Emzor Pharmaceutical Industries Limited

Annual Report

31 December 2023

Contents

Corporate Information

Date of Incorporation:	22 October 1984
Registration Number:	RC 61894
Tax identification no:	01677784-0001
Registered Office:	Plot 3C, Aswani Market Road Oshodi Apapa Expressway Lagos, Nigeria

Directors:

Mr. Emeka C. Okoli	- Chairman
Dr. Stella C. Okoli	- Managing Director
Mrs. Uzoma G. Ezeoke	- Executive Director
Mr. Shivakumar Subramani	- Executive Director
Mr. Gabriel Keita	- Non-Executive Director
Dr. Shamsuddeen Usman	- Non-Executive Director
Mr. Adewale Odusanya	- Non-Executive Director

Company Secretary:	Abdulai, Taiwo & Co. FRC/2024/COY/306140 Goodwill House, 278 Ikorodu Road, Lagos.
Independent Auditor:	Ernst & Young 10th & 13th Floors, UBA House 57, Marina, Lagos Nigeria.
Bankers:	Access Bank Plc Ecobank Plc Fidelity Bank Plc First Bank of Nigeria Limited First City Monument Bank Plc Guaranty Trust Bank Plc Heritage Bank Plc NOVA Merchant Bank Limited Polaris Bank Limited Rand Merchant Bank Nigeria Limited Stanbic IBTC Bank Plc Sterling Bank Nigeria Plc Titan Trust Bank Limited Union Bank of Nigeria Plc United Bank for Africa Plc Zenith Bank Plc

Directors' Report
For the year ended 31 December 2023

The directors have pleasure in presenting their report on the affairs of Emzor Pharmaceutical Industries Limited together with its subsidiaries ("the Group") along with the consolidated and separate audited financial statements of the Group and the Company for the year ended 31 December 2023.

Legal Form and Principal Activity
Emzor Pharmaceutical Industries Limited was incorporated in 1984 in Nigeria as a private limited liability Company. The Group's principal activities continue to be the manufacturing, importation, distribution and marketing of high quality pharmaceutical and healthcare products.

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

Results for the year

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Revenue	41,152,666	37,556,144	38,239,845	35,048,946
Operating (loss)/profit	614,652	(1,286,333)	665,924	(1,198,426)
Loss before taxation	(3,847,453)	(3,239,378)	(3,738,409)	(3,095,966)
Income tax expense	347,524	299,376	259,072	508,266
Loss for the year	(3,499,930)	(2,940,002)	(3,479,337)	(2,587,700)
Total comprehensive loss for the year, net of tax	(3,499,930)	(2,940,002)	(3,479,337)	(2,587,700)

Dividend
The Directors did not propose dividend in the year ended 31 December 2023 (2022: ₦455,750,000). The proposed dividend was only recognised as a liability after approval by the shareholders at the Annual General Meeting.

Major Customers
The Medical Export Group BV
Latnas Pharmaceutical (Nig) Limited
Austin Ola Pharmaceutical Limited
Ifeanyi Healthcare Limited
Junno Pharmacy (F.M.)
Bonitas Pharmacy
Sterbert Pharmacy
Selak Pharmacy
Mansoor Global Pharmacy
Binol Pharmacy and Stores Limited
New-Health Pharmacy Limited

Major Suppliers
Oversea Suppliers
Max International Group Co. Limited
Mangalam Drugs and Organics Limited
Pradipkumar Pharma Pvt. Limited
Packing Solutions India
Empire Industries Limited
Shandong Eagle Machinery Company Limited
Virchow Laboratories Limited
Sinobright Pharmaceutical Company Limited

Directors' Report

For the year ended 31 December 2023

Local Suppliers
Ro-marong Nigeria Limited
Sagar Overseas Limited
Jefsona Ventures Limited
Beta Glass Plc
Platenberg Printers Nigeria Limited

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

Mr. Emeka C. Okoli	Chairman
Dr. Stella C. Okoli	Managing Director
Mrs. Uzoma G. Ezeoke	Executive Director
Mr. Shivakumar Subramani (Indian)	Executive Director
Mr. Gabriel Keita (French)	Non-Executive Director
Dr. Shamsuddeen Usman	Non-Executive Director
Mr. Adewale Odusanya	Non-Executive Director

Directors' Interests in Shares
Directors' interest in the issued share capital of the Company as recorded in the register of members are as follows:

	2023	2022
	Number of Ordinary Shares	
Dr. Stella C. Okoli	2,000,000,000	2,000,000,000

Mr. Adewale Odusanya has indirect interest in the minority shareholder; Oreon EPI Limited ("Oreon") and represents Oreon as a member of the board of directors.

Directors' Interests in Contracts
In accordance with Section 303 of the Companies and Allied Matters Act, 2020, none of the Directors notified the Group of any declarable interest in any contract in which the Group was involved during the year under review (2022: Nil).

Analysis of Shareholding
As at 31 December 2023, the Company's ordinary shares were held as follows:

	%	Ordinary shares of 50k each Number	Share capital ₦ '000
Dr. Stella C. Okoli	80	2,000,000,000	1,000,000,000
Oreon EPI Limited	20	500,000,000	250,000,000
	100	**2,500,000,000**	**1,250,000,000**

Property, Plant and Equipment
Movements in property, plant and equipment during the year are shown in Note 15 of the consolidated and separate financial statements. In the opinion of the Directors, the market value of the Group's assets is not less than the value shown in the financial statements.

Events after the Reporting Date
Subsequent to year end, in May 2024, the government notified the Company of its plan to demolish the facility in Enugu, Nigeria. The demolition led to the destruction of the inventory items and this caused a depletion in the Group and Company's assets and as such would have an impact on the future results and financial position of the Group and Company. However, at the date of issuing these financial statements, the quantitative impacts of the depletion has been assessed by the Group and Company to total N225,864,770; Emzor products (N203,221,554), Zolon products (N22,643,216). This is considered a non-adjusting event, as the demolition was announced after the reporting date.

Directors' Report
For the year ended 31 December 2023

Going Concern

The consoliated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The directors have considered the Group and Company's budgets and cash flow forecasts for a period of at least twelve months from the date of approval of the financial statements and the Group and Company is expected to continue to generate positive cash flows on its own account for the foreseeable future.

Charitable Contributions

The Group gave charitable donations and provided sponsorship as follows:

Name Of The Organisation	Group 2023	Group 2022	Company 2023	Company 2022
	₦'000	₦'000	₦'000	₦'000
King Of Makun Shagamu	500	-	500	-
Catholic Women Organizaation	50	-	50	-
Yobe State Government	150	-	150	-
Public Outreach	98	-	98	-
Public Schools & Government Agencies	34,221	-	34,221	-
Kano State Paediatric Hospital	-	12,000	-	12,000
Committee of Wives of Lagos State Officials	-	10,000	-	10,000
National Agency for Food and Drug Administration and Control	-	1,310	-	1,310
Pharmaceutical Society of Nigeria	-	1,160	-	1,160
National Agency for the Control of Aids	-	1,000	-	1,000
Other Sponsorship in the course of the business	-	150	-	150
	35,019	25,620	35,019	25,620

In accordance with Section 43(2) of the Companies and Allied Matters Act, 2020 ("CAMA"), the Group did not make any donations or give gifts to any political party, political association or for any political purpose during the year (2022: Nil).

Employment and Employees

Employment of physically challenged persons

The Group reviews its employment policy in line with the needs of our business. Careful recruiting is undertaken to ensure that potential high performers are attracted and retained. It is the Group'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. No disabled person was in the employment of the Group as at the reporting date (2022: Nil).

Welfare

The Group has retainership agreement with a number of private hospitals to whom cases of illness are referred for treatment and/or admission. The Group provides subsidy to employees in respect of transportation, lunch, housing and healthcare.

Training

The Group attaches great importance to training and all categories of staff attend courses or seminars as considered necessary by the Group's management. Incentive schemes designed to meet the circumstances of each individual are implemented wherever appropriate and some of these schemes include bonuses, promotions and wages review.

Directors' Report
For the year ended 31 December 2023

Independent Auditor

Messrs. Ernst & Young, were appointed on 5th of August 2024 as Auditors of the Company. In accordance with Section 401 (2) of the Companies and Allied Matters Act of Nigeria, 2020. Messrs EY Nigeria have indicated their willingness to continue in office as the Company's auditor.

A resolution will be proposed at the Annual General Meeting to authorize the Directors to determine their remuneration.

By Order of the Board

Abdulai, Taiwo & Co.
Company Secretaries

Abdulai Taiwo & Co.
Company Secretary
FRC/2013/PRO/ICSAN/002/00000004756
Goodwill House,
278 Ikorodu Road,
Lagos.
MARCH 12, 2025

Statement of Directors' Responsibilities in relation to the Preparation of the consolidated and separate financial statements for the year ended 31 December 2023.

