments to IAS 1 and IAS 8 Definition of material**

The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of 'material' or refer to the term 'material' to ensure consistency. The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year.

**Notes to the financial statements.**

**4.0 Application of new and revised International Financial Reporting Standards (IFRSs) (cont'd)**

**New and revised IFRS Standards in issue but not yet effective**

**IFRS 17 Insurance Contracts**

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued *Amendments to IFRS 17* to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued *Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)* that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

**Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The Directors of the Company anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transactions arise.

**Notes to the financial statements.**

**4.0 Application of new and revised International Financial Reporting Standards (IFRSs) (cont'd)**

**Amendments to IAS 1 – Classification of Liabilities as Current or Non-current**

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

**Amendments to IFRS 3 – Reference to the Conceptual Framework**

The amendments update IFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

**Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

**Notes to the financial statements.**

**4.0 Application of new and revised International Financial Reporting Standards (IFRSs) (cont'd)**

**Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

**Annual Improvements to IFRS Standards 2018–2020**

The *Annual Improvements* include amendments to four Standards. IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

**IFRS 9 Financial Instruments**

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

**IFRS 16 Leases**

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

**IAS 41 Agriculture**

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

**Notes to the financial statements**

**5 Revenue**

|                        | <b>Dec-20</b>            | <b>Dec-19</b>            |
|------------------------|--------------------------|--------------------------|
|                        | <b>₦'000</b>             | <b>₦'000</b>             |
| Sales of goods         |                          |                          |
| Consumer               | -                        | 2,561                    |
| Ethical                | 10,672,684               | 7,865,316                |
| Over-The-Counter (OTC) | <u>7,603,172</u>         | <u>6,194,138</u>         |
|                        | <u><u>18,275,856</u></u> | <u><u>14,062,015</u></u> |

Revenue represents total value of goods invoiced to third parties locally.

**6 Cost of sales**

|                                       | <b>Dec-20</b>           | <b>Dec-19</b>           |
|---------------------------------------|-------------------------|-------------------------|
|                                       | <b>₦'000</b>            | <b>₦'000</b>            |
| Consumer                              | -                       | 1,245                   |
| Ethical                               | 4,827,129               | 3,823,506               |
| Over The Counter (OTC)                | 3,354,446               | 3,001,942               |
| Depreciation of factory PPE (Note 8a) | 499,496                 | 507,245                 |
| Energy                                | 317,563                 | 383,720                 |
| Personnel Cost                        | 418,157                 | 367,364                 |
| Other Factory Overheads               | <u>277,725</u>          | <u>101,436</u>          |
|                                       | <u><u>9,694,516</u></u> | <u><u>8,186,458</u></u> |

**7 Other operating income**

|  | <b>Dec-20</b>         | <b>Dec-19</b>         |
|--|-----------------------|-----------------------|
|  | <b>₦'000</b>          | <b>₦'000</b>          |
| Amortisation of government grant                     | 200,088               | 159,645               |
| Other operating income                               | 10,926                | 54,742                |
| Exchange Gain  | -                     | 3,093                 |
| Gain on disposal of property, plant and equipment    | 8,785                 | 6,216                 |
| Rental income  | 3,167                 | 2,583                 |
| Sale of scrap  | 47,741                | 33,199                |
| Toll Manufacturing Income                            | 79,038                | 24,750                |
| Write back of excess impairment charge on receivable | <u>-</u>              | <u>12,414</u>         |
|  | <u><u>349,745</u></u> | <u><u>296,642</u></u> |

**FIDSON HEALTHCARE PLC**  
Annual report and financial statements  
For the year ended 31 December 2020

**Notes to the financial statements**

|  | <b>Dec-20</b>    | <b>Dec-19</b>    |
|--|------------------|------------------|
|  | <b>₦'000</b>     | <b>₦'000</b>     |
| <b>8 Administrative expenses</b>   |                  |                  |
| Association and Membership   | 9,613            | 7,582            |
| Audit fee  | 14,000           | 11,500           |
| Conferences and Workshop   | 1,770            | 5,624            |
| Consultancy fees   | 128,268          | 104,022          |
| Corporate social responsibility  | 58,371           | 26,332           |
| Depreciation and amortisation (Note 8a)  | 314,538          | 270,329          |
| Diesel and fuel  | 47,812           | 66,407           |
| Impairment of receivables (Note 20b)   | 276,028          | -                |
| Insurance  | 99,380           | 106,281          |
| Legal  | 12,858           | 14,705           |
| Office supplies  | 17,645           | 10,305           |
| AGM Expenses   | 3,659            | 5,705            |
| Directors Expenses   | 27,368           | 22,199           |
| Bank administrative fee  | 52,646           | 86,600           |
| Newspapers and periodicals   | 124              | 418              |
| Personnel costs (Note 8b)  | 1,531,459        | 1,027,389        |
| Printing and stationery  | 24,611           | 46,038           |
| Repairs and maintenance  | 352,255          | 285,843          |
| Outsourced Cleaning and Security Expenses  | 36,475           | 28,182           |
| Telephone & postage  | 38,863           | 37,057           |
| Training   | 17,733           | 8,836            |
| Travelling   | 183,682          | 196,232          |
| Permit and Dues  | 29,045           | 40,071           |
| Auxiliary materials & Tools  | 96,295           | 67,903           |
| Canteen expenses   | 50,216           | 44,758           |
| Exchange loss  | 309,345          | -                |
|  | <u>3,734,059</u> | <u>2,520,319</u> |
| <b>8a Depreciation and amortisation</b>  |                  |                  |
| Depreciation of property, plant and equipment (Note 14)                          | 668,435          | 635,224          |
| Depreciation of Rights of use assets (Note 15)                                   | 106,911          | 79,703           |
| Depreciation of property, plant and equipment included in cost of sales (Note 6) | <u>(499,496)</u> | <u>(507,245)</u> |
|  | 275,850          | 207,682          |
| Depreciation of investment property (Note 16)                                    | 919              | 918              |
| Amortisation of intangible assets (Note 17)                                      | <u>37,769</u>    | <u>61,729</u>    |
|  | <u>314,538</u>   | <u>270,329</u>   |

**FIDSON HEALTHCARE PLC**  
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**Notes to the financial statements**

|  | <b>Dec-20</b>    | <b>Dec-19</b>    |
|--|------------------|------------------|
|  | <b>₦'000</b>     | <b>₦'000</b>     |
| <b>8b Personnel costs</b>                            |                  |                  |
| Gratuity   | 36,838           | 44,514           |
| Pension cost   | 47,322           | 48,155           |
| Salary and wages                                     | <u>1,447,299</u> | <u>934,720</u>   |
|  | <u>1,531,459</u> | <u>1,027,389</u> |
| <br>   |                  |                  |
| <b>9 Selling and distribution expenses</b>           |                  |                  |
| Promotion and advertisement                          | 340,986          | 231,034          |
| Sales expenses                                       | <u>1,758,551</u> | <u>1,167,442</u> |
|  | <u>2,099,537</u> | <u>1,398,476</u> |
| <br>   |                  |                  |
|  | <b>Dec-20</b>    | <b>Dec-19</b>    |
|  | <b>₦'000</b>     | <b>₦'000</b>     |
| <b>10 Finance cost</b>                               |                  |                  |
| Interest on bank loans                               | 1,248,601        | 1,577,451        |
| Interest on bond                                     | -                | 51,773           |
| Interest on finance lease                            | <u>85,326</u>    | <u>105,874</u>   |
|  | <u>1,333,927</u> | <u>1,735,098</u> |
| <br>   |                  |                  |
| <b>11 Finance income</b>                             |                  |                  |
| Interest earned on loans and receivables             | 3,383            | 1,856            |
| Interest earned on other non-current financial asset | 4,034            | 35,121           |
| Interest on fixed deposit                            | <u>1,823</u>     | <u>20,383</u>    |
|  | <u>9,240</u>     | <u>57,360</u>    |
| <br>   |                  |                  |
| <b>12 Profit before tax</b>                          |                  |                  |
| This is stated after charging:                       |                  |                  |
| Amortisation of intangibles                          | 37,769           | 61,729           |
| Audit fee  | 14,000           | 11,500           |
| Depreciation of property, plant and equipment        | 668,435          | 635,224          |
| Depreciation of right of use assets                  | 106,911          | 79,703           |
| Depreciation of investment property                  | 919              | 918              |
| Gain on disposal of PPE                              | 8,785            | 6,216            |
| Personnel costs                                      | 1,531,459        | 1,027,389        |
| Exchange loss/(gain)                                 | <u>309,345</u>   | <u>(3,093)</u>   |



**Notes to the financial statements**

**13 Taxation**

**13a Income tax expense**

The major components of income tax expense for the year ended 31 December 2019:

|  | <b>Dec-20</b>  | <b>Dec-19</b>  |
|--|----------------|----------------|
|  | <b>₦'000</b>   | <b>₦'000</b>   |
| <b>Current income tax:</b>                       |                |                |
| Current year income tax charge                   | 46,042         | 70,310         |
| Current education tax charge                     | 69,996         | 25,155         |
|  | <u>116,038</u> | <u>95,465</u>  |
| <br>   |                |                |
| Deferred tax                                     |                |                |
| Relating to origination of temporary differences | 451,725        | 73,013         |
|  | <u>567,763</u> | <u>168,478</u> |
| <br>   |                |                |
| <b>Reconciliation of tax charge:</b>             |                |                |
| Profit before tax                                | 1,772,802      | 575,666        |
|  | <u>531,841</u> | <u>172,700</u> |
| Tax at Nigerian statutory income tax rate of 30% | 531,841        | 172,700        |
| Disallowable expenses                            | (458,134)      | 50,843         |
| Income exempted from tax                         | (8,785)        | (94,289)       |
| Education tax @ 2% of assessable profit          | 35,456         | 25,155         |
| Investment allowance                             | 15,660         | (58,944)       |
| Effect of deferred tax balance                   | 451,725        | 73,013         |
|  | <u>567,763</u> | <u>168,478</u> |
| Effective tax rate                               | 32%            | 29%            |

**13b. Income tax payable**

|                          | <b>Dec-20</b>  | <b>Dec-19</b> |
|--------------------------|----------------|---------------|
|                          | <b>₦'000</b>   | <b>₦'000</b>  |
| Current tax payable      |                |               |
| At 1 January             | 99,851         | 93,797        |
| Charge for the year      | 116,038        | 95,465        |
| Payments during the year | (95,465)       | (89,411)      |
|                          | <u>120,424</u> | <u>99,851</u> |

**13c. Deferred tax liability**

|  |                  |                  |
|--|------------------|------------------|
| At 1 January   | 1,085,534        | 999,167          |
| Amounts recorded in profit or loss                     | 451,726          | 73,013           |
| Amounts recorded in other comprehensive income         | 11,051           | 13,354           |
|  | <u>1,548,311</u> | <u>1,085,534</u> |
| At 31 December   |                  |                  |
| Deferred tax recognised in other comprehensive income: |                  |                  |
| Re-measurement gain on defined benefit plan            | 11,051           | 13,354           |
| Total deferred tax recognised in Other Comprehensive   | <u>11,051</u>    | <u>13,354</u>    |

**Notes to the financial statements**

**13c Deferred tax liability**

| <b>2020</b>   | <b>Opening<br/>balance<br/>N'000</b> | <b>Recognised<br/>in profit or<br/>loss<br/>N'000</b> | <b>Recognised<br/>in OCI<br/>N'000</b> | <b>Closing<br/>balance<br/>N'000</b> |
|---|--------------------------------------|---|--|--------------------------------------|
| <i>Deferred tax assets /(liabilities) in relation to:</i> |                                      |   |  |                                      |
| Property, plant & equipment                               | 1,079,096                            | 740,825   | -                                      | 1,819,921                            |
| Employee benefit  | (22,423)                             | (120,870)   | -                                      | (143,293)                            |
| Impairment of trade receivables                           | 12,414                               | (92,910)  | -                                      | (80,496)                             |
| Unrealised exchange loss                                  | 3,093                                | (102,083)   | -                                      | (98,990)                             |
| Unutilised capital allowance                              | 13,354                               | (13,354)  | 11,051                                 | 11,051                               |
| Impairment of Inventory                                   | -                                    | 40,118  | -                                      | 40,118                               |
|   | <b>1,085,534</b>                     | <b>451,726</b>  | <b>11,051</b>                          | <b>1,548,311</b>                     |
| <i>Deferred tax assets /(liabilities) in relation to:</i> |                                      |   |  |                                      |
| Property, plant & equipment                               | 1,129,572                            | (50,476)  | -                                      | 1,079,096                            |
| Employee benefit  | (93,835)                             | 71,412  | -                                      | (22,423)                             |
| Impairment of trade receivables                           | (26,069)                             | 38,483  | -                                      | 12,414                               |
| Unrealised exchange loss                                  | (23,221)                             | 26,314  | -                                      | 3,093                                |
| Unutilised capital allowance                              | 12,720                               | (12,720)  | 13,354                                 | 13,354                               |
|   | <b>999,167</b>                       | <b>73,013</b>   | <b>13,354</b>                          | <b>1,085,534</b>                     |

**Notes to the financial statements**

**14 Property, plant and equipment**

| <b>COST:</b>                 | <b>LAND</b>  | <b>BUILDING</b> | <b>MOTOR VEHICLES</b> | <b>OFFICE EQUIPMENT</b> | <b>PLANT &amp; MACHINERY</b> | <b>FURNITURE &amp; FITTINGS</b> | <b>CONSTRUCTION WIP</b> | <b>TOTAL</b> |
|------------------------------|--------------|-----------------|-----------------------|-------------------------|------------------------------|---------------------------------|-------------------------|--------------|
|                              | <b>N'000</b> | <b>N'000</b>    | <b>N'000</b>          | <b>N'000</b>            | <b>N'000</b>                 | <b>N'000</b>                    | <b>N'000</b>            | <b>N'000</b> |
| At 1 January 2019            | 579,453      | 8,566,089       | 1,075,223             | 886,836                 | 3,384,245                    | 223,864                         | 441,511                 | 15,157,221   |
| Additions                    | 127,500      | -               | 75,620                | 20,587                  | 140,015                      | 2,754                           | 291,794                 | 658,270      |
| Disposals                    | -            | -               | (25,582)              | -                       | (19,439)                     | -                               | -                       | (45,021)     |
| Transfer out ( Note 14.2)    | -            | -               | (273,982)             | -                       | (27,500)                     | -                               | (145,724)               | (447,206)    |
| At 31 December 2019          | 706,953      | 8,566,089       | 851,279               | 907,423                 | 3,477,321                    | 226,618                         | 587,581                 | 15,323,264   |
| Additions                    | 86,300       | 230,878         | 296,914               | 96,682                  | 143,724                      | 3,504                           | 1,212,860               | 2,070,862    |
| Disposals                    | -            | -               | (219,355)             | -                       | (798)                        | -                               | -                       | (220,153)    |
| Reclassification (Note 14.1) | -            | 337,082         | -                     | -                       | 12,879                       | -                               | (349,961)               | -            |
| As at 31 December 2020       | 793,253      | 9,134,049       | 928,838               | 1,004,105               | 3,633,126                    | 230,122                         | 1,450,480               | 17,173,973   |
| <b>DEPRECIATION :</b>        |              |                 |                       |                         |                              |                                 |                         |              |
| At 1 January 2019            | -            | 637,118         | 704,169               | 482,029                 | 851,422                      | 111,477                         | -                       | 2,786,215    |
| Charge for the year          | -            | 162,755         | 59,287                | 167,743                 | 226,310                      | 19,129                          | -                       | 635,224      |
| Transfer out (Note 14.2)     | -            | -               | (60,000)              | -                       | (4,572)                      | -                               | -                       | (64,572)     |
| Disposal                     | -            | -               | (18,460)              | -                       | (12,027)                     | -                               | -                       | (30,487)     |
| At 31 December 2019          | -            | 799,873         | 684,996               | 649,772                 | 1,061,133                    | 130,606                         | -                       | 3,326,380    |
| Charge for the year          | -            | 167,801         | 65,805                | 168,332                 | 251,811                      | 14,686                          | -                       | 668,435      |
| Disposal                     | -            | -               | (208,383)             | -                       | (269)                        | -                               | -                       | (208,652)    |
| At 31 December 2020          | -            | 967,674         | 542,418               | 818,104                 | 1,312,675                    | 145,292                         | -                       | 3,786,163    |
| <b>CARRYING VALUE:</b>       |              |                 |                       |                         |                              |                                 |                         |              |
| AT 31 DECEMBER 2020          | 793,253      | 8,166,375       | 386,420               | 186,001                 | 2,320,451                    | 84,830                          | 1,450,480               | 13,387,810   |
| AT 31 DECEMBER 2019          | 706,953      | 7,766,216       | 166,283               | 257,651                 | 2,416,188                    | 96,012                          | 587,581                 | 11,996,884   |

**Notes to the financial statements**

- 14.1** This represents reclassification from capital work in progress to plant and machinery
- 14.2** This represents reclassification from property plant and equipment to right of use assets in line with IFRS 16.
- 14.3** The Company's assets have been pledged as security for bank borrowings to the tune of the outstanding balance of total borrowings outside the Company at the reporting date (See Note 24). The Company is not allowed to pledge or sell these assets as security for other borrowings or sell them to another entity.

**15. Right of Use Assets**

| <b>COST:</b>                      | <b>MOTOR<br/>VEHICLES<br/>N'000</b> | <b>PLANT &amp;<br/>MACHINERY<br/>N'000</b> | <b>TOTAL<br/>N'000</b> |
|-----------------------------------|-------------------------------------|--|------------------------|
| At 1 January 2019                 | 273,982                             | 27,500                                     | 301,482                |
| Additions                         | 96,547                              | 303,704                                    | 400,251                |
| Transfer - Note 15                |                                     | 145,724                                    | 145,724                |
|                                   | <u>370,529</u>                      | <u>476,928</u>                             | <u>847,457</u>         |
| At 1 January 2020                 | 370,529                             | 476,928                                    | 847,457                |
| Additions                         |                                     |  | -                      |
| Disposals                         | (4,289)                             | -  | (4,289)                |
|                                   | <u>366,240</u>                      | <u>476,928</u>                             | <u>843,168</u>         |
| At 31 December 2020               | <u>366,240</u>                      | <u>476,928</u>                             | <u>843,168</u>         |
|                                   |                                     |  |                        |
| <b>ACCUMULATED DEPRECIATION :</b> |                                     |  |                        |
| At 1 January 2019                 | 6,000                               | 4,572                                      | 10,572                 |
| Charge for the year               | 65,956                              | 13,747                                     | 79,703                 |
| Disposal                          |                                     |  | -                      |
|                                   | <u>125,956</u>                      | <u>18,319</u>                              | <u>144,275</u>         |
| At 1 January 2020                 | 125,956                             | 18,319                                     | 144,275                |
| Charge for the year               | 70,443                              | 36,468                                     | 106,911                |
| Disposal                          | (3,212)                             | -  | (3,212)                |
|                                   | <u>193,187</u>                      | <u>54,787</u>                              | <u>247,974</u>         |
| At 31 December 2020               | <u>193,187</u>                      | <u>54,787</u>                              | <u>247,974</u>         |
|                                   |                                     |  |                        |
| <b>CARRYING AMOUNT:</b>           |                                     |  |                        |
| At 31 December 2020               | <u>173,053</u>                      | <u>422,141</u>                             | <u>595,194</u>         |
| At 31 December 2019               | <u>244,573</u>                      | <u>458,609</u>                             | <u>703,182</u>         |

**Notes to the financial statements**

|           |  |                      |                      |
|-----------|--|----------------------|----------------------|
| <b>15</b> | <b>Amounts recognised in profit or loss</b>                    | <b>Dec-20</b>        | <b>Dec-19</b>        |
|           |  | <b>N'000</b>         | <b>N'000</b>         |
|           | Depreciation expense on right of use assets                    | 106,911              | 79,703               |
|           | Interest expenses on lease liabilities                         | 85,326               | 105,874              |
|           | There are no indications of impairment of right of use assets. |                      |                      |
| <b>16</b> | <b>Investment Property</b>                                     | <b>Dec-20</b>        | <b>Dec-19</b>        |
|           |  | <b>N'000</b>         | <b>N'000</b>         |
|           | Cost   |                      |                      |
|           | At 1 January   | <u>48,376</u>        | <u>48,301</u>        |
|           | At 31 December   | <u>48,376</u>        | <u>48,301</u>        |
|           | Accumulated depreciation                                       |                      |                      |
|           | At 1 January   | 14,715               | 13,797               |
|           | Charge for the year  | <u>919</u>           | <u>918</u>           |
|           | At 31 December   | <u>15,634</u>        | <u>14,715</u>        |
|           | Carrying amount  | <b><u>32,742</u></b> | <b><u>33,586</u></b> |

The only investment property held by Fidson Healthcare Plc is the premises used by Ecomed. The rental commenced in June 2010.

|  |               |               |
|--|---------------|---------------|
|  | <b>Dec-20</b> | <b>Dec-19</b> |
|  | <b>N'000</b>  | <b>N'000</b>  |
| Rental income derived from investment property | <u>3,167</u>  | <u>6,000</u>  |

The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancements.

**17.0 Intangible assets**

|                         |                      |                      |
|-------------------------|----------------------|----------------------|
| <b>Product licenses</b> | <b>Dec-20</b>        | <b>Dec-19</b>        |
|                         | <b>N'000</b>         | <b>N'000</b>         |
| Cost:                   |                      |                      |
| At 1 January            | 243,166              | 208,176              |
| Additions               | <u>33,563</u>        | <u>34,990</u>        |
| At 31 December          | <u>276,729</u>       | <u>243,166</u>       |
| <b>Amortisation</b>     |                      |                      |
| At 1 January            | 215,430              | 153,701              |
| Charge for the year     | <u>37,769</u>        | <u>61,729</u>        |
| At 31 December          | <u>253,199</u>       | <u>215,430</u>       |
| Carrying amount         | <b><u>23,530</u></b> | <b><u>27,736</u></b> |

The product licenses are intangible assets with finite life and are amortized in line with the provisions of IAS 38. The intangible assets are tested for impairment when there are indicators of impairment in line with the provisions of IAS 36, by comparing the recoverable amount with the carrying amount at the end of the reporting period. There were no indicators of impairment during the year.