The Companies and Allied Matters Act, (CAMA) 2020, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

1. Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, (CAMA) 2020, IFRS Accounting Standards as issued by the International Accounting Standards Board, and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023;

2. Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

3. Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board, and the requirements of the Companies and Allied Matters Act 2020, and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit for the year ended 31 December 2023. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Group and Company will not remain a going concern in the year ahead. See Note 40 to the financial statements for more details.

Signed on behalf of the Board of Directors by:

Dr. Stella C. Okoli (Managing Director)	Mrs. Uzoma G. Ezeoke (Executive Director)
FRC/2024/PRO/DIR/003/438668	FRC/2024/PRO/DIR/003/576809
18 March 2025	18 March 2025

Statement of Corporate Responsibility For the Consolidated and Separate Financial Statements

For the year ended 31 December 2023

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director and Chief Financial Officer, hereby certify the consolidated and separate financial statements of Emzor Pharmaceutical Industries Limited and its subsidiaries for the year ended 31 December 2023 as follows:

a) That we have reviewed the audited consolidated and separate financial statements of the Group and Company for the year ended 31 December 2023.

b) That the audited consolidated and separate 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.

c) That the audited consolidated and separate 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 Group and Company as of and for, the year ended 31 December 2023.

d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company and its subsidiaries is made known to the officer by other officers of the companies, particularly during the year ended 31 December 2023.

Dr. Stella C. Okoli (Managing Director)
FRC/2024/PRO/DIR/003/438668
18 March 2025

Mr. Ola Adedeji (Chief Accountant)
FRC/2016/ICAN/00000011635
18 March 2025

Independent Auditor's Report

To the Members of Emzor Pharmaceutical Industries Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Emzor Pharmaceutical Industries Limited ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and the Company as at 31 December 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated and separate financial statements of Emzor Pharmaceutical Industries Limited for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 05 April 2024.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Emzor Pharmaceutical Industries Limited Annual Report for the year ended 31 December 2023", which includes the Corporate Information, Report of the Directors, Statement of Directors' Responsibilities in Relation to the Preparation of the Consolidated and Separate Financial Statements, Statement of Corporate Responsibility for the Consolidated and Separate Financial Statements and Other National Disclosures. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Independent Auditor's Report

To the Members of Emzor Pharmaceutical Industries Limited

Report on the Audit of the Consolidated and Separate Financial Statements - Continued

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and 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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatements, 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 the 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and 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.

Independent Auditor's Report

To the Members of Emzor Pharmaceutical Industries Limited

Report on the Audit of the Consolidated and Separate Financial Statements – Continued

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements - Continued

- 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 Group's and 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 consolidated and separate 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 Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of the Fifth Schedule of the Companies and Allied Matters Act, 2020, we confirm that:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- in our opinion, proper books of account have been kept by the Group and Company, in so far as it appears from our examination of those books; and
- the consolidated and separate statements of financial position and the consolidated and separate statements of profit or loss and other comprehensive income are in agreement with the books of account; and
- in our opinion, the consolidated and separate financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, 2020 so as to give a true and fair view of the state of affairs and financial performance of the Company and its subsidiaries.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
ICAN
0679157

Funmi Ogunlowo, FCA
FRC/2013/PRO/ICAN/004/00000000681
For: Ernst & Young
Lagos, Nigeria
18 March 2025

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income
For the year ended 31 December

		Group		Company	
	Note	2023	2022	2023	2022
		₦'000	₦'000	₦'000	₦'000
Revenue	5	41,152,666	37,556,144	38,239,845	35,048,946
Cost of sales	6	(29,017,346)	(29,123,412)	(27,275,987)	(27,542,527)
Gross profit		**12,135,320**	**8,432,732**	**10,963,858**	**7,506,419**
Other income	10	46,027	22,539	43,880	20,371
Selling and distribution expenses	8	(3,193,783)	(3,331,470)	(2,717,775)	(2,815,796)
Administrative expenses	7	(7,755,967)	(5,935,730)	(7,329,715)	(5,683,339)
Impairment loss on financial assets	7.1	(616,945)	(474,404)	(294,324)	(226,081)
Operating profit/(loss)		**614,652**	**(1,286,333)**	**665,924**	**(1,198,426)**
Finance income	11	427,457	806,853	427,457	1,347,733
Finance costs	12	(4,889,562)	(2,571,032)	(4,831,790)	(3,056,407)
Net finance costs		**(4,462,105)**	**(1,764,179)**	**(4,404,333)**	**(1,708,674)**
Loss before minimum taxation		**(3,847,453)**	**(3,050,512)**	**(3,738,409)**	**(2,907,100)**
Minimum tax	14.2	-	(188,866)	-	(188,866)
Loss before taxation	13	**(3,847,453)**	**(3,239,378)**	**(3,738,409)**	**(3,095,966)**
Income tax expense	14.1	347,524	299,376	259,072	508,266
Loss for the year		**(3,499,930)**	**(2,940,002)**	**(3,479,337)**	**(2,587,700)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss		-	-	-	-
Total comprehensive loss for the year, net of tax		(3,499,930)	(2,940,002)	(3,479,337)	(2,587,700)
Total comprehensive loss attributable to:					
Equity holders of the parent		(3,499,930)	(2,940,002)	(3,479,337)	(2,587,700)
Total comprehensive loss for the year, net of tax		(3,499,930)	(2,940,002)	(3,479,337)	(2,587,700)
Basic/diluted loss per share (Naira)	23(e)	**(1.40)**	**(1.18)**	**(1.39)**	**(1.04)**

The accompanying notes form an integral parts of these financial statements.

Consolidated and Separate Statements of Financial Position
As at 31 December

	Note	Group 2023	Group 2022	Company 2023	Company 2022
		₦'000	₦'000	₦'000	₦'000
Non-current assets					
Property, plant and equipment	15	37,686,073	25,815,899	37,606,815	25,692,666
Right-of-use assets	15.1	712,877	1,177,196	712,877	1,177,196
Intangible assets	16	11,500	11,500	11,500	11,500
Investment in subsidiaries	17	-	-	490,909	490,909
		38,410,450	27,004,595	38,822,101	27,372,271
Current assets					
Inventories	18	10,062,853	9,186,143	9,139,617	8,508,100
Right of return assets	19	10,712	35,208	9,053	9,053
Prepayments and advances	20	7,566,971	8,102,320	7,103,863	7,705,603
Trade and other receivables	21	8,998,032	7,420,968	7,504,931	6,236,558
Deposit for forwards	21.1	1,057,578	543,137	1,057,578	543,137
Loan receivable	21.3	3,425,071	3,310,123	3,425,071	3,310,123
Cash and cash equivalents	22	1,656,452	1,220,389	1,589,617	1,178,772
		32,777,668	29,818,288	29,829,730	27,491,346
Total assets		71,188,118	56,822,883	68,651,831	54,863,617
Equity					
Share capital	23(a)	1,250,000	1,250,000	1,250,000	1,250,000
Share premium	23(b)	5,321,138	5,321,138	5,321,138	5,321,138
Equity contribution	23(c)	488,909	488,909	488,909	488,909
Retained earnings	23(d)	(1,073,801)	2,426,129	(1,904,893)	1,574,444
Deposit for shares	24	6,455,400	6,455,400	6,455,400	6,455,400
Asset revaluation reserve	25	237,559	237,559	237,559	237,559
Revenue Reserve	26	1,646,382	1,646,382	1,646,382	1,646,382
Total equity		14,325,587	17,825,517	13,494,495	16,973,832
Non -current liabilities					
Loans and borrowings	27	26,939,874	15,688,935	26,939,874	15,688,935
Deferred income	28	479,689	140,238	479,689	140,238
Lease liabilities	29	455,814	480,435	455,814	480,435
Employee benefits	31	232,207	232,643	198,239	198,674
Provisions	32	61,684	61,684	61,684	61,684
Deferred tax liabilities	14.4	665,321	1,517,915	1,071,202	1,583,729
		28,834,589	18,121,850	29,206,502	18,153,695
Current liabilities					
Current tax liabilities	14.6	1,484,991	1,061,929	1,021,334	707,057
Loans and borrowings	27	8,729,675	6,800,418	8,729,675	6,800,418
Deferred income	28	205,404	233,782	205,404	233,782
Lease liabilities	29	509,197	848,362	509,197	848,362
Trade and other payables	33.	17,043,276	11,854,481	15,433,389	11,131,068
Refund liabilities	34	55,399	76,544	51,835	15,403
		28,027,942	20,875,516	25,950,834	19,736,090
Total liabilities		56,862,531	38,997,366	55,157,336	37,889,785
Total equity and liabilities		71,188,118	56,822,883	68,651,831	54,863,617

These financial statements were approved by the Board of Directors on 18 March 2025 and signed on its behalf by:

Dr. Stella C. Okoli	**Mrs. Uzoma G. Ezeoke**	**Mr. Ola Adedeji**
Managing Director	Executive Director	Chief Accountant
FRC/2024/PRO/DIR/003/438668	FRC/2024/PRO/DIR/003/576809	FRC/2016/ICAN/00000011635

The accompanying notes form an integral parts of these financial statements.