**Notes to the financial statements**

**18 Financial assets**

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

|   | <b>Dec-20</b>        | <b>Dec-19</b>        |
|---|----------------------|----------------------|
|   | <b>N'000</b>         | <b>N'000</b>         |
| Available-for-sale financial assets (18a) | 4,960                | 3,720                |
| Loans and receivables (18b)               | <u>12,871</u>        | <u>10,172</u>        |
| <b>Total financial instruments</b>        | <b><u>17,831</u></b> | <b><u>13,892</u></b> |

**18a Available-for-sale financial assets**

| Quoted equity at fair value |                     |                     |
|-----------------------------|---------------------|---------------------|
| Opening Balance             | 3,720               | 4,610               |
| Gain/(Loss)                 | <u>1,240</u>        | <u>(890)</u>        |
| <b>Total</b>                | <b><u>4,960</u></b> | <b><u>3,720</u></b> |

The Company recognised a fair value gain of N1, 240,000 (2019: N890, 000) on available for sale quoted equity. The loss is recognised in other comprehensive income.

|   | <b>Dec-20</b>        | <b>Dec-19</b>        |
|---|----------------------|----------------------|
|   | <b>N'000</b>         | <b>N'000</b>         |
| <b>18b Loans and receivables</b>        |                      |                      |
| Investment with Cardinal Stone Partners |                      |                      |
| At 1 January                            | 10,172               | 50,038               |
| Additions                               | -                    | 366,218              |
| Drawdown                                | -                    | (407,958)            |
| Interest accrued                        | 1,018                | 1,874                |
| Sinking Fund                            | <u>1,681</u>         | <u>-</u>             |
| <b>At 31 December</b>                   | <b><u>12,871</u></b> | <b><u>10,172</u></b> |

Cardinal Stone Partners Limited is the portfolio management and custodial service provider for the Company towards meeting its payment on the bond. The bond was issued in 2014 and fully repaid in 2019. The balance above represents the residual portion of the investment towards repayment.

**Notes to the financial statements**

|  | <b>Dec-20</b>  | <b>Dec-19</b>  |
|--|----------------|----------------|
|  | <b>₦'000</b>   | <b>₦'000</b>   |
| <b>19 Other non –current financial asset</b> |                |                |
| ALM Trustees                                 |                |                |
| At 1 January                                 | 441,337        | 393,209        |
| Additions                                    | -              | 571,079        |
| Proceeds                                     | (272,030)      | (558,072)      |
| Accrued interest                             | 2,366          | 35,121         |
|  | <u>171,673</u> | <u>441,337</u> |
| At 31 December                               | <u>171,673</u> | <u>441,337</u> |

ALM Trustees are the Bond Trustees for the issuance of N2 billion bond by Fidson (issuer). Under the bond agreement, the issuer is required to fund a reserve account with an amount equal to the interest payable on the next payment date. The issuer shall fund the reserve account on the first business day of each month with an amount equal to 1/6th of the principal payable on the next payment date. The fund is investible by the Bond Trustee and the issuer is restricted from assessing the fund including the accrued interest throughout the 5year life of the bond. The bond was issued in 2014 and fully repaid in 2019 the above amount represents residual investment as stated in the bond trustee agreement.

|  | <b>Dec-20</b>    | <b>Dec-19</b>    |
|--|------------------|------------------|
|  | <b>₦'000</b>     | <b>₦'000</b>     |
| <b>20 Inventories</b>                      |                  |                  |
| Finished goods                             | 2,385,032        | 1,088,353        |
| Goods-in-transit                           | 2,558,967        | 916,025          |
| Raw and Packaging materials                | 1,746,349        | 1,026,479        |
| Work- in- progress                         | 44,845           | 5,689            |
| Engineering spare parts                    | 102,580          | 221,931          |
| Promotional and Other Consumable Materials | 68,361           | 154,145          |
| Total inventory Impaired                   | (125,368)        | (37,201)         |
|  | <u>6,780,766</u> | <u>3,375,439</u> |

The Company did not pledge any inventory as collateral for loans. There was no inventory write down in the year under review.

|                                       | <b>Dec-20</b>    | <b>Dec-19</b>    |
|---------------------------------------|------------------|------------------|
|                                       | <b>₦'000</b>     | <b>₦'000</b>     |
| <b>21 Trade and other receivables</b> |                  |                  |
| Trade receivables (Note 21b)          | 2,176,992        | 2,671,999        |
| Other receivables (Note 21c)          | 554,280          | 591,708          |
|                                       | <u>2,731,272</u> | <u>3,263,707</u> |

Other receivables relate to withholding tax, value added tax receivables and staff advances. These are not interest bearing and repayment is within 1 year.

**Notes to the financial statements**

**21 Trade and other receivables (cont'd)**

Trade receivables meet the definition of financial asset and the carrying amount of the trade receivables approximates their fair value. Trade receivables are expected to be fully collected within 1 year.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position adjusted for factors that are specific to the debtors general economic conditions of the industry in which the debtor operate and an amendment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumption made during the current reporting period.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered bankruptcy proceedings, or when the bad receivables are over two years past due, whichever occurs earlier.

Trade receivables amounting to N520million were written off in the year.

**21a** As at 31 December 2020, trade receivables of a value of ~~N~~272million (2019: ~~N~~522million) were impaired and provided for. See below for the movements in the provision for impairment of trade receivables.

|                                 | <b>Individually<br/>impaired<br/>'N000</b> | <b>Total<br/>'N000</b> |
|---------------------------------|--|------------------------|
| At 1 January 2020               | 522,666                                    | 522,666                |
| Addition                        | 270,271                                    | 270,271                |
| Write off of trade receivables  | (384,266)                                  | (384,266)              |
| Write off of WHT receivables    | <u>(135,846)</u>                           | <u>(135,846)</u>       |
| At 31 December 2020             | <u>272,825</u>                             | <u>272,825</u>         |
| At 1 January 2019               | 540,337                                    | 540,337                |
| Write off of trade receivables  | (5,257)                                    | (5,257)                |
| Write back of initial provision | <u>(12,414)</u>                            | <u>(12,414)</u>        |
| At 31 December 2019             | <u>522,666</u>                             | <u>522,666</u>         |



Notes to the financial statements  
21b. As at 31 December 2020, the ageing analysis of trade receivables is as follows:

21 Trade and other receivables (cont'd)

| EXPECTED CREDIT LOSS AS AT 31/12/20 |   | 1-30 Days | 31-60 Days | 61-90 Days | 91-120 Days | 121-240 Days | 240-360 Days | Above 360 Days | Balance     |
|-------------------------------------|---|-----------|------------|------------|-------------|--------------|--------------|----------------|-------------|
|                                     |   | N'000     | N'000      | N'000      | N'000       | N'000        | N'000        | N'000          | N'000       |
|                                     | Estimated total gross carrying amount at default    | 90,670    | 606,582    | 157,673    | 19,973      | 26,824       | 8,502        | 88,643         | 998,878     |
|                                     | <b>HISTORICAL LOSS RATE</b>                         | 0.07%     | 0.53%      | 1.24%      | 1.70%       | 2.64%        | 3.68%        | 8.58%          |             |
|                                     | <b>FORWARD LOOKING INFORMATION (INFLATION RATE)</b> | 0.72%     | 0.72%      | 0.72%      | 0.72%       | 0.72%        | 0.72%        | 0.72%          |             |
|                                     | Expected credit loss (ECL) rate                     | 0.79%     | 1.25%      | 1.96%      | 2.42%       | 3.36%        | 4.40%        | 9.30%          |             |
|                                     | Lifetime Expected credit loss                       | 715       | 7,599      | 3,095      | 484         | 903          | 374          | 8,243          | 21,412      |
| <b>DISTRIBUTORS</b>                 | Estimated total gross carrying amount at default    | 55,128    | 278,194    | 168,494    | 140,350     | 194,369      | 119,447      | 217,849        | 1,173,833   |
|                                     | <b>HISTORICAL LOSS RATE</b>                         | 0.96%     | 4.16%      | 5.92%      | 7.28%       | 9.61%        | 16.96%       | 25.19%         |             |
|                                     | <b>FORWARD LOOKING INFORMATION (INFLATION RATE)</b> | 0.72%     | 0.72%      | 0.72%      | 0.72%       | 0.72%        | 0.72%        | 0.72%          |             |
|                                     | Expected credit loss (ECL) rate                     | 1.68%     | 4.88%      | 6.64%      | 8.00%       | 10.33%       | 17.68%       | 25.91%         |             |
|                                     | Lifetime Expected credit loss                       | 926       | 13,563     | 11,182     | 11,223      | 20,070       | 21,120       | 56,438         | 134,525     |
| <b>INSTITUTIONS</b>                 | Estimated total gross carrying amount at default    | 8,410,707 | 79,705,922 | 15,573,625 | 7,484,631   | 4,892,344    | 5,560,399    | 29,795,065     | 151,422     |
|                                     | <b>HISTORICAL LOSS RATE</b>                         | 0.74%     | 18.09%     | 24.21%     | 30.55%      | 35.87%       | 45.31%       | 55.77%         |             |
|                                     | <b>FORWARD LOOKING INFORMATION (INFLATION RATE)</b> | 0.72%     | 0.72%      | 0.72%      | 0.72%       | 0.72%        | 0.72%        | 0.72%          |             |
|                                     | Expected credit loss (ECL) rate                     | 1.46%     | 18.81%     | 24.93%     | 31.27%      | 36.59%       | 46.03%       | 56.49%         |             |
|                                     | Lifetime Expected credit loss                       | 122       | 14,992     | 3,883      | 2,340       | 1,790        | 2,559        | 16,829         | 42,518,900  |
| <b>REPS</b>                         | Estimated total gross carrying amount at default    | 0         | 0          | 0          | 0           | 0            | 0            | 111,758,807    | 111,758,807 |
|                                     | <b>HISTORICAL LOSS RATE</b>                         | 32.20%    | 24.21%     | 30.55%     | 35.87%      | 45.31%       | 55.77%       | 50.00%         |             |
|                                     | <b>FORWARD LOOKING INFORMATION (INFLATION RATE)</b> | 0.72%     | 0.72%      | 0.72%      | 0.72%       | 0.72%        | 0.72%        | 0.72%          |             |
|                                     | Expected credit loss (ECL) rate                     | 18.81%    | 24.93%     | 31.27%     | 36.59%      | 46.03%       | 56.49%       | 50.72%         |             |
|                                     | Lifetime Expected credit loss                       | -         | -          | -          | -           | -            | -            | 56,684         | 56,684      |
| <b>GOVERNMENT BUSINESS</b>          | Estimated total gross carrying amount at default    | -         | -          | -          | 17,685      | -            | 0            | 0              | 17,685      |
|                                     | Expected credit loss (ECL) rate                     | 100%      | 100%       | 100%       | 100%        | 100%         | 100%         | 100%           |             |
|                                     | Lifetime Expected credit loss                       | -         | -          | -          | 17,685      | -            | -            | -              | 17,685      |
| <b>EXITED STAFF</b>                 | Estimated total gross carrying amount at default    | -         | -          | -          | -           | -            | -            | -              | -           |
|                                     | Expected credit loss (ECL) rate                     | -         | -          | -          | -           | -            | -            | -              | -           |
|                                     | Lifetime Expected credit loss                       | -         | -          | -          | -           | -            | -            | -              | -           |
|                                     | Total gross carrying amount at default              | 154,219   | 964,483    | 341,741    | 185,493     | 226,086      | 133,510      | 448,046        | 2,453,578   |
|                                     | Impaired item from other debtor                     | -         | -          | -          | -           | -            | -            | -              | (3,760)     |
|                                     | Total lifetime expected credit loss                 | 1,763     | 36,156     | 18,161     | 31,733      | 22,763       | 24,054       | 138,195        | 272,826     |
| <b>2020 SUMMARY</b>                 | Net Receivables                                     | 152,455   | 928,327    | 323,560    | 153,759     | 203,323      | 109,456      | 309,851        | 2,176,992   |