Consolidated and Separate Statement of Changes in Equity
For the year ended 31 December

Group

	Share capital	Share premium	Equity contribution	Revenue Reserve	Asset Revaluation Reserve	Deposit for Shares	Retained Earnings	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2022	1,250,000	5,321,138	488,909	1,646,382	237,559	-	5,776,306	14,720,294
Profit for the year	-	-	-	-	-	-	(2,940,002)	(2,940,002)
Other comprehensive income net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	(2,940,002)	(2,940,002)
Transactions with owners of the Company								
Contributions and distributions								
Deposit for shares	-	-	-	-	-	6,455,400	-	6,455,400
Dividend declared		-	-	-	-	-	(410,175)	(410,175)
Total contributions and distributions	-	-	-	-	-	6,455,400	(410,175)	6,045,225
Total transactions with owners of the Company	-	-	-	-	-	6,455,400	(410,175)	6,045,225
Balance as at 31 December 2022	1,250,000	5,321,138	488,909	1,646,382	237,559	6,455,400	2,426,129	17,825,517
Balance at 1 January 2023	1,250,000	5,321,138	488,909	1,646,382	237,559	6,455,400	2,426,129	17,825,517
Loss for the year	-	-	-	-	-	-	(3,499,930)	(3,499,930)
Other comprehensive income net of tax	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-	(3,499,930)	(3,499,930)
Transactions with owners of the Company		`						
Contributions and distributions								
Dividend declared	-	-	-	-	-	-	-	-
Total contributions and distributions	-	-	-	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	-	-	-	-	-
Balance at 31 December 2023	1,250,000	5,321,138	488,909	1,646,382	237,559	6,455,400	(1,073,801)	14,325,587

The accompanying notes form an integral parts of these financial statements.

Separate Statement of Changes in Equity
For the year ended 31 December

Company

	Share capital	Share premium	Equity contribution	Revenue Reserve	Asset Revaluation Reserve	Deposit for Shares	Retained Earnings	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2022	1,250,000	5,321,138	488,909	1,646,382	237,559	5,471,959	4,572,319	18,988,266
Loss for the year	-	-	-	-	-	-	(2,587,700)	(2,587,700)
Movement within the profit or loss						983,441		983,441.00
Other comprehensive income net of tax	-	-	-	-	-		-	-
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**983,441**	**(2,587,700)**	**(1,604,259)**
Transactions with owners of the Company								
Contributions and distributions								
Dividend declared		-	-	-	-	-	(410,175)	(410,175)
Total contributions and distributions	**-**	**-**	**-**	**-**	**-**	**-**	**(410,175)**	**(410,175)**
Total transactions with owners of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**(410,175)**	**(410,175)**
Balance as at 31 December 2022	**1,250,000**	**5,321,138**	**488,909**	**1,646,382**	**237,559**	**6,455,400**	**1,574,444**	**16,973,832**
Balance at 1 January 2023	1,250,000	5,321,138	488,909	1,646,382	237,559	6,455,400	1,574,444	16,973,832
Loss for the year	-	-	-	-	-		(3,479,337)	(3,479,337)
Other comprehensive income net of tax	-	-	-	-	-		-	-
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(3,479,337)**	**(3,479,337)**
Balance at 31 December 2023	**1,250,000**	**5,321,138**	**488,909**	**1,646,382**	**237,559**	**6,455,400**	**(1,904,893)**	**13,494,495**

The accompanying notes form an integral parts of these financial statements.

Consolidated and Separate Statements of Cash Flows
For the year ended 31 December

	Note	Group 2023	Group 2022	Company 2023	Company 2022
		₦'000	₦'000	₦'000	₦'000
Cash flows from operating activities					
Loss for the year		(3,499,930)	(2,940,002)	(3,479,337)	(2,587,700)
Adjustments for:					
Depreciation of property, plant and equipment	15	1,836,249	1,662,888	1,790,509	1,625,910
Depreciation on right-of-use-assets	15.1	481,946	436,715	481,946	436,715
Employee defined benefit liability	31	21,906	23,781	13,322	18,601
Interest on borrowings	12	1,302,516	888,688	1,302,516	888,688
Interest on import facility	27.1	1,265,903	203,689	1,265,903	203,689
Interest on convertible loan stock	12	-	468,623	-	468,623
Gain on disposal of property, plant and equipment	10	(2,047)	(4,057)	-	(1,889)
Government grant released to profit or loss	11	(257,472)	(347,043)	(257,472)	(347,043)
Modification gain on loan	11	-	(138,257)	-	(138,257)
Interest expense on lease liability	12	191,438	257,024	191,438	257,024
Unrealised Foreign exchange loss	12	1,969,284	691,750	1,912,992	1,178,075
Unwinding cost	12	-	15,528	-	15,528
Interest on bank overdraft	12	160,421	45,730	158,941	44,780
Bank interest income	11	(22,366)	(1,284)	(22,366)	(1,284)
Credit loss provision	7.1	616,945	474,404	294,324	226,081
Inventory write off	18	1,353,000	425,226	1,078,000	311,523
Minimum tax	14.2	-	188,866	-	188,866
Penalty and interest	14.6	198,799	-	60,822	-
Income tax (credit)/charge	14.1	(347,524)	(299,376)	(259,072)	(508,266)
		5,269,069	**2,052,893**	**4,532,466**	**2,279,664**
Changes in:					
(Increase)/decrease in Inventories	18	(2,229,710)	1,038,353	(1,709,517)	1,331,383
Decrease in return asset	19	24,496	4,196	-	-
(Increase)/decrease in trade and other receivables	21	(2,194,009)	762,068	(1,562,697)	893,164
Decrease in prepayments and advances	20	535,349	5,615,392	601,740	5,744,793
Decrease in Deposit for forwards	21.1	(514,441)	(543,137)	(514,441)	(543,137)
Increase in trade and other payables	33.3	5,598,970	2,412,258	4,712,496	2,076,791
(Decrease)/increase in refund liability	34	(21,145)	18,325	36,432	-
Increase on loan receivables	21.3	(114,948)	(208,271)	(114,948)	(208,271)
Increase on import finance facilities	27.1	(5,533,796)	975,270	(5,533,796)	1,044,217
		819,835	**12,127,347**	**447,735**	**12,618,604**
Employee benefits paid	31b	(22,342)	(24,792)	(13,757)	(24,792)
Income tax paid	14.6	(280,807)	(320,880)	-	(205,466)
Net cash flows generated from operating activities		**516,685**	**11,781,675**	**433,978**	**12,388,346**

Consolidated and Separate Statement of Cash Flows - continued

For the year ended 31 December

		Group		Company	
	Note	2023	2022	2023	2022
		₦'000	₦'000	₦'000	₦'000
Cash flows from investing activities					
Purchase of property, plant and equipment	15(v)	(13,707,738)	(10,658,968)	(13,704,658)	(10,588,917)
Addition to right-of-use-assets	15.1	(17,627)	(496,454)	(17,627)	(496,454)
Proceeds from disposal of property, plant and equipment		3,362	4,057	-	1,889
Bank interest income	11	22,366	1,284	22,366	1,284
Net cash flows used in investing activities		**(13,699,637)**	**(11,150,081)**	**(13,699,919)**	**(11,082,198)**
Cash flows from financing activities					
Term loan received	27	16,552,594	500,000	16,552,594	500,000
Repayment of loans and borrowings	27	(1,983,078)	(1,881,191)	(1,983,078)	(1,881,191)
Interest paid on loan	27	(398,698)	(1,639,632)	(398,698)	(1,639,632)
Interest paid on overdraft	12	(160,421)	(45,730)	(158,941)	(44,780)
Lease liabilities addition	29	3,895	481,343	3,895	481,343
Lease paid	29	(559,120)	(765,991)	(559,120)	(765,991)
Realised exchange loss on convertible loan stock	24	-	514,818	-	514,818
Dividend paid	33	(410,175)	(20,520)	(410,175)	(20,520)
Net cash flows generated/(used) from financing activities		**13,044,997**	**(2,856,903)**	**13,046,476**	**(2,855,953)**
Net decrease in cash and cash equivalents		(137,955)	(2,225,309)	(219,465)	(1,549,805)
Cash and cash equivalents at the beginning of the year		789,090	2,845,032	747,473	2,320,541
Effect of movement in exchange rate on cash held		(56,292)	169,367	-	(23,263)
Cash and cash equivalents at the end of the year	22	**594,843**	**789,090**	**528,008**	**747,473**

The accompanying notes form an integral parts of these financial statements.

Notes to the financial statements

1 Corporate Information

Emzor Pharmaceutical Industries Limited (the Group) is a limited liability Group incorporated on 22 October 1984 as a private limited liability Group and domiciled in Nigeria at Plot 3C, Block A, Aswani Market Road, Oshodi Apapa Expressway, Lagos, Nigeria. The Group is principally engaged in the manufacturing and distribution of high-quality pharmaceutical products and healthcare products.

2 Significant Accounting Policies

2.1 Basis of preparation

(a) Statement of Compliance

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as approved by the Financial Reporting Council of Nigeria and in accordance with the provisions of the Companies and Allied Matters Act, 2020. They were authorised for issue by the Company's Board of Directors on _______________ 2025.

(b) Functional and presentation currency

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Naira, which is the Group's functional currency and all values are rounded to the nearest thousand (₦'000), except when otherwise indicated.

(c) Composition of financial statements

The financial statements comprise:

- Consolidated and separate statements of profit or loss and other
- Consolidated and separate statements of financial position
- Consolidated and separate statements of changes in equity
- Consolidated and separate statements of cash flows
- Notes to the consolidated and separate financial statements

2.2 Basis of consolidation

The consolidated and separate financial statements comprise the financial statements of the Group, Emzor Pharmaceutical Industries Limited and its subsidiaries, Zolon Healthcare Limited and Emzor Pharma Funding SPV Plc as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Notes to the financial statements

2.2 Basis of consolidation - continued

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

In the Group, the investment in its subsidiaries are accounted for using the cost method.

2.3 Summary of accounting policies

(a) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

(b) Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the 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 equivalent 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 the 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 Group classifies all other liabilities as non-current.

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

Notes to the financial statements

2.3 Summary of accounting policies - continued

(c) Fair value measurement

The Group measures financial instruments such as equity financial assets, and non-financial assets at fair value at each balance sheet date.

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

- 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 fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

(d) Revenue from contracts with customers

The Group is principally engaged in the importation, re-exportation, distribution and marketing of high quality pharmaceutical and healthcare products, engage in sale, supply and manufacture of medical equipment, medical consumables and Pharmaceutical, active pharmaceutical raw materials, packaging materials, chemicals, resin and other input materials for the pharmaceutical, healthcare and allied industries.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

Definition of customer

A customer is a party that has contracted with an Group to obtain goods or services that are an output of the Group's ordinary activities in exchange for consideration. The Group assesses the definition of customer in line with the requirement of IFRS 15 and conclude that its goods are sold to distributors, sales representatives and institutions (hospitals) and thus are categorised as customers.

Distributors are licensed pharmacists and are required to have obtained a premises registration certificate from the Pharmacists Council of Nigeria (PCN) and a licensing certificate before they become customers of the Group.

Sales representatives are employees of the Group who are primarily responsible for marketing and sale of products. They also act as agents whereby drugs are sold to them at a revolving credit limit each month and they receive commission on sales made.

Institutions are further divided into major hospitals and private hospitals.

Notes to the financial statements

2.3 Summary of accounting policies - continued

Identification of contracts with customer

The Group has entered into a valid contract with customers through the approved Local Purchase Order, quotation or procurement agreement. Such valid contracts commence on performance. Specifically, the assessment of IFRS 15 criteria in line with the Group's contracts reveals the following:

(a) The Group and its customers have approved contracts which are usually written and the parties are committed to performing their respective obligations.

(b) The Group and its customers understand their rights regarding the services being rendered as it is usually stated in the contracts.

(c) The Group have agreed payment terms with their customers as stated in the contracts.

(d) The Group contracts with their customers are those of commercial substance. This forms a basis for recognizing revenue and affects the timing of their cash flows.

(e) The Group always assesses the probability that it will collect the estimated transaction price from the customer prior to entering the agreement with its customers.

Collectability

IFRS 15 specifies that an Group shall account for a contract with a customer that is within the scope of this Standard only when it is probable that the Group will collect the consideration to which it

will be entitled in exchange for the goods or services that will be transferred to the customer. The Group's revenue transaction and procedures shows that the arrangements will pass the collectability criterion as it is probable that it will collect the consideration to which it will be entitled in exchange for the goods that will be transferred to a customer.

Contract enforceability and termination clauses

IFRS 15 states that some contracts with customers may have no fixed duration and can be terminated or modified by either party at any time. Other contracts may automatically renew on a periodic basis that is specified in the contract. An Group shall apply this Standard to the duration of the contract (i.e. the contractual period) in which the parties to the contract have present enforceable rights and obligations. The Group has entered into valid contracts that remain binding on the contracting parties for the specified contract duration without any simple termination clause because all parties to the contract have present enforceable rights and obligations throughout the contract period.

By implication, the Group and its respective customers cannot unilaterally terminate the contract. All parties are bonded by their respective contracts unless there is a material and adverse breach by any of the parties.

Combining contracts

IFRS 15 requires entities to combine contracts entered into at, or near, the same time with the same customer (or related parties of the customer) if they meet one or more of the following criteria:

(a) the contracts are negotiated as a package with a single commercial objective;

(b) the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or

(c) the goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

The Group assesses the criteria presented in IFRS 15.17 which shows that the Group cannot combine contract with same customer because no future transaction is envisaged at the point of entering into a contract and consideration received from each contract is also independent of the performance obligation in another contract with the same customer. However, contracts with similar characteristics and different customers are combined by applying the portfolio approach practical expedient.

Identifying performance obligation

IFRS 15 states that at contract inception, an Group shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The promised goods identified in the contracts include (i) over the counter drugs; and (ii) ethical drugs. Each of these goods are distinct goods which the customer can benefit from on its own and within the context of the contract. Thus, all promises identified above are distinct promises to be recognised at a point in time.

Notes to the financial statements

2.3 Summary of accounting policies - continued

Sale of goods

Revenue from Sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon transfer. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return. The rights of return give rise to variable consideration.

Right of return

Certain contracts provide a customer with a right to return the goods within a specified period. Customers have a contractual right to return defective products purchased for a credit note if it can be proven that such defects occurred at the time of sale or in transit. When customers return defective goods, the Group issues out a credit note upon return. This results in a right of return that give rise to variable consideration. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained and that the uncertainty on the variable consideration will be resolved upon delivery of goods which is also the point of invoicing the customer.

Penalties

Certain contracts with some customers provides that in the event that the Group fails to supply goods within the stipulated time, the Group will pay a certain rate of penalty of the total contract sum for each week of default to an agreed maximum rate. The penalties to be paid by the Group to its respective customers if it fails to deliver goods within the contract period is considered to be a variable consideration since the right to receive the consideration is contingent on the occurrence or non-occurrence of a future event. (i.e., the contract specifies that the Group will pay a penalty if it fails to perform according to the agreed upon terms). The penalties should be accounted for as variable consideration.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. By nature, penalties will be constrained and recognised when they are liable to be paid. However, since the amount paid are based on the actual performance on the contract, it may be considered similar to warranty payments (e.g., in situations in which an Group pays the customer's direct costs to remedy a defect). The Group determined that the estimates of variable consideration are not constrained and that the uncertainty on the variable consideration will be resolved upon delivery of goods which is also the point of invoicing the customer.

Significant financing component

Generally, the Group receives short-term advances (deposits) from its customers. Using the practical expedient in IFRS15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Notes to the financial statements

2.3 Summary of accounting policies - continued

Warranty obligations

The Group typically warrants that goods (pharmaceutical products) sold are free from defects, expiry and damages. It replaces for customers, damaged or expired pharmaceutical products with new products. However, the Group's liability is limited to replacement of defective products for new products. This assurance-type warranty is accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Principal vs Agency consideration

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group imports products from overseas which is paid for outrightly to the suppliers or through the banks by the use of letters of credit. The Group acts on its own behalf as it takes responsibility for any damages to the products.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting polices of financial assets under financial instruments – initial recognition and subsequent measurement.

Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Dividend

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

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate (EIR), EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in profit and loss.

(e) Deferred income

Deferred income is 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 periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

(f) Finance income and finance costs

Finance income comprises interest income on funds invested. Finance income is recognised as it accrues in profit or loss, using the effective interest method while finance costs comprise interest expense on borrowings and unwinding of the discount on provisions and lease liabilities. Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Notes to the financial statements

2.3 Summary of accounting policies - continued

(g) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of 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.

Minimum tax

The Company is subject to the Finance Act of 2019 which amended the Company Income Tax Act (CITA). Total amount of tax payable under the Finance Act is determined based on the higher of two components; Company Income Tax (based on taxable income (or loss) for the year; and Minimum tax (determined based on 0.5% of qualifying Company's turnover less franked investment income). Taxes based on taxable profit for the period are treated as income tax in line with IAS 12 and therefore, are presented as part of income tax in line with IAS 12; whereas Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, not presented as part of income tax expense in the profit or loss. The liability is recognised under current tax liability in the statement of financial position.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

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 arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

‣ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, 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 utilized.

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.