Notes to the financial statements

21 Trade and other receivables (cont'd)

|   | EXPECTED CREDIT LOSS AS AT 31/12/19 |            |            |             |              |              |                |  |  |  | Balance   |
|---|-------------------------------------|------------|------------|-------------|--------------|--------------|----------------|--|--|--|-----------|
|   | 1-30 Days                           | 31-60 Days | 61-90 Days | 91-120 Days | 121-240 Days | 240-360 Days | Above 360 Days |  |  |  | N'000     |
|   | N'000                               | N'000      | N'000      | N'000       | N'000        | N'000        | N'000          |  |  |  | N'000     |
| Estimated total gross carrying amount at default    | 552,514                             | 514,675    | 93,383     | 86,302      | 42,442       | 59,958       | 43,439         |  |  |  | 1,392,714 |
| <b>HISTORICAL LOSS RATE</b>                         | 2.41%                               | 2.58%      | 2.79%      | 3.09%       | 3.39%        | 6.28%        | 6.28%          |  |  |  |           |
| <b>FORWARD LOOKING INFORMATION (INFLATION RATE)</b> | 11.73%                              | 11.73%     | 11.73%     | 11.73%      | 11.73%       | 11.73%       | 11.73%         |  |  |  |           |
| Expected credit loss (ECL) rate                     | 2.69%                               | 2.88%      | 3.12%      | 3.46%       | 3.79%        | 7.01%        | 7.01%          |  |  |  |           |
| Lifetime Expected credit loss                       | 14,833                              | 14,816     | 2,915      | 2,983       | 1,608        | 4,205        | 3,047          |  |  |  | 44,408    |
| Estimated total gross carrying amount at default    | 533,236                             | 167,876    | 71,255     | 74,814      | 97,432       | 102,000      | 191,926        |  |  |  | 1,238,539 |
| <b>HISTORICAL LOSS RATE</b>                         | 5.61%                               | 5.81%      | 6.08%      | 6.31%       | 6.60%        | 8.09%        | 8.09%          |  |  |  |           |
| <b>FORWARD LOOKING INFORMATION (INFLATION RATE)</b> | 11.73%                              | 11.73%     | 11.73%     | 11.73%      | 11.73%       | 11.73%       | 11.73%         |  |  |  |           |
| Expected credit loss (ECL) rate                     | 6.27%                               | 6.49%      | 6.79%      | 7.05%       | 7.37%        | 9.04%        | 9.04%          |  |  |  |           |
| Lifetime Expected credit loss                       | 33,421                              | 10,892     | 4,837      | 5,276       | 7,184        | 9,218        | 17,345         |  |  |  | 88,173    |
| Estimated total gross carrying amount at default    | 116,585                             | 14,969     | 10,500     | 6,384       | 7,315        | 4,808        | 20,431         |  |  |  | 180,993   |
| <b>HISTORICAL LOSS RATE</b>                         | 2.91%                               | 3.10%      | 3.49%      | 3.78%       | 4.18%        | 8.29%        | 8.29%          |  |  |  |           |
| <b>FORWARD LOOKING INFORMATION (INFLATION RATE)</b> | 11.73%                              | 11.73%     | 11.73%     | 11.73%      | 11.73%       | 11.73%       | 11.73%         |  |  |  |           |
| Expected credit loss (ECL) rate                     | 3.25%                               | 3.47%      | 3.90%      | 4.22%       | 4.68%        | 9.26%        | 9.26%          |  |  |  |           |
| Lifetime Expected credit loss                       | 3,789                               | 519        | 409        | 270         | 342          | 445          | 1,892          |  |  |  | 7,666     |
| Estimated total gross carrying amount at default    | -                                   | -          | -          | -           | -            | 22,426       | 359,993        |  |  |  | 382,419   |
| Expected credit loss (ECL) rate                     | 100%                                | 100%       | 100%       | 100%        | 100%         | 100%         | 100%           |  |  |  |           |
| Lifetime Expected credit loss                       | -                                   | -          | -          | -           | -            | 22,426.00    | 359,993.00     |  |  |  | -         |
| Total gross carrying amount at default              | 1,202,335                           | 697,519    | 175,138    | 167,501     | 147,189      | 189,192      | 615,790        |  |  |  | 3,194,665 |
| Total lifetime expected credit loss                 | (52,044)                            | (26,227)   | (8,161)    | (8,529)     | (9,134)      | (36,295)     | (382,277)      |  |  |  | (522,666) |
| <b>2019 SUMMARY</b>                                 |                                     |            |            |             |              |              |                |  |  |  |           |
| <i>Net Receivables</i>                              | 1,150,292                           | 671,292    | 166,977    | 158,972     | 138,055      | 152,898      | 233,513        |  |  |  | 2,671,999 |

**FIDSON HEALTHCARE PLC**  
Annual report and financial statements  
For the year ended 31 December 2020

**Notes to the financial statements**

|                                   | <b>Dec-20</b>  | <b>Dec-19</b>  |
|-----------------------------------|----------------|----------------|
|                                   | <b>₦'000</b>   | <b>₦'000</b>   |
| <b>21c. Other receivables</b>     |                |                |
| Withholding tax receivables (WHT) | 142,363        | 274,116        |
| Staff advances and other debtors  | <u>411,917</u> | <u>317,592</u> |
|                                   | <u>554,280</u> | <u>591,708</u> |
|                                   |                |                |
|                                   | <b>Dec-20</b>  | <b>Dec-19</b>  |
|                                   | <b>₦'000</b>   | <b>₦'000</b>   |
| <b>22 Prepayments</b>             |                |                |
| Advance to suppliers              | 217,636        | 126,456        |
| Other prepayments                 | <u>78,676</u>  | <u>41,013</u>  |
|                                   | <u>296,312</u> | <u>167,469</u> |

This represents advances made to suppliers for the purchase of factory raw and packaging materials. Other prepayments include prepaid advert, prepaid insurance and prepaid rent. Prepaid rent relates to rental paid for warehouses.

|  | <b>Dec-20</b>    | <b>Dec-19</b>  |
|--|------------------|----------------|
|  | <b>₦'000</b>     | <b>₦'000</b>   |
| <b>23 Cash and cash equivalents</b>                      |                  |                |
| Bank balances  | 2,772,628        | 206,864        |
| Cash at hand   | 4,817            | 2,743          |
| Short-term deposits (including demand and time deposits) | <u>427,909</u>   | <u>94,312</u>  |
| Total cash and cash equivalents                          | <u>3,205,354</u> | <u>303,919</u> |

Short-term deposits are made for varying years of between one day and three months, depending on the immediate cash requirements of the Company and weighted average interest rate is at 9.57%.

For the purpose of cash flows, cash and cash equivalents consist of:

|                           | <b>Dec-20</b>    | <b>Dec-19</b>    |
|---------------------------|------------------|------------------|
|                           | <b>₦'000</b>     | <b>₦'000</b>     |
| Bank overdraft            | (232,229)        | (546,604)        |
| Cash and cash equivalents | <u>3,205,354</u> | <u>303,919</u>   |
|                           | <u>2,973,125</u> | <u>(242,685)</u> |

Bank overdraft represents the outstanding commitment on short-term borrowings for working capital management. The bank overdrafts are secured against mortgage debenture held by a trustee. The lenders are Access Bank, Guaranty Trust Bank, FCMB, Fidelity and FSDH. The interest on the overdraft ranges from 13– 14%.

**Notes to the financial statements**

**23 Cash and cash equivalents (cont'd)**

Cash at banks in some classified account (e.g. Call accounts, DSRA account and others) earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

| <b>24 Interest Bearing Loans and borrowings</b>     | <b>Dec-20</b>     | <b>Dec-19</b>    |
|---|-------------------|------------------|
|   | <b>N'000</b>      | <b>N'000</b>     |
| <b>(Non-current portion)</b>                        |                   |                  |
| Access Bank (CBN Intervention Loan) (Note 24b)      | -                 | 1,851            |
| First City Monument Bank - RSSF (24g)               | 382,168           | 715,501          |
| Bank of Industry ('BOI') 3 (Note 24c)               | 268,274           | 595,884          |
| Bank of Industry ('BOI') 4 (Note 24c)               | 597,465           | 756,846          |
| First City Monument Bank (Note 24h)                 | -                 | 625,000          |
| CBN DCRR/FCMB-working Capital(Note 24h)             | 316,494           | -                |
| NEXIM/Fidelity-Capex(Note 24e)                      | 1,155,125         | -                |
| CBN DCRR/FCMB-Capex(Note 24h)                       | 1,331,157         | -                |
|   | <u>4,050,683</u>  | <u>2,695,082</u> |
| <b>(Current portion)</b>                            |                   |                  |
| Access Bank (CBN Intervention Loan) (Note 24b)      | -                 | 41,679           |
| Bank of Industry ('BOI') (Note 24c)                 | -                 | 242,283          |
| Fidelity Bank (Note 24e)                            | -                 | 35,710           |
| First City Monument Bank - RSSF (24g)               | 456,127           | 333,333          |
| Bank of Industry ('BOI') 3 (Note 24d)               | 628,304           | 361,111          |
| Bank of Industry ('BOI') 4 (Note 24d)               | 292,383           | 97,222           |
| First City Monument Bank (Note 24h)                 | -                 | 812,500          |
| CBN DCRR/FCMB-working Capital(Note 24h)             | 137,894           | -                |
| CBN DCRR/FCMB-Capex(Note 24h)                       | 149,990           | -                |
| Short term borrowings (Note 24i)                    | 4,971,570         | 1,703,745        |
|   | <u>6,636,268</u>  | <u>3,627,583</u> |
| <b>Total</b>  | <u>10,686,951</u> | <u>6,322,665</u> |
| <b>24a Reconciliation of interest bearing loans</b> |                   |                  |
| At 1 January  | 6,322,665         | 5,832,975        |
| Interest expense                                    | 1,248,601         | 1,629,225        |
| Additions   | 6,768,450         | 4,134,756        |
| Principal repayment                                 | (2,404,164)       | (3,645,066)      |
| Interest paid                                       | (1,248,601)       | (1,629,225)      |
|   | <u>10,686,951</u> | <u>6,322,665</u> |

**Notes to the financial statements**

- 24b** Access Bank loan is an N525million Central Bank of Nigeria (CBN) intervention loan granted to Fidson Healthcare Plc at 7% for 180 months. A fair value of the loan was obtained using estimated market rate of 18%. The difference between the loan rate and market rate accounted for a grant element of N161m which has been recognised as government grant and will be recognised over the duration of the loan.

The loan was granted in 2010 for the production of drugs and pharmaceutical products and the condition is that the Company must be a member of the Manufacturers Association of Nigeria (MAN), also there is periodic visit by the bank officers.