Notes to the financial statements

2.3 Summary of accounting policies - continued

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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group 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 taxation authority on either the same taxable Group or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(h) Foreign currencies

The Group's consolidated financial statements are presented in Naira, which is also the parent Group's functional currency. For each Group, the Group determines the functional currency and items included in the financial statements of each Group are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date. 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.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them 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 profit and loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Notes to the financial statements

2.3 Summary of accounting policies - continued

The straight-line method is used to depreciate the cost less any estimated residual value of the assets over their expected useful lives. Property plant and equipment as follows:

Property, plant and equipment	*Class*
Land and buildings	50 years
Plant and machinery	2-15 years
Furniture and fittings	10 years
General equipment	5 years
Motor vehicles	4 years

Depreciation is recognized within "cost of sales, administrative and selling expenses" depending on the utilization of the respective assets. Land is not depreciated

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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of each item of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(j) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss.

As a leasee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Notes to the financial statements

2.3 Summary of accounting policies - continued

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected to recognise right-of-use assets for leases of low-value assets and short-term leases, including its property rental for a key management personnel. Lease payments associated with these leases are depreciated as an expense on a straight-line basis over the lease term. No lease liabilities is recognised on them.

The Group is not a lessor in any lease arrangement.

(k) Borrowing costs

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

(l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Trademarks

Trademarks were assigned to the Group by the Trade Marks Office under the Trade Marks Act, 1990. These assets have an indefinite useful life and are tested for impairment on an annual basis.

Notes to the financial statements

2.3 Summary of accounting policies - continued

(m) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one Group and a financial liability or equity instrument of another Group.

i. Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition as, amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's financial assets includes financial assets at amortised cost.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables and other receivable.

Notes to the financial statements

2.3 Summary of accounting policies - continued

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cashflows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms (if any).

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, interGroup receivables (involving sales in the ordinary course of business) and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For receivables from related parties (non-trade), and staff loans, the Group applies general approach in calculating ECLs. It is the Group's policy to measure ECLs on such asset on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an Group in accordance with the contract and the cash flows that the Group expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

Notes to the financial statements

2.3 Summary of accounting policies - continued

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers three scenarios (a base case, an upside, a downside). Each of these is associated with different PDs, EADs and LGDs. In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as GDP growth and inflation rate.

Write-offs

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Any subsequent recoveries are credited to profit or loss.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. 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 as finance costs in profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii. Offsetting of financial instruments

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

Notes to the financial statements

2.3 Summary of accounting policies - continued

(n) Inventories

Inventories are valued at the lower of cost and net realisable value. 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. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: Raw materials which include purchase cost and other costs incurred to bring the materials to their location and condition intended by the management are valued using weighted average cost basis.
- Work in progress: Cost of work-in-progress includes cost of materials and attributable overheads to the level of completion.
- Spare parts and consumables: Spare parts and other consumables are valued at weighted average cost after making allowance for slow moving stocks while obsolete and damage items are expensed. The spare parts are generic in nature hence they are classified as inventory and are recognized in the profit or loss as consumed.
- Goods-in- transit: Goods-in- transit are carried at purchase cost to date.

(o) Impairment of non-financial assets

The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The 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 Groups 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.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit and loss in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group 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 profit and loss.

(p) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less from the date of acquisition and restricted cash. For the purpose of the cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts and restricted cash.

Notes to the financial statements

2.3 Summary of accounting policies - continued

(q) Provisions

Provisions are recognised when the Group 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit and loss net of any reimbursement. Provisions are not recognized for future operating losses.

Decommissioning liability

The Group records a provision for decommissioning cost. The Group has the obligation to recognise liabilities on decommissioning costs, restoration costs as well as other similar liabilities on PPE built on leased land, since it is probable that an outflow of resources is required to settle the obligation at the expiration of the contract.

Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at the current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only disclosed by way of note and not recognized as liabilities in the consolidated statement of financial position.

(r) Employee Benefits

Employee benefits are all forms of benefits given in exchange for services rendered by employees. These are classified as:

a) Short-term employee benefits - benefits due to be settled within 12 months after the end of the period in which the employees rendered the related services;

b) Post-employment benefits are benefits payable after the completion of employment. Such plans (or funds) may be either defined contribution funds or defined benefit funds.

Short term benefits

The cost of all short-term employee benefits, such as salaries, profit sharing arrangements, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognised during the period in which the employee renders the related service. The Group recognises the expected cost of bonuses only when the Group has a present legal or constructive obligation to make such payment and a reliable estimate can be made. During the year the Group companies contributed to employee benefits in the following categories: - remuneration in the form of salaries, wages and bonuses.

Post-employment Retirement Benefit Funds

i. Defined contribution scheme

In line with statutory provisions of the Pension Reform Act 2014, the Group and its employees contribute to statutory defined contribution pension scheme for its employees. Employees contributions of 8% of their insurable earnings (basic, housing and transport) to the scheme are funded through payroll deductions while the Group's contributions of 10% are charged to profit or loss. The Funds which is defined contribution plans are independently administered with no obligations on the Group other than the defined contribution as a percentage of employees' qualifying remunerations. Both employees' and the Group's share of the contributions are charged as staff cost in the administrative expenses in the profit and loss when the employee renders the service.

Notes to the financial statements

2.3 Summary of accounting policies - continued

ii. Defined benefit scheme

The Group had a defined benefit gratuity scheme for its employees which is funded under this scheme, a specific amount in accordance with the Benefit Scheme Policy is contributed by the Group and charged to profit or loss account over the service life of the employees. These employees' entitlements are calculated based on their actual basic salaries, transport and housing at the end of each month and paid to Academy Press Gratuity Trust Fund. Other long-term benefits are recognised when an obligation arises. The scheme was discountinued the scheme for the financial year ended 2016 and only benefits that accrued from the scheme are paid to entitled employees on their exit from the business.

In addition, the Group operates long service award for its qualified staff. The benefits are graduated depending on the employees number of years in service to the Group starting from 10 years. The Group's obligation in respect of the scheme is the two times the employees monthly basic salary. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximate to the term of the Group's defined benefits obligation. The obligation is determined by an independent actuary at each reporting period.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. Gains or losses due to remeasurement of long service awards are recognised in profit or loss.

(s) Related party transactions

Emzor Pharmaceutical determines related party relationships by directing attention to the substance of the relationship and not merely the legal form. Relationships between Emzor Pharmaceutical and its related parties shall be disclosed irrespective of whether there have been transactions between them. The Group shall disclose the name of its parent and, if different, the ultimate controlling party.

Where the Group has related party transactions during the period covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements.

At a minimum, disclosures shall include:

a) the amount of the transactions;

b) the amount of outstanding balances, including commitments, and:

(i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and

(ii) details of any guarantees given or received;

c) provisions for doubtful debts related to the amount of outstanding balances; and

d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

(t) Earnings per share

The parent presents basic/ diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

(u) Cash dividend

The Group recognises a liability to make cash to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. In line with the corporate laws in Nigeria, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.4 Changes in accounting policies and disclosures

The Group has consistently applied the accounting policies as set out in Note 2.3 to all periods presented in these financial statements. The Group has adopted the below new amendments to IFRS Standards and Interpretations but these standards do not have a material effect on the consolidated and separate financial statements.

Notes to the financial statements

3 Standards and interpretations

(i) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification .

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:

Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.
The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

Notes to the financial statements

3 Standards and interpretations

ii New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts.

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply.

The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

Notes to the financial statements

4 Significant accounting judgements, estimates and assumptions

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

i **Revenue from contracts with customers**

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of sales of goods

The Group concluded that revenue from contract with customers is to be recognised over time because the Group's performance does not create an asset with alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group has determined that the output method is the best method in measuring progress because it can demonstrate that the invoiced amount corresponds directly with the value to the customer of the Group's performance completed to date.

Determining method to estimate variable consideration and assessing the constraint

Certain contracts for the sale of goods include a right of return and penalties that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return and penalties, given the large number of customer contracts that have similar characteristics. The Group also determined that the estimates of variable consideration are not constrained and that the uncertainty on the variable consideration will be resolved upon delivery of goods which is also the point of invoicing the customer.

Estimates and assumptions

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for Groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 35.

Notes to the financial statements

4 Significant accounting judgements, estimates and assumptions - continued

Measurement of the expected credit loss allowance for financial asset

The measurement of the expected credit loss allowance for financial assets measured at amortised cost (due from related companies) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

· Determining criteria for significant increase in credit risk;
· Choosing appropriate models and assumptions for the measurement of ECL;
· Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
· Establishing groups of similar financial assets for the purposes of measuring ECL.

Taxes

Uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of 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 Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Provision for decommissioning

As part of the construction cost of the new factory in Isolo on a land acquired on an operating lease for 10 years,the expected cost to dismantle and remove the factory from the site and the expected timing of those costs. The Group has recognised a provision for decommissioning obligations. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rate.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group'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. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. The Group's maximum exposure to credit risk for the components of the statement of financial position is its carrying amount.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for Groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Notes to the financial statements

4 Significant accounting judgements, estimates and assumptions - continued

Deposits with banks and other financial institutions

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Surplus funds are spread amongst reputable commercial banks and funds must be within treasury limits assigned to each of the counterparty. Counterparty treasury limits are reviewed by the Group's Financial Controller periodically and may be updated throughout the year subject to approval of the Financial Controller. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Group's maximum exposure to credit risk for the components of the statement of financial position is its carrying amount.

Notes to the Financial Statements

5 Revenue from contracts with customers

	Group		Company	
Group	**2023**	**2022**	**2023**	**2022**
31 December 2023	₦'000	₦'000	₦'000	₦'000
Sale of healthcare products	41,152,666	37,556,144	38,239,845	35,048,946
	41,152,666	37,556,144	38,239,845	35,048,946

5.1 Disaggregated revenue information

Set out below is the disaggregation of the entity's revenue from contracts with customers:

Group	**Timing of revenue recognition**	**Within Nigeria**	**Outside Nigeria**	**Total**
31 December 2023		₦'000	₦'000	₦'000
Healthcare products	Point in time	41,632,132	206,092	41,838,224
		41,632,132	-	41,838,224

31 December 2022	**Timing of revenue recognition**	**Within Nigeria**	**Outside Nigeria**	**Total**
		₦'000	₦'000	₦'000
Healthcare products	Point in time	37,556,144	-	37,556,144
		37,556,144	-	37,556,144

Company	**Timing of revenue recognition**	**Within Nigeria**	**Outside Nigeria**	**Total**
31 December 2023		₦'000	₦'000	₦'000
Healthcare products	Point in time	38,070,186	206,092	38,276,277
		38,070,186	206,092	38,276,277

31 December 2022	**Timing of revenue recognition**	**Within Nigeria**	**Outside Nigeria**	**Total**
		₦'000	₦'000	₦'000
Healthcare products	Point in time	35,048,946	-	35,048,946
		35,048,946	-	35,048,946

There are no other revenue items outside IFRS 15.

5.2 Performance obligation

Performance obligation is satisfied at a point in time upon delivery of the products and payment is generally due within 30 to 90 days from delivery.

6 Cost of Sales

	Group		Company	
	2023	**2022**	**2023**	**2022**
	₦'000	₦'000	₦'000	₦'000
Cost of materials consumed	24,333,205	25,076,393	22,656,703	23,627,913
Depreciation of property, plant and equipment (Note 9.2)	378,564	257,159	378,564	257,159
Diesel costs	1,249,579	1,265,261	1,185,825	1,134,008
Laboratory chemicals	132,279	51,258	132,279	51,258
Repairs and maintenance - COS	1,000,650	804,593	999,546	803,441
Staff costs (Note 9.1)	1,923,070	1,668,748	1,923,070	1,668,748
	29,017,346	29,123,412	27,275,987	27,542,527

Notes to the Financial Statements

7 Administrative expenses

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Auditors' remuneration	40,200	37,500	30,000	27,000
Bank charges	92,534	117,142	81,738	114,321
Communication	29,376	38,882	27,460	36,297
Consumables	95,870	124,818	89,498	113,262
Depreciation of property, plant and	1,211,699	1,121,655	1,165,960	1,118,336
Depreciation of right of use asset (Note 15.1)	481,946	436,715	481,946	436,715
Donations	35,019	26,123	35,019	25,620
Entertainment expenses	91,849	116,213	85,162	114,955
Insurance	112,666	175,042	108,561	156,316
Key management personnel fees (Note 36.5)	355,926	217,421	338,407	171,648
Legal and professional fees*	1,035,364	641,835	1,018,315	632,644
Lighting and heating	1,303,131	428,604	1,303,057	428,604
Regulatory charges**	395,284	531,517	234,216	508,262
Repairs and maintenance	413,902	391,820	405,763	390,010
Security expenses	68,589	64,412	68,569	64,412
Subscription fees	25,606	32,546	25,321	31,641
Staff costs (Note 9.1)	1,083,728	844,589	1,070,544	792,704
Other expenses***	179,670	38,059	110,407	16,712
Training	10,601	8,849	8,597	8,491
Travelling expenses	596,161	445,606	548,518	407,821
Vehicle running costs	96,846	96,382	92,657	87,568
	7,755,967	5,935,730	7,329,715	5,683,339

* Legal and professional fees include payment for secretarial fees, payroll management services and engineering consultancy fees

** Regulatory fees include payment for NAFDAC fees, land use charge, business premises, development levy, interest and penalty on tax returns.

*** Other expenses include expenses on waste disposal, utilities, warehousing, vacancy advertisements, conferences and media relations.

7.1 Expected credit loss/(reversal) expense

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Trade receivables (Note 21)	565,845	248,323	253,825	-
Intercompany receivables	17,967	-	7,371	-
Other receivables (Note 21)*	-	155,185	-	155,185
Cash in bank and other short term deposit	462	-	457	-
Loan receivables (Note 21.3)	32,671	70,896	32,671	70,896
Expected credit loss/(reversal) expense	616,945	474,404	294,324	226,081

*Expected credit loss expense on other receivables relates to provision for impairment loss on a foreign exchange transaction, for which the vendor was unable to provide the foreign currency and is yet to refund the local currency balance on the transaction.

Notes to the Financial Statements

8 Selling and Distribution expenses

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Advertisement	781,363	571,187	678,472	501,128
Depreciation of property, plant and equipment (Note 9.2)	245,985	284,074	245,985	250,415
Haulage	316,186	707,988	306,179	700,710
Other selling costs	871,967	901,111	827,156	747,529
Repairs and maintenance	150,598	166,432	123,289	141,517
Staff costs (Note 9.1)	827,684	700,678	536,694	474,497
	3,193,783	3,331,470	2,717,775	2,815,796

Other selling cost includes expenses on sales, distribution, sales incentives, sales promotion and warehousing.

9 Staff cost and depreciation of property, plant and equipment

9.1 Staff costs

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Staff costs (included in cost of sales)				
Salaries and wages	1,035,355	1,192,167	1,035,355	1,192,167
Pension	82,358	69,552	82,358	69,552
Other employee benefits	805,357	407,029	805,357	407,029
	1,923,070	1,668,748	1,923,070	1,668,748
Staff costs (included in administrative expenses)				
Salaries and wages	565,427	551,917	564,280	516,123
Pension	50,690	38,705	42,099	35,548
Other employee benefits	437,485	223,903	437,485	221,106
Long Service Award	30,125	30,064	26,679	19,927
	1,083,728	844,589	1,070,544	792,704
Staff costs (included in selling and distribution expenses)				
Salaries and wages	498,857	533,522	298,733	343,979
Pension	50,005	38,504	30,232	25,531
Other employee benefits	278,822	128,652	207,729	104,987
	827,684	700,678	536,694	474,497
Total staff costs	3,834,482	3,214,015	3,530,308	2,935,949

9.2 Depreciation of property, plant and equipment

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Included in:				
Cost of sales (Note 6)	378,564	257,159	378,564	257,159
Administrative expenses (Note 7)	1,211,699	1,121,655	1,165,960	1,118,336
Selling and distribution expenses (Note 8)	245,985	284,074	245,985	250,415
	1,836,248	1,662,888	1,790,509	1,625,910

Notes to the Financial Statements

10 Other income	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Income from Emzor Pharmacy & Stores	21,125	18,482	21,025	18,482
Sale of scraps	22,855	-	22,855	-
Gain on asset disposal	2,047	4,057	-	1,889
	46,027	22,539	43,880	20,371

Income from Emzor Pharmacy & Stores represent sales from retail outlets where provisions and consumables are sold. Sale of scraps relates to sale of drums, kegs and plastics.

11 Finance income	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Government grant income (Note 28)	257,472	347,043	257,472	347,043
Modification gain on loan (Note 27)	-	138,257	-	138,257
Interest - related party loan receivables (Note 21.3)	147,619	279,167	147,619	279,167
Bank interest income	22,366	1,284	22,366	1,284
Realised foreign exchange gain *	-	41,102	-	581,982
	427,457	806,853	427,457	1,347,733

Government grants were received from Bank of Industry loan and Real Sector Support Fund obtained from Central Bank of Nigeria at a below market interest rate. There are no unfulfilled conditions or contingencies attached to these grants.

* Included in realised foreign exchange gain is a realised loss of N514.8 million relating to the Convertible loan stock. See Note 24 for details.