- 24c** The BOI loan is an N1.287billion loan granted at 10%for 72 months for the establishment of an intravenous fluid and Small Volume Parenterals (SVP) plant and the condition is that the Company must be a member of the Manufacturers Association of Nigeria. A fair value of the loan was obtained using estimated market rate of 18%. The difference between the loan rate and market rate accounted for a grant element of N299m. This was recognised as government grant and will be recognized in profit or loss over the duration of the loan. The loan was granted in 2011 with a moratorium of 2 years.

Additional BOI loan Of N600 million loan granted at 12.5% for 36 months for the working capital finance was obtained in 2016. A fair value of the loan was obtained using estimated market rate of 18%. The difference between the loan rate and market rate accounted for a grant element of N124.8m. This was recognised as government grant and will be recognized in the profit or loss over the duration of the loan. The loan was granted in 2016 with a moratorium of 1 year.

- 24d** The BOI loan is an N2billion loan granted in two tranches of N1bn each. The first N1bn granted at 10% for 84 months for capital expenditure while the other N1bn granted at 12.5% for 42 months to augment working capital.

A fair value of the loan was obtained using estimated market rate of 18%. The difference between the loan rate and market rate accounted for a grant element of N221.2m. This was recognised as government grant and will be recognized in profit or loss over the duration of the loan. The loan was granted in 2019 with a moratorium of 1 year.

- 24e** Nexim loan is a N3billion Nigerian Export-Import bank loan under the direct leading scheme to Fidson healthcare plc at the rate of 9% per annum, The loan is scheduled to be disbursed in two equal instalment, N1.5billion for equipment finance and the other for working capital utilization as at 31st December 2020 N1.5billion was disbursed.

- 24f** The Fidelity Bank loan is a liability inherited from Fidson Product Limited upon its liquidation in October 2014. It is N300 million CBN intervention loan granted to Fidson Product Ltd at 7% for 180 months. A fair value of the loan was obtained using estimated market rate of 18%. The difference between the loan rate and market rate accounted for a grant element of N82m which has been recognised as a Government grant and will be recognised over the duration of the loan. The loan was granted in 2010 for the production diapers and paper products.  
Refer to Note 35 on details of collateral.

- 24g** FCMB loan is a N1.5billion Central Bank of Nigeria (CBN) Real Sector Support Facility granted to Fidson Healthcare Plc at 9% for 60 months. A fair value of the loan was obtained using estimated market rate of 17%. The difference between the loan rate and market rate accounted for a grant element of N213m which has been recognised as government grant and will be recognised over the duration of the loan.

The loan was granted in 2018 for the acquisition of Gas Generator and other pharmaceutical machinery for the Biotech factory.

**Notes to the financial statements**

- 24h** This is a N1.5billion loan granted by First City Monument Bank at 19% for 24 months to repay the outstanding amount due to our third party logistics providers.
- 24i** Short- term borrowings above are current and are expected to be settled within 12 months of the reporting date. The loan is from Guaranty Trust Bank, Access Bank and First City monument Bank with an Interest rate of 20%. The security on the borrowing is a tripartite legal mortgage over the property.

The carrying value of short term borrowings approximates their fair value due to the short-term nature and the fact that there were no material movement in market rates since the inception the loans.

|                                    | <b>Dec-20</b>    | <b>Dec-19</b>    |
|------------------------------------|------------------|------------------|
|                                    | <b>N'000</b>     | <b>N'000</b>     |
| GTB-import finance facility        | -                | 200,000          |
| Access-import finance facility     | 50,061           | 293,250          |
| FCMB -bankers' acceptance          | 598,813          | 864,025          |
| FSDH - import finance facility     | 303,407          | 130,393          |
| Fidelity - import finance facility | 389,779          | 166,077          |
| Short term loan - others           | 667,000          | 50,000           |
| WEMA LC account                    | 975,527          | -                |
| Union bank LC account              | 206,764          | -                |
| Zenith bank LC                     | 39,396           | -                |
| Coronation bank LC                 | 1,396,026        | -                |
| Fidelity bank LC account           | 81,610           | -                |
| Access bank LC account             | 263,187          | -                |
|                                    | <b>4,971,570</b> | <b>1,703,745</b> |

**25 Obligation under finance lease**

The Company has entered into commercial leases on certain motor vehicles. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

**25a Maturity analysis**

|                        | <b>Dec-20</b>  | <b>Dec-19</b>  |
|------------------------|----------------|----------------|
|                        | <b>N'000</b>   | <b>N'000</b>   |
| year 1                 | 130,687        | 301,616        |
| Year 2                 | 120,674        | 196,657        |
| Year 3                 | 68,827         | 142,189        |
| Year 4                 | -              | 55,779         |
|                        | 320,188        | 696,241        |
| Less Unearned Interest | (59,747)       | (167,325)      |
|                        | <b>260,441</b> | <b>528,916</b> |
| <b>Analysed as</b>     |                |                |
| Current                | 95,982         | 215,507        |
| Non-Current            | 164,459        | 313,409        |
|                        | <b>260,441</b> | <b>528,916</b> |

**Notes to the financial statements**

**26 Retirement benefit obligation**

Net benefit expense (recognised in administrative expenses)

|                                     | <b>2020</b>    | <b>2019</b>    |
|-------------------------------------|----------------|----------------|
|                                     | <b>N'000</b>   | <b>N'000</b>   |
| Interest cost on benefit obligation | <u>36,838</u>  | <u>44,514</u>  |
| Net benefit expense                 | 36,838         | 44,514         |
| Defined benefit liability           | <u>447,792</u> | <u>278,533</u> |

The actuarial valuation was carried out by Ernest & young FRC/2012/NAS/00000000738 Changes in the present value of the defined benefit obligation are as follows

Changes in the present value of the defined benefit obligation are as follows:

|  | <b>Dec-20</b>   | <b>Dec-19</b>   |
|--|-----------------|-----------------|
|  | <b>N'000</b>    | <b>N'000</b>    |
| Defined benefit liability at 1 January                       | 278,533         | 300,957         |
| Interest cost  | 36,838          | 44,514          |
| Benefits paid  | (6,390)         | (22,424)        |
| Re-measurement gain on obligation<br>(experience adjustment) | <u>(36,838)</u> | <u>(44,514)</u> |
|  | 272,143         | 278,533         |
| Executive gratuity   | <u>175,649</u>  | <u>-</u>        |
|  | <u>447,792</u>  | <u>278,533</u>  |

The valuation assumptions used in determining retirement benefit obligations for the plans are shown below:

| Financial Assumptions<br>(Long Term Average) | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
|  | <b>%</b>    | <b>%</b>    |
| Discount Rate (p.a)                          | 7.50        | 13.50       |
| Average Pay Increase (p.a)                   | N/A         | N/A         |
| Average Rate of Inflation (p.a)              | 8           | 9           |
| Rate of future Interest Credit (p.a)         | 12.00       | 15.50       |
| Sensitivity Analysis on Accrued Liability    |             |             |

**Notes to the financial statements**

**26 Retirement benefit obligation (cont'd)**

|                          |     | <b>Accrued<br/>Liability<br/>N'000</b> |
|--------------------------|-----|--|
| <b>2020</b>              |     |  |
| Base                     |     | 272,144                                |
| Discount rate            | +1% | 272,144                                |
| Discount rate            | -1% | 272,144                                |
| Age rated up to 1 year   |     | 272,144                                |
| Mortality rate           |     | 272,144                                |
| Age rated down by 1 year |     | 272,144                                |
| <b>2019</b>              |     |  |
| Base                     |     | 278,533                                |
| Discount rate            | +1% | 278,533                                |
| Discount rate            | -1% | 278,533                                |
| Age rated up to 1 year   |     | 278,533                                |
| Mortality rate           |     | 278,533                                |
| Age rated down by 1 year |     | 278,533                                |

**Demographic Assumptions  
Mortality in Service**

| (Sample Ages)                         | <b>Number of deaths in the<br/>year out of 10,000 lives</b> |      |
|---------------------------------------|---|------|
|                                       | 2020  | 2019 |
| 25                                    | 7   | 7    |
| 30                                    | 7   | 7    |
| 35                                    | 9   | 9    |
| 40                                    | 14  | 14   |
| 45                                    | 26  | 26   |
| Withdrawal from Service<br>(Age Band) |   |      |
|                                       | 2020  | 2019 |
|                                       | %   | %    |
| Less than or equal to 30              | 7.5   | 7.5  |
| 31 – 39                               | 6.0   | 6.0  |
| 40 – 44                               | 5.0   | 5.0  |
| 45 – 60                               | 3.0   | 3.0  |

The discount rate is determined on the Company's reporting date by reference to market yields on high quality Government bonds. The discount rate should reflect the duration of the liabilities of the benefit programme.

The Company has a medium term strategy of increasing salaries to reflect inflation, the actuaries prudently allowed for 1% margin for 2020.



**Notes to the financial statements**

**26 Retirement benefit obligation (cont'd)**

The mortality base table used for the scheme is A67/70 Ultimate Tables, published jointly by the Institute and Faculty of actuaries in the United Kingdom.

The table below shows the maturity profile of defined benefit obligation:

|   | <b>2020</b>    | <b>2019</b>    |
|---|----------------|----------------|
|   | <b>₦'000</b>   | <b>₦'000</b>   |
| Within the next 12 months<br>(next annual reporting period) | 10,664         | 11,313         |
| Between 2 and 5 years                                       | 107,837        | 65,223         |
| Between 5 and 10 years                                      | 242,563        | 473,483        |
| Beyond 10 years   | 138,014        | 388,910        |
|   | <u>499,078</u> | <u>938,929</u> |

The weighted average duration of the defined benefit plan obligation is 7.49 years. (8.15 years in 2019)

|                            | <b>Dec-20</b>    | <b>Dec-19</b>  |
|----------------------------|------------------|----------------|
|                            | <b>₦'000</b>     | <b>₦'000</b>   |
| <b>27 Government grant</b> |                  |                |
| At 1 January               | 367,875          | 306,229        |
| Additions                  | 1,014,690        | 221,291        |
| Released to profit or loss | (200,088)        | (159,645)      |
|                            | <u>1,182,477</u> | <u>367,875</u> |
| Current                    | 244,229          | 121,900        |
| Non-current                | 938,248          | 245,975        |
|                            | <u>1,182,477</u> | <u>367,875</u> |

This represents the grant elements of the Central Bank of Nigeria intervention loans, after the loans were re-measured using the effective interest rate. The government grants have been recognised in the statement of financial position and are being amortised through the profit or loss on a systematic basis over the tenure of the loans.

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**Notes to the financial statements**

|           |                                | <b>Dec-20</b>  | <b>Dec-19</b>  |
|-----------|--------------------------------|----------------|----------------|
|           |                                | <b>₦'000</b>   | <b>₦'000</b>   |
| <b>28</b> | <b>Deferred revenue</b>        |                |                |
|           | At 1 January                   | 11,084         | 1,000          |
|           | Addition                       | -              | 12,667         |
|           | Released to the profit or loss | <u>(3,167)</u> | <u>(2,583)</u> |
|           | At 31 December                 | <u>7,917</u>   | <u>11,084</u>  |
|           | Current                        | 3,168          | 3,167          |
|           | Non-current                    | <u>4,749</u>   | <u>7,917</u>   |
|           |                                | <u>7,917</u>   | <u>11,084</u>  |

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

|             |   | <b>Dec-20</b>    | <b>Dec-19</b>    |
|-------------|---|------------------|------------------|
|             |   | <b>₦'000</b>     | <b>₦'000</b>     |
| <b>29</b>   | <b>Trade and other payables</b>                                     |                  |                  |
|             | Trade payables  | 866,760          | 440,752          |
|             | Accruals  | 845,369          | 343,325          |
|             | Other payables (Note 29a)   | 465,439          | 393,130          |
|             | Payables to other shareholders of Fidson Products Limited (Note 37) | -                | 184,637          |
|             |   | <u>2,177,568</u> | <u>1,361,844</u> |
| <b>29a.</b> | <b>Other payables</b>   |                  |                  |
|             | Other creditors (Note 29b)  | 323,572          | 267,999          |
|             | Withholding tax (WHT)   | 105,265          | 84,429           |
|             | Nigeria Social Insurance Trust Fund (NSITF)                         | -                | 781              |
|             | Payable to the Directors  | 20,369           | 9,018            |
|             | Pay as you earn (PAYE)  | 11,225           | 9,495            |
|             | Staff Cooperative   | 1,560            | 6,138            |
|             | NHF   | 458              | 352              |
|             | VAT Payable   | 522              | 125              |
|             | Staff Pension Fund  | -                | 5,226            |
|             | Outstanding due Non-Executive Directors                             | -                | 8,000            |
|             | Outstanding due General Managers                                    | <u>2,468</u>     | <u>1,567</u>     |
|             |   | <u>465,439</u>   | <u>393,130</u>   |

**Notes to the financial statements**

**29b. Other payables**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other creditors are non-interest bearing and have an average term of six months.

Trade payables, and other payables meet the definition of financial liability and their carrying amounts approximate fair value because the terms and conditions of payment is within 1 year for trade and other payables.

Included in the other creditors are:

|   | <b>Dec-20</b>         | <b>Dec-19</b>         |
|---|-----------------------|-----------------------|
|   | <b>₦'000</b>          | <b>₦'000</b>          |
| Distributors and sales representative   | 50,756                | 61,847                |
| Deposit for Ecomed property             | 254,164               | 198,100               |
| Retirement benefit from Capital express | -                     | 8,052                 |
| Deposit by Primus investment limited    | <u>18,652</u>         | <u>-</u>              |
|   | <u><b>323,572</b></u> | <u><b>267,999</b></u> |

**30 Other Current Financial Liabilities**

|                               | <b>Dec-20</b>   | <b>Dec-19</b>        |
|-------------------------------|-----------------|----------------------|
|                               | <b>₦'000</b>    | <b>₦'000</b>         |
| Commercial papers             |                 |                      |
| Financial Derivatives Company | <u>-</u>        | <u>65,000</u>        |
|                               | <u><b>-</b></u> | <u><b>65,000</b></u> |

**31 Dividends**

On 22 July 2020, a dividend of N0.15k per share (total dividend N225million) was approved by shareholders to be paid to holders of fully paid ordinary shares in relation to 2019 financial year.

In respect of the current year, the Directors proposed a dividend of N0.20k per share. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

|  | <b>Dec-20</b>         | <b>Dec-19</b>         |
|--|-----------------------|-----------------------|
|  | <b>₦'000</b>          | <b>₦'000</b>          |
| Dividends paid and proposed  | 225,000               | 300,000               |
| Paid during the year   | <u>(225,000)</u>      | <u>(300,000)</u>      |
| Balance unpaid   | <u><b>-</b></u>       | <u><b>-</b></u>       |
| Dividends on ordinary shares:  |                       |                       |
| Proposed dividend for 2020: N0.20k per share (2019 : N0.15k per share) | <u><b>417,270</b></u> | <u><b>312,939</b></u> |

**Notes to the financial statements**

|                               | <b>Dec-20</b> | <b>Dec-19</b> |
|-------------------------------|---------------|---------------|
|                               | <b>₦'000</b>  | <b>₦'000</b>  |
| <b>31a Unclaimed dividend</b> |               |               |
| Unclaimed dividend            | <u>38,937</u> | <u>38,937</u> |

Unclaimed dividend relates to dividend paid in the prior year which was returned by the registrar as they remained unclaimed by the beneficiaries for more than 15 months.

|   | <b>Dec-20</b> | <b>Dec-19</b>  |
|---|---------------|----------------|
|   | <b>₦'000</b>  | <b>₦'000</b>   |
| <b>31b Reconciliation of unclaimed dividend</b> |               |                |
| At 1 January                                    | 38,937        | 42,166         |
| Additions                                       | 312,939       | 225,000        |
| Payment   | (312,939)     | (225,000)      |
| Payment of unclaimed dividend                   | <u>-</u>      | <u>(3,229)</u> |
| At 31 December                                  | <u>38,937</u> | <u>38,937</u>  |

|   | <b>Dec-20</b>    | <b>Dec-19</b>    |
|---|------------------|------------------|
|   | <b>₦'000</b>     | <b>₦'000</b>     |
| <b>32 Share capital and reserves</b>      |                  |                  |
| Authorised share capital                  |                  |                  |
| 2,400,000,000 ordinary shares of 50k each | <u>1,200,000</u> | <u>1,200,000</u> |
|   | <u>1,200,000</u> | <u>1,200,000</u> |

|   | <b>Dec-20</b>    | <b>Dec-19</b>    |
|---|------------------|------------------|
|   | <b>₦'000</b>     | <b>₦'000</b>     |
| Issued and fully paid:                    |                  |                  |
| 2,086,360,250 ordinary shares of 50k each | <u>1,043,180</u> | <u>1,043,180</u> |
|   | <u>1,043,180</u> | <u>1,043,180</u> |

|                         | <b>Dec-20</b>    | <b>Dec-19</b>    |
|-------------------------|------------------|------------------|
|                         | <b>₦'000</b>     | <b>₦'000</b>     |
| <b>33 Share premium</b> |                  |                  |
| At 1 January 2020       | 4,933,932        | 2,973,043        |
| Addition in the year    | <u>-</u>         | <u>1,960,889</u> |
|                         | <u>4,933,932</u> | <u>4,933,932</u> |

Companies and Allied Matters Act requires that where a Company issues shares at premium (i.e. above the par value), the value of the premium should be transferred to share premium.

Share premium arises from shares issued at a price higher than the nominal value. The current balance was as a result of increase in share capital with a nominal value of 50k from 200,000,000 to 1,500,000,000 and 1,500,000,000 to 2,086,360,250 ordinary shares in November 2007 and April 2019 respectively.

**Notes to the financial statements**

**34 Available for sale reserve**

The reserve records fair value changes in available for sale financial asset.

|  | <b>Dec-20</b> | <b>Dec-19</b> |
|--|---------------|---------------|
|  | <b>₦'000</b>  | <b>₦'000</b>  |
| At 1 January                                       | (725)         | 165           |
| Other Comprehensive gain /(loss) for the year, net | 1,240         | (890)         |
| At 31 December                                     | 515           | (725)         |

Gain or loss on equity available for sale financial asset is not taxable. Hence, no deferred tax was recognised for fair value gain or loss.

**35 Guarantees and other financial commitments**

**a. Capital expenditure**

The Company has proposed ₦2.73billion for capital expenditures (2019:N758.5 million) for capital expenditure for 2021financial year as follows:

Contracted for: ₦367 million (2019:N265.5million)  
 Not contracted for: ₦2,364 million (2019: N493million)

**b. Financial commitments**

The Directors are of the opinion that all known liabilities and commitments have been taken into account in the preparation of the financial statement under review. These liabilities are relevant in assessing the Company's financial position and performance.

**c. Security of facilities**

The bank loans and overdrafts are secured principally by a legal mortgage over some of the Company's land and buildings, debenture on the Company's assets, lien on shipping documents of goods imported, personal guarantee of Dr. Fidelis A. Ayebae.

Ayebae and joint and several guarantees of the Directors of Fidson Healthcare Plc. The mortgage debenture is on the land, building, plant and machinery of Fidson Healthcare Plc (including plant and machinery of the biotech factory located at Veepee Avenue, Otta Industrial Estate, Ogun State. The carrying amounts of the assets are N11.9billion at 31 December 2020. (2019: N1.9billion).

**36 Contingent liabilities**

There were judgements against the Company in two suits with a total award of damages in the sum of N6million payable.

However, the judgement has been appealed. (31 December 2019: N6million).

**Notes to the financial statements**

**37 Related party transactions**

Included in related party transactions is outstanding balance of ₦ Nil (2019: 184million) payable to the Managing Director being refund of personal loan granted and payment of outstanding allowances and fees due to him when FPL (Fidson Products Limited) was liquidated December 2014.

**37a Compensation of Key Management Personnel**

|   | <b>Dec-20</b>         | <b>Dec-19</b>         |
|---|-----------------------|-----------------------|
|   | <b>₦'000</b>          | <b>₦'000</b>          |
| Short-term employee benefits                        | 343,120               | 176,336               |
| Post-employment benefits                            | <u>11,556</u>         | <u>8,009</u>          |
| Total compensation paid to key management personnel | <u><u>354,676</u></u> | <u><u>184,345</u></u> |

The amount disclosed in the note above are the amount recognised as an expenses during the reporting period relate to key management personnel

|                            | <b>Dec-20</b>    | <b>Dec-19</b>    |
|----------------------------|------------------|------------------|
|                            | <b>₦'000</b>     | <b>₦'000</b>     |
| N1,000,000 to N10,000,000  | 10               | -                |
| N10,000,001 to N20,000,000 | 9                | 9                |
| N20,000,001 and above      | <u>4</u>         | <u>4</u>         |
|                            | <u><u>23</u></u> | <u><u>13</u></u> |

Key management includes Directors and members of senior management (Directors, GM, DGM, AGM, and Principal Manager)

**37b. Directors' emoluments**

The remuneration paid to the Directors is as follows:

|                             | <b>Dec-20</b>         | <b>Dec-19</b>        |
|-----------------------------|-----------------------|----------------------|
|                             | <b>₦'000</b>          | <b>₦'000</b>         |
| Executive compensation      | 106,058               | 88,382               |
| Fees and sitting allowance  | <u>3,390</u>          | <u>3,600</u>         |
| Total Directors' emoluments | <u><u>109,448</u></u> | <u><u>91,982</u></u> |

Fees and other emoluments disclosed above include amount paid to the chairman.

|                       | <b>Dec-20</b>        | <b>Dec-19</b>        |
|-----------------------|----------------------|----------------------|
|                       | <b>₦'000</b>         | <b>₦'000</b>         |
| The chairman          | <u>5,000</u>         | <u>5,000</u>         |
| Highest paid Director | <u><u>50,000</u></u> | <u><u>40,000</u></u> |

**Notes to the financial statements**

**38 Information relating to employees**

The number of employees in respect of emoluments within the following ranges were:

|                      | <b>2020</b>    | <b>2019</b>    |
|----------------------|----------------|----------------|
|                      | <b>Numbers</b> | <b>Numbers</b> |
| Less than 500,000    | -              | -              |
| 500,001 - 1,000,000  | 102            | 86             |
| 1,000,001- 1,500,000 | 76             | 72             |
| 1,500,001 -2,000,000 | 89             | 87             |
| 2,000,001 -2,500,000 | 57             | 72             |
| 2,500,001 -3,000,000 | 20             | 22             |
| 3,000,001 and above  | 61             | 58             |
|                      | <b>405</b>     | <b>397</b>     |

**38.1 Staff**

The average numbers of persons employed were as follows:

|                   | <b>Numbers</b> | <b>Numbers</b> |
|-------------------|----------------|----------------|
| Management Staff  | 13             | 13             |
| Marketing         | 144            | 165            |
| Production        | 155            | 127            |
| Operation         | 49             | 46             |
| Finance and Admin | 44             | 46             |
|                   | <b>405</b>     | <b>397</b>     |

**39 Segment information**

For management purposes, the performance of the business is assessed along product classes. Two of the Company's products have been identified as reportable segments for the purpose of IFRS 8. However, information for the product classes is only maintained at the revenue and cost of sales level. Financing and Income taxes are reported Company wide.