12 Finance costs	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Interest on bank overdraft	160,421	45,730	158,941	44,780
Interest on borrowings (Note 27)	1,302,516	888,688	1,302,516	888,688
Interest on convertible loan stock (Note 24)	-	468,623	-	468,623
Interest on import facilities (Note 27)	1,265,903	203,689	1,265,903	203,689
Interest expense on lease liabilities (Note 29)	191,438	257,024	191,438	257,024
Foreign exchange loss	1,969,284	691,750	1,912,992	1,178,075
Unwinding Cost - Decomissioning cost (Note 32)	-	15,528	-	15,528
	4,889,562	2,571,032	4,831,790	3,056,407

13 Loss before minimum taxation	Group		Company	
	2023	2022	2023	2022
This is stated after charging:	₦'000	₦'000	₦'000	₦'000
Auditors' remuneration (Note 7)	40,200	37,500	30,000	27,000
Depreciation of property, plant and equipment (Note 9.2)	1,836,248	1,662,888	1,790,509	1,625,910
Depreciation of right-of-use assets (Note 15.1)	481,946	436,715	481,946	436,715
Staff costs (Note 9.1)	3,834,482	3,214,015	3,530,308	2,935,949
Key management personnel fees (Note 36.5)	355,926	217,421	338,407	171,648
Impairment loss on trade and other receivables (Note 7.1)	(616,945)	(474,404)	(294,324)	(226,081)

Notes to the Financial Statements

14 Taxation

14.1 Income tax

	Group		Company	
	2023	2022	2023	2022
Current income tax:	₦'000	₦'000	₦'000	₦'000
Company income tax	424,755	85,615	193,000	-
Education tax	80,315	49,530	60,455	40,918
	505,070	**135,145**	**253,455**	**40,918**
Reversal and origination of temporary differences	(852,594)	(434,521)	(512,527)	(549,184)
Income tax charge reported in profit or loss	**(347,524)**	**(299,376)**	**(259,072)**	**(508,266)**

Income tax is calculated at 30% (2022: 30%) of the estimated taxable profit for the year while tertiary education tax is calculated at 2.5% (2022: 2.5%) of the estimated assessable profit for the year. The deferred tax charge recognised in the year relates to the origination and reversal of temporary differences.

14.2 Minimum tax

The Company has been assessed for tax on minimum tax basis as there was no assessable profit as at year end. The minimum tax for the year was ₦193 million (2022: ₦188 million).

14.2 Reconciliation of the total tax expense and the accounting profit

Accounting loss before tax	**(3,847,453)**	**(3,050,512)**	**(3,738,409)**	**(2,907,100)**
At Nigeria's statutory income tax rate of 30%	(1,154,236)	(894,453)	(1,121,523)	(872,139)
Education tax	60,455	(74,538)	60,455	(72,678)
Minimum tax	193,000	188,000	193,000	188,000
Non-deductible expenses for tax purpose	883,684	566,349	883,684	332,793
Tax exempt income	(207,773)	-	(207,773)	-
Capital allowance	(604,552)	-	(604,552)	-
De-recognition of previously recognised deductible temporary differences	537,637	-	537,637	-
Tax incentive	-	(84,734)	-	(84,242)
	(291,785)	**(299,376)**	**(259,072)**	**(508,266)**

The effective income tax for the Group and Company are 15% (2022: 10%) and 7% (2022: 17%) respectively.

14.3 Deferred tax

Deferred tax relates to the following:	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	2,353,615	2,262,959	2,337,223	2,239,375
Employee benefit liability	(61,117)	(79,152)	(50,927)	(68,087)
Unrealised exchange difference	(619,632)	(221,434)	(621,722)	(379,233)
Provisions	(693,917)	(395,188)	(279,744)	(159,056)
Leases	(313,628)	(49,270)	(313,628)	(49,270)
Net deferred tax liabilities	**665,321**	**1,517,915**	**1,071,202**	**1,583,729**

Notes to the Financial Statements

14.4 Movement in deferred tax balances

	Property, plant and equipment	Employee benefit liability	Leases	Provisions	Unrealised exchange difference	Tax liabilities
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Group						
1 January 2022	2,330,271	(86,537)	(77,663)	(220,140)	6,505	1,952,436
Recognised in profit or loss	(67,312)	7,385	28,393	(175,048)	(227,939)	(434,521)
31 December 2022	2,262,959	(79,152)	(49,270)	(395,188)	(221,434)	1,517,915
Recognised in profit or loss	90,656	18,035	(264,358)	(298,729)	(398,198)	(852,594)
31 December 2023	2,353,615	(61,117)	-313,628	-693,917	-619,632	665,321
Company						
1 January 2022	2,313,558	(76,930)	(77,663)	(80,533)	54,481	2,132,913
Recognised in profit or loss	(74,183)	8,843	28,393	(78,523)	(433,714)	(549,184)
31 December 2022	2,239,375	(68,087)	(49,270)	(159,056)	(379,233)	1,583,729
Recognised in profit or loss	97,848	17,160	(264,358)	(120,688)	(242,489)	(512,527)
31 December 2023	2,337,223	(50,927)	(313,628)	(279,744)	(621,722)	1,071,202

Notes to the Financial Statements

14.5 Reconciliation of deferred tax (asset) and liabilities.

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Deferred tax liabilities				
At 1 January	1,583,729	2,132,913	1,583,729	2,132,913
Originating and reversal of temporary difference	108,691	(549,184)	(512,527)	(549,184)
At 31 December	1,692,420	1,583,729	1,071,202	1,583,729
Deferred tax asset				
At 1 January	(65,814)	(180,477)	-	-
Originating and reversal of temporary difference	(961,285)	114,663	-	-
At 31 December	(1,027,099)	(65,814)	-	-
Net deferred tax liabilities	665,321	1,517,915	1,071,202	1,583,729

The entity offsets tax assets and 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.

14.6 Current tax liabilities

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Opening balance at 1 January	1,061,929	1,058,798	707,057	682,739
Tax charge in the statement of profit or loss	505,070	135,145	253,455	40,918
Penalty and interest	198,799		60,822	
Minimum tax	-	188,866	-	188,866
	1,765,798	1,382,809	1,021,334	912,523
Payment during the year	(280,807)	(320,880)	-	(205,466)
At 31 December	1,484,991	1,061,929	1,021,334	707,057

Notes to the Financial Statements

15 Property, plant and equipment

	Land and building	Plant and machinery	Furniture and fittings	General equipment	Motor vehicles	Assets under construction	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Group							
At 1 January 2022	8,005,542	3,838,776	202,738	5,423,533	1,798,849	3,019,423	22,288,861
Additions	166,579	165,037	6,138	281,782	321,360	11,000,290	11,941,186
Disposals	-	-	-	-	(73,601)	-	(73,601)
Transfers	1,147,408	1,875,167	-	285,382	-	(3,307,957)	-
At 31 December 2022	9,319,529	5,878,980	208,876	5,990,697	2,046,608	10,711,756	34,156,446
Additions	36,260	2	13,566	73,621	36,701	13,547,588	13,707,738
Disposals	-	-	-	-	(2,949)	-	(2,949)
At 31 December 2023	9,355,789	5,878,982	222,442	6,064,318	2,080,360	24,259,344	47,861,235
Accumulated Depreciation							
At 1 January 2022	452,742	2,172,506	104,726	2,860,838	1,160,448	-	6,751,260
Charge for the year	142,250	257,159	13,344	966,060	284,075	-	1,662,888
Disposals	-	-	-	-	(73,601)	-	(73,601)
At 31 December 2022	594,992	2,429,665	118,070	3,826,898	1,370,922	-	8,340,547
Charge for the year	160,169	378,564	13,347	998,838	285,331	-	1,836,249
Disposals	-	-	-	-	(1,634)	-	(1,634)
At 31 December 2023	755,161	2,808,229	131,417	4,825,736	1,654,619	-	10,175,162
Carrying Value							
At 31 December 2022	8,724,537	3,449,315	90,806	2,163,799	675,686	10,711,756	25,815,899
At 31 December 2023	8,600,628	3,070,753	91,025	1,238,582	425,741	24,259,344	37,686,073

Notes to the Financial Statements

Company	Leasehold land and building	Plant and machinery	Furniture and fittings	General equipment	Motor vehicles	Assets under construction	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
At 1 January 2022	8,005,542	3,838,776	200,259	5,409,113	1,571,175	3,019,423	22,044,288
Additions	166,579	165,037	6,058	266,471	266,700	11,000,290	11,871,135
Disposals	-	-	-	-	(52,010)	-	(52,010)
Transfers	1,147,408	1,875,167	-	285,382	-	(3,307,957)	-
At 31 December 2022	**9,319,529**	**5,878,980**	**206,317**	**5,960,966**	**1,785,865**	**10,711,756**	**33,863,413**
Additions	36,260	2	13,566	70,541	36,701	13,547,588	13,704,658
At 31 December 2023	**9,355,789**	**5,878,982**	**219,883**	**6,031,507**	**1,822,566**	**24,259,344**	**47,568,071**
Accumulated Depreciation							
At 1 January 2022	452,742	2,172,506	104,182	2,858,247	1,009,170	-	6,596,847
Charge for the year	142,250	257,159	13,093	962,993	250,415	-	1,625,910
Disposals	-	-	-	-	(52,010)	-	(52,010)
At 31 December 2022	**594,992**	**2,429,665**	**117,275**	**3,821,240**	**1,207,575**	**-**	**8,170,747**
Charge for the year	160,169	378,564	13,100	992,691	245,985	-	1,790,509
Disposals	-	-	-	-	-		-
At 31 December 2023	**755,161**	**2,808,229**	**130,375**	**4,813,931**	**1,453,560**	**-**	**9,961,256**
Carrying Value							
At 31 December 2022	**8,724,537**	**3,449,315**	**89,042**	**2,139,726**	**578,290**	**10,711,756**	**25,692,666**
At 31 December 2023	**8,600,628**	**3,070,753**	**89,508**	**1,217,576**	**369,006**	**24,259,344**	**37,606,815**

(i) Property, plant and equipment with a carrying amount of ₦37.61 billion (2022: ₦25.69 billion) are subject to a floating charge to secure the entity's mortgage debenture loan from Fidelity Bank Plc.