There is no single external customer whose transaction amount to 10% or more of the entity's revenues. Revenue for over the counter product accounts for 42% of total revenue, while Ethical product accounts for 58%. Revenue from Lagos region accounts for 30% of the total revenue. The Executive Management Committee monitors the operating results of the whole business for the purpose of making decisions about resource allocation and performance assessment.

The summary below shows the revenue and cost of sales information made available to the Executive management committee:

**Notes to the financial statements**

**39 Segment information (cont'd)**

|                                      | <b>Dec-20</b>         | <b>Dec-19</b>         |
|--------------------------------------|-----------------------|-----------------------|
|                                      | <b>₦'000</b>          | <b>₦'000</b>          |
| <b>Revenue:</b>                      |                       |                       |
| Consumer products                    |                       | 2,561                 |
| Ethical                              | 10,672,684            | 7,865,316             |
| Over-The-Counter                     | <u>7,603,172</u>      | <u>6,194,138</u>      |
| <br>Total Revenue                    | <br><u>18,275,856</u> | <br><u>14,062,015</u> |
| <br><b>Cost of Sales</b>             |                       |                       |
| Consumer                             | -                     | 1,245                 |
| Ethical                              | 3,354,446             | 3,823,506             |
| Over The Counter (OTC)               | 4,827,129             | 3,001,942             |
| Depreciation of factory PPE (Note 8) | 499,496               | 507,245               |
| Energy                               | 317,563               | 383,720               |
| Personnel Cost                       | 418,157               | 367,364               |
| Other Factory Overheads              | <u>277,725</u>        | <u>101,436</u>        |
| <br>Total cost of sales              | <br><u>9,694,516</u>  | <br><u>8,186,458</u>  |

None of the major customers of the Company account for up to 10% of total revenue.

**39.1 Geographical Information**

Currently the Company's operation are domiciled in Nigeria

**39.2 Information about Major customers**

Included in Revenue are revenues of approximately N1.33million (2019: N567million) which arose from sales to the Company's largest customer. In addition, three other customers contributed more than 10% to the Company's revenue altogether amounting to N2.58billion (2019: N1.84billion)

**40 Financial instruments risk management objectives and policies**

The Company deploys a number of financial instruments (financial assets and financial liabilities) in carrying out its activities. The key financial liabilities, of the Company comprise bank borrowings, trade payables and finance leases which are deployed purposely to finance the Company's operations and to provide liquidity to support the Company's operations.

The financial assets of the Company include available-for-sale investments, loans and receivables, trade receivables, and cash and short-term deposits also necessarily required for the operations of the Company.



**Notes to the financial statements**

**40 Financial instruments risk management objectives and policies (cont'd)**

The principal risks that Fidson Healthcare Plc is exposed to as a result of holding the above financial instruments include market risk, credit risk and liquidity risk. The senior management of the Company oversees the management of these risks through the establishment of adequate risk management framework with appropriate approval process, internal control and authority limits. Thus, the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with those policies. The Board of Directors which is responsible for the overall risk management of the Company reviews and agrees on policies for managing each of these risks inherent in its involvement in financial instruments and operations are as summarized below.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, trade payables, available-for-sale investments, finance lease obligations, cash and cash equivalents, bank overdraft, finance lease obligation and loans and receivables.

**Currency risk**

Management has set up a policy requiring the Company to manage their foreign exchange risk against their functional currency. The Company is required to manage its entire foreign exchange risk exposure with the Company finance. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company ensures that significant transactions are contracted in the country's functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in currency that is not the

**Company's functional currency.**

**Foreign currency sensitivity**

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities.

|        | Change in<br>USD rate | Effect on profit<br>before tax<br>N'000 |
|--------|-----------------------|---|
| Dec-20 | 5%                    | 2,470                                   |
|        | -5%                   | (2,470)                                 |
| Dec-19 | 5%                    | 1,250                                   |
|        | -5%                   | (1,250)                                 |

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not carry debt at fair value neither does it have any floating rate exposure.

**Notes to the financial statements**

**40 Financial instruments risk management objectives and policies (cont'd)**

**Equity price risk**

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Fidson Healthcare Plc has a price risk in relation to its available for sale investments. This is because the investments are traded in an active market and are subject to price fluctuation. The Company manages the equity price risk by placing limits on individual an. Reports on the equity portfolio are submitted to the senior management on a regular basis. The Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity securities at fair value was N4, 960,000 (2019:N3, 720,000). An increase of 33% on the Nigerian Stock Exchange could have an impact of approximately N1, 230,000 (2019: N372, 000) on the income or equity attributable to the Company, depending on whether or not the decline is significant or prolonged. An increase of 10% in the value of the listed securities would only impact equity, but would not have an effect on the profit or loss.

**Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The sources of the Company's credit risk include trade receivables, receivable from related parties and deposits with banks and financial institutions. See Note 21b for analysis of the age of financial assets that are past due as at the end of the reporting year but not impaired the credit risk of the Company is unsecured The maximum exposure to credit risk for the components of the statement of financial position at 31 December 2020 is the carrying amounts as shown in Note 21b. Refer to Note 24 for the maximum risk of Banks and financial institutions.

**Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions as well as deposit with ALM Trustees is managed by the Company's treasury department in accordance with the Company's policy. The Company limits its exposure for default by keeping cash with banks with good solvency margin. Maximum exposure to credit risk at the reporting date is the carrying value of the financial asset disclosed in Note 24. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counter party's potential failure to make payment.

**Trade receivables**

Customer credit risk is managed by credit managers and management as a whole subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Staff advance are also secured by employee salaries and deductions are made at source. Receivable from related party is managed by the management subject to the Company's established policy, procedures and control relating to credit risk management.

Outstanding customer receivables are regularly monitored and any deliveries to major customers are generally covered by valid customer order. Customer backgrounds are studied to avoid concentration risk. The Company evaluates the concentration of risk with respect to trade receivables as low.

**Notes to the financial statements**

**40 Financial instruments risk management objectives and policies (cont'd)**

**Balances with banks and financial institutions**

Credit risk from balances with banks and financial institutions is managed by the Managing Director in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The policies are set and reviewed by the Board annually.

**Liquidity risk**

Liquidity risk is the risk that the Company will be unable to pay its obligations when they fall due. The Company monitors its risk to a shortage of funds using a recurring liquidity planning and continuous budget tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Board of Directors defines the Company's liquidity policy annually.

|  | <b>Contractual<br/>Undiscounted<br/>Cash flows<br/>N'000</b> | <b>On<br/>demand<br/>N'000</b> | <b>Less<br/>than 3<br/>months<br/>N'000</b> | <b>3 to 12<br/>months<br/>N'000</b> | <b>1 to 5 years<br/>N'000</b> | <b>Carrying<br/>value<br/>N'000</b> |
|--|--|--------------------------------|---|-------------------------------------|-------------------------------|-------------------------------------|
| At 31 December 2020                              |  |                                |   |                                     |                               |                                     |
| Interest bearing loans & borrowing (non-current) | 4,050,683  |                                |   |                                     | 4,050,683                     | 4,050,683                           |
| Trade payables                                   | 866,761  | 866,761                        |   |                                     |                               | 866,761                             |
| Bank overdraft                                   | 232,229  |                                | 232,229                                     |                                     |                               | 232,229                             |
| Other financial liabilities                      |  |                                |   |                                     |                               |                                     |
| Interest bearing loans and borrowing (current)   | 6,636,269  |                                |   | 6,636,269                           |                               | 6,636,269                           |
| Finance lease                                    | 320,188  |                                |   | 95,982                              | 224,206                       | 320,188                             |
|  | <u>12,106,131</u>  | <u>866,761</u>                 | <u>232,229</u>                              | <u>6,732,251</u>                    | <u>4,274,889</u>              | <u>12,106,131</u>                   |

|  | <b>Contractual<br/>undiscounted<br/>cash flows<br/>N'000</b> | <b>On<br/>demand<br/>N'000</b> | <b>Less<br/>than 3<br/>months<br/>N'000</b> | <b>3 to 12<br/>months<br/>N'000</b> | <b>1 to 5 years<br/>N'000</b> | <b>carrying<br/>value<br/>N'000</b> |
|--|--|--------------------------------|---|-------------------------------------|-------------------------------|-------------------------------------|
| At 31 December 2019                              |  |                                |   |                                     |                               |                                     |
| Interest bearing loans & borrowing (non-current) | 2,918,518  |                                |   |                                     | 2,918,518                     | 2,695,082                           |
| Trade payables                                   | 440,752  | 440,752                        |   |                                     |                               | 440,752                             |
| Bank overdraft                                   | 546,604  |                                | 546,604                                     |                                     |                               | 546,604                             |
| Other financial liabilities                      |  |                                |   |                                     |                               |                                     |
| Interest bearing loans and borrowing (current)   | 3,627,583  |                                | 249,546                                     | 3,378,037                           |                               | 3,627,583                           |
| Finance lease                                    | 696,253  |                                |   | 301,656                             | 394,585                       | 696,253                             |
|  | <u>8,229,710</u>   | <u>440,752</u>                 | <u>796,150</u>                              | <u>3,679,693</u>                    | <u>3,089,679</u>              | <u>8,229,710</u>                    |

**Notes to the financial statements**

**41a Fair values**

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements.

|                                       | Carrying values    |                    | Fair Values        |                    |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                       | 31-Dec-20<br>N'000 | 31-Dec-19<br>N'000 | 31-Dec-20<br>N'000 | 31-Dec-19<br>N'000 |
| <b>Financial assets</b>               |                    |                    |                    |                    |
| Loans and other receivables           | 12,871             | 10,172             | 12,871             | 10,172             |
| Trade receivables                     | 2,176,992          | 2,671,999          | 2,176,992          | 2,671,999          |
| Cash and bank                         | 3,205,354          | 303,919            | 3,205,354          | 303,919            |
| Available for sale                    | 4,960              | 3,720              | 4,960              | 3,720              |
| Other non-current financial asset     | 171,673            | 441,337            | 171,673            | 441,337            |
| <b>Total</b>                          | <b>5,571,850</b>   | <b>3,431,147</b>   | <b>5,571,850</b>   | <b>3,431,147</b>   |
| <b>Financial liabilities</b>          |                    |                    |                    |                    |
| Interest-bearing loans and borrowings | 4,050,683          | 2,918,518          | 2,918,518          | 2,695,083          |
| Short-term borrowing                  | 6,636,269          | 1,703,745          | 6,636,269          | 1,703,745          |
| Bank Overdraft                        | 232,229            | 546,604            | 232,229            | 546,604            |
| Finance Lease                         | 260,441            | 528,916            | 320,188            | 696,241            |
| Trade and other payables              | 2,177,569          | 1,399,045          | 2,177,569          | 1,399,045          |
| <b>Total</b>                          | <b>13,357,190</b>  | <b>7,096,828</b>   | <b>12,284,772</b>  | <b>7,040,718</b>   |

**41b Determination of fair value and fair value hierarchy**

As at 31 December 2020 the Company held some financial instruments carried at fair value on the statement of financial position. The Company uses the following hierarchy for determining and disclosing the fair value of non-financial assets by valuation technique:

Level 1: quote prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

**Notes to the financial statements**

**41b Determination of fair value and fair value hierarchy (cont'd)**

The Company has investment in listed equity securities. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

| Valuation Date of<br>Assets measured at fair value:          | <b>Level 1</b><br><b>₦'000</b> | <b>Level2</b><br><b>₦'000</b> | <b>Level3</b><br><b>₦'000</b> |
|--|--------------------------------|-------------------------------|-------------------------------|
| Available-for-sale financial assets: (Note 19)               |                                |                               |                               |
| 31-Dec-20  | 4,960                          |                               |                               |
| 31-Dec-19  | 3,720                          |                               |                               |
| Assets for which fair values have been disclosed:            |                                |                               |                               |
| Investment property(Note16)                                  |                                |                               |                               |
| 31-Dec-20  |                                |                               | 329,100                       |
| 31-Dec-19  |                                |                               | 329,100                       |
| Interest bearing loans and borrowings- Noncurrent (Note 42a) |                                |                               |                               |
| 31-Dec-20  |                                | 4,050,683                     |                               |
| 31-Dec-19  |                                | 2,695,082                     |                               |
| Interest bearing loans-current (Note 42a)                    |                                |                               |                               |
| 31-Dec-20  |                                | 6,636,269                     |                               |
| 31-Dec-19  |                                | 3,607,731                     |                               |
| Finance Lease (Note 26)                                      |                                |                               |                               |
| 31-Dec-20  |                                | 260,441                       |                               |
| 31-Dec-19  |                                | 528,916                       |                               |

There have been no transfers between Level 1 and Level 2 during the period

Interest bearing loan and borrowings are evaluated by the Company based on parameters such as interest rates that reflects market risk characteristics at the measurement date.

The fair value of the loans and borrowing are determined based on DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

**42 Capital management**

Capital includes issued share capital, share premium, retained earnings and other reserves in the statement of financial position. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2020 and year ended 31 December 2019.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 45% and 60%. The Company includes within net debt interest bearing loans and borrowings, trade and other payables, and cash and short-term deposits.

**Notes to the financial statements**

**42.0 Capital management-Continued**

|   | <b>Dec-20</b>               | <b>Dec-19</b>               |
|---|-----------------------------|-----------------------------|
|   | <b>₦'000</b>                | <b>₦'000</b>                |
| Interest bearing loans and borrowings (Note 24) | 10,686,952                  | 6,322,665                   |
| Trade and other payables (Note 29)              | 2,177,569                   | 1,361,844                   |
| Overdraft (Note 23)                             | 232,229                     | 546,604                     |
|   | <u>                    </u> | <u>                    </u> |
| Less: Cash and bank balances                    | (3,205,354)                 | (303,919)                   |
|   | <u>                    </u> | <u>                    </u> |
| Net debt  | 10,016,766                  | 7,964,395                   |
| Capital - Equity                                | 10,546,721                  | 9,620,308                   |
|   | <u>                    </u> | <u>                    </u> |
| Capital and net debt                            | <u>20,563,487</u>           | <u>17,584,703</u>           |
| <br>  |                             |                             |
| Gearing Ratio                                   | 48%                         | 45%                         |

**43.0 Earnings per share**

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the reporting date. The following reflects the income and share data used in the basic earnings per share computations:

|  | <b>Dec-20</b>               | <b>Dec-19</b>               |
|--|-----------------------------|-----------------------------|
|  | <b>₦'000</b>                | <b>₦'000</b>                |
| Basic  |                             |                             |
| Net profit attributable to ordinary shareholders | 1,205,039                   | 407,188                     |
| Weighted average number of ordinary shares       | 2,086,360                   | 2,086,360                   |
|  | <u>                    </u> | <u>                    </u> |
| Basic / (Loss) earnings per ordinary share       | <u>59k</u>                  | <u>20k</u>                  |

There was no dilutive effect of ordinary shares during the reporting and the comparative years.

**44.0 Events after the reporting period**

The COVID-19 pandemic continues to impact on the global economy in 2021. Issues around the availability of foreign exchange and the devaluation of the Naira continue to influence our supply chain. We do not, however, anticipate a significant adverse effect on our operations having been able to adequately mitigate the risks and we will continue explore the opportunities resulting from the pandemic.

Other than the above, there are no events or transactions that have occurred since the reporting date which would have a material effect on these financial statements, or which would need to be disclosed in the financial statements.

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**Value added statement**

|  | <b>2020</b>             | %                 | <b>2019</b>             | %                 |
|--|-------------------------|-------------------|-------------------------|-------------------|
|  | <b>₦'000</b>            |                   | <b>₦'000</b>            |                   |
| Revenue  | 18,275,856              |                   | 14,062,015              |                   |
| Other operating income   | 349,745                 |                   | 296,642                 |                   |
| Finance income   | 9,240                   |                   | 57,360                  |                   |
| Bought in goods and services   |                         |                   |                         |                   |
| - Imported   | (7,733,275)             |                   | (5,533,534)             |                   |
| - Local  | <u>(5,176,787)</u>      |                   | <u>(4,908,709)</u>      |                   |
| <b>Value added</b>   | <b><u>5,724,779</u></b> | <b><u>100</u></b> | <b><u>3,973,774</u></b> | <b><u>100</u></b> |
| <b>Applied as follows:</b>   |                         |                   |                         |                   |
| <b>To employees:</b>   |                         |                   |                         |                   |
| Salaries and other benefits  | 1,949,616               | 34                | 1,027,389               | 21                |
| <b>To Government:</b>  |                         |                   |                         |                   |
| Income tax   | 116,038                 | 2                 | 95,465                  | 2                 |
| <b>To pay providers of capital:</b>                                    |                         |                   |                         |                   |
| Bank interest  | 1,333,927               | 23                | 1,735,098               | 54                |
| <b>To provide for replacement of assets and expansion of business:</b> |                         |                   |                         |                   |
| - Depreciation and amortization  | 668,434                 | 12                | 635,224                 | 21                |
| - Deferred taxation  | 451,725                 | 8                 | 67,057                  | 5                 |
| Retained profit/(loss)   | <u>1,205,039</u>        | <u>21</u>         | <u>413,541</u>          | <u>(3)</u>        |
|  | <b><u>5,724,779</u></b> | <b><u>100</u></b> | <b><u>3,973,774</u></b> | <b><u>100</u></b> |

The value added represents the wealth which the Company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth to employees, providers of finance, government and that retained for the future creation of more wealth.

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**Five-year financial summary**

|   | <b>2020</b>       | <b>2019</b>       | <b>2018</b>       | <b>2017</b>       | <b>2016</b>       |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | <b>N'000</b>      | <b>N'000</b>      | <b>N'000</b>      | <b>N'000</b>      | <b>N'000</b>      |
| Non-current assets                      |                   |                   |                   |                   |                   |
| Property, plant and equipment           | 13,387,810        | 11,996,884        | 12,371,006        | 12,363,213        | 12,206,210        |
| Right of use Assets                     | 595,194           | 703,182           | -                 | -                 | -                 |
| Investment property                     | 32,742            | 33,586            | 34,504            | 35,347            | 36,265            |
| Intangible assets                       | 23,530            | 27,736            | 54,475            | 60,184            | 92,483            |
| Loans and other receivables             | 12,871            | 10,172            | 50,038            | 47,805            | 79,193            |
| Available for sale                      | 4,960             | 3,720             | 4,610             | 5,127             | 2,938             |
| Investment in associate                 |                   |                   |                   |                   |                   |
| Other non-current financial assets      | 171,673           | 441,337           | 393,209           | 294,423           | 291,144           |
| Net current (liabilities)/assets        | 3,464,889         | 1,030,464         | (2,960,404)       | (2,890,559)       | (2,682,697)       |
|   | <u>17,693,679</u> | <u>14,247,081</u> | <u>9,947,438</u>  | <u>9,915,540</u>  | <u>10,025,536</u> |
| <b>Non-current liabilities</b>          |                   |                   |                   |                   |                   |
| Interest bearing loans and borrowings – | (4,050,683)       | (2,695,082)       | (1,124,287)       | (1,246,254)       | (2,231,835)       |
| Obligation under finance lease          | (164,459)         | (312,409)         | (213,180)         | (592,411)         | (199,620)         |
| Staff retirement benefits               | (447,792)         | (278,533)         | (300,957)         | (309,831)         | (342,750)         |
| Government grant                        | (938,248)         | (247,299)         | (156,068)         | (143,124)         | (235,106)         |
| Deferred revenue                        | (4,751)           | (7,916)           | -                 | (1,000)           | (3,000)           |
| Deferred taxation                       | (1,548,311)       | (1,085,533)       | (999,166)         | (817,544)         | (418,452)         |
|   | <u>10,539,435</u> | <u>9,620,308</u>  | <u>7,153,781</u>  | <u>7,622,920</u>  | <u>6,594,773</u>  |
| Financed by:                            |                   |                   |                   |                   |                   |
| Share capital                           | 1,043,180         | 1,043,180         | 750,000           | 750,000           | 750,000           |
| Share Premium                           | 4,933,932         | 4,933,932         | 2,973,043         | 2,973,043         | 2,973,043         |
| Retained earnings                       | 4,561,808         | 3,643,921         | 3,430,573         | 3,899,194         | 2,871,730         |
| Available for sale reserve              | 515               | (725)             | 165               | 683               | (1,507)           |
|   | <u>10,539,435</u> | <u>9,620,308</u>  | <u>7,153,781</u>  | <u>7,622,920</u>  | <u>6,594,773</u>  |
|   | <b>2020</b>       | <b>2019</b>       | <b>2018</b>       | <b>2017</b>       | <b>2016</b>       |
|   | <b>N'000</b>      | <b>N'000</b>      | <b>N'000</b>      | <b>N'000</b>      | <b>N'000</b>      |
| Revenue                                 | <u>18,275,856</u> | <u>14,062,015</u> | <u>16,229,903</u> | <u>14,057,394</u> | <u>7,655,029</u>  |
| Profit before taxation                  | 1,772,211         | 575,666           | 160,867           | 1,578,547         | 443,787           |
| Profit / (Loss) for the year            | 1,205,039         | 407,188           | (97,447)          | 1,060,789         | 316,762           |
| Dividend                                | 417,270           | 312,939           | 225,000           | 300,000           | 75,000            |
| Per Share Data                          |                   |                   |                   |                   |                   |
| Earnings per share (kobo)               | 58                | 20                | (6)               | 71                | 21                |
| Dividend per share (kobo)               | 20                | 15                | 15                | 20                | 5                 |
| Net assets per share (kobo)             | <u>505</u>        | <u>462</u>        | <u>477</u>        | <u>508</u>        | <u>440</u>        |