(ii) Assets under construction relates to the cost of constructing a plant in Sagamu Factory. These are categorised below:

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Leasehold land and building	8,749,436	4,613,791	8,749,436	4,613,791
Plant and machinery	5,905,068	3,975,447	5,905,068	3,975,447
General equipment	9,604,841	2,122,518	9,604,841	2,122,518
	24,259,344	10,711,756	24,259,344	10,711,756

Notes to the Financial Statements

(iii) Included in Land and Building is an asset which is currently in litigation. The Company has filed an application for a stay of execution of the lower court's judgement in respect of this litigation and also instituted an appeal at the higher court. Based on legal advice, the Directors are confident that the appeal will be successful. The Company continues to hold and use the asset.

(iv) The Company had the following capital commitments as at year end:

	Group		Company	
	2023	2022	2023	2022
Capital commitments	₦'000	₦'000	₦'000	₦'000
Authorised by the board of directors but not contracted	21,363,488	12,425,213	21,363,488	12,425,213
	21,363,488	12,425,213	21,363,488	12,425,213
To be spent in the forthcoming financial year	12,363,488	4,730,294	12,363,488	4,730,294
To be spent thereafter	9,000,000	7,694,919	9,000,000	7,694,919
	21,363,488	12,425,213	21,363,488	12,425,213

(v) Reconciliation of additions to property, plant and equipment included in the statement of cashflows

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Additions per property, plant and equipment movement	13,707,738	11,941,186	13,704,658	11,871,135
Interest expense capitalised	-	(1,282,218)	-	(1,282,218)
	13,707,738	10,658,968	13,704,658	10,588,917

Notes to the Financial Statements

15.1 Right-of-use-assets

Group	Power Generating Set	Leasehold land and building	Total
Cost:			
As at 1 Janaury 2022	1,065,017	1,081,897	2,146,914
Additions	-	496,454	496,454
As at 31 December 2022	1,065,017	1,578,351	2,643,368
As at 1 Janaury 2023	1,065,017	1,578,351	2,643,368
Additions	-	17,627	17,627
As at 31 December 2023	1,065,017	1,595,978	2,660,995
Accumulated Depreciation			
As at 1 Janaury 2022	365,092	664,365	1,029,457
Charge for the year	182,589	254,126	436,715
As at 31 December 2022	547,681	918,491	1,466,172
As at 1 Janaury 2023	547,681	918,491	1,466,172
Charge for the year	182,589	299,357	481,946
As at 31 December 2023	730,270	1,217,848	1,948,118
Carrying amount			
As at 31 December 2023	334,747	378,130	712,877
As at 31 December 2022	517,336	659,860	1,177,196

Company	Power Generating Set	Leasehold land and building	Total
Cost:			
As at 1 Janaury 2022	1,065,017	1,081,897	2,146,914
Additions	-	496,454	496,454
As at 31 December 2022	1,065,017	1,578,351	2,643,368
As at 1 Janaury 2023	1,065,017	1,578,351	2,643,368
Additions	-	17,627	17,627
As at 31 December 2023	1,065,017	1,595,978	2,660,995
Accumulated Depreciation			
As at 1 Janaury 2022	365,092	664,365	1,029,457
Charge for the year	182,589	254,126	436,715
As at 31 December 2022	547,681	918,491	1,466,172
As at 1 Janaury 2023	547,681	918,491	1,466,172
Charge for the year	182,589	299,357	481,946
As at 31 December 2023	730,270	1,217,848	1,948,118
Carrying amount			
As at 31 December 2023	334,747	378,130	712,877
As at 31 December 2022	517,336	659,860	1,177,196

Notes to the Financial Statements

The Company leases various offices, warehouses and residential apartments. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The Company also leased a power generating set from CET power for lighting and operations of its new factory in Sagamu.

Leases are recognised as a right-of-use asset, lease payments are made in advance for the entire lease tenure. The lease contracts have extension clauses and have been assessed as such, hence, corresponding lease liability has been recognised.

16 Intangible assets

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Trademarks	11,500	11,500	11,500	11,500

This represents 11 (eleven) Trademarks transferred to Emzor Pharmaceutical Industries Limited by Emzor Chemists Limited. The useful life of the trademarks have been assessed by the management and adjudged as indefinite. As at the end of the reporting period 2023, no impairment loss was recognized as the recoverable amount exceeded carrying value of the asset.

17 Investment in subsidiaries

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Zolon Healthcare Limited	-	-	488,909	488,909
Emzor Pharma Funding SPV Plc.	-	-	2,000	2,000
	-	-	**490,909**	**490,909**

The Company acquired Zolon Healthcare Limited in 2015 at the cost of ₦488.9 million being the carrying amount of the net asset of the subsidiary. In the year 2021, the Company acquired Emzor Pharma Funding SPV Plc. at the cost of ₦2 million being the carrying amount of the net asset of the subsidiary. This amount is recorded in the books of the Company. Also see Note 35 for the summarised financial information of the subsidiaries.

18 Inventories

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Finished goods	3,038,400	2,552,418	2,115,164	1,874,375
Raw materials	2,625,400	3,660,775	2,625,400	3,660,775
Packaging materials	2,242,166	1,525,305	2,242,166	1,525,305
Tools and spares	964,437	442,356	964,437	442,356
Work- in- progress	1,192,450	1,005,289	1,192,450	1,005,289
	10,062,853	9,186,143	9,139,617	8,508,100

The value of changes in inventory recognized in cost of sales in the Group and Company during the year amounted to ₦24.71 billion and ₦22.66 billion (2022: ₦23.8 billion and ₦21.8 billion) for Group and Company respectively. Total inventory write off recognized during the year was ₦1.353 billion and ₦1.078 billion (2022: ₦425.2 million and ₦311.5 million) for Group and Company respectively. No inventory was pledged for security on borrowings (2022: Nil).

Notes to the Financial Statements

Below is a reconciliation of inventories for cash flow purposes:

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Movement in inventories	(876,710)	1,463,579	(631,517)	1,642,906
Inventory write off	(1,353,000)	(425,226)	(1,078,000)	(311,523)
Movement per statement of cashflows	**(2,229,710)**	**1,038,353**	**(1,709,517)**	**1,331,383**

19 Right of return

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Right of return assets	10,712	35,208	9,053	9,053

Right of return asset represents the entity's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The entity updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products. Refund liabilities for the right to recover returned goods is disclosed in Note 34.

20 Prepayments and advances

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Prepaid insurance	126,744	86,585	107,974	86,585
Supplier advances	7,330,959	8,013,606	6,896,024	7,616,889
Advance payments on clearing and shipping	109,268	2,129	99,865	2,129
Current prepayments and advances	**7,566,971**	**8,102,320**	**7,103,863**	**7,705,603**

There were no non-current prepayments and advances as at year end (2022: Nil).

Supplier advances relates to advance payment made to suppliers for goods yet to be received as at year end.

21 Trade and other receivables

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Trade receivables	9,621,927	7,199,318	7,169,372	5,293,439
Allowance for expected credit losses (Note 37c(i))	(1,636,946)	(1,071,101)	(667,110)	(413,285)
	7,984,981	6,128,217	6,502,262	4,880,154
Amount due from related parties (Note 21.2)	601,253	1,116,489	672,314	1,207,299
Staff loan and advances (Note 21.4)	63,998	25,888	43,444	18,305
Other receivables	209,869	207,043	180,651	205,185
Withholding tax receivable	137,931	98,516	106,260	80,800
Impairment allowance on other receivables (Note 7.1)	-	(155,185)	-	(155,185)
	8,998,032	7,420,968	7,504,931	6,236,558

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Other receivables include safety deposits, advances for foreign exchange purchase and receivables from other debtors. The Group and Company's exposure to credit risks related to trade and other receivables is disclosed in Note 37.

Notes to the Financial Statements

Below is a reconciliation of trade and other receivables for cash flow purposes:

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Movement in trade and other receivables	(1,577,064)	1,236,472	(1,268,373)	1,119,245
Impairment loss on trade and other receivables (Note 7.1)	(616,945)	(474,404)	(294,324)	(226,081)
Movement per statement of cashflows	**(2,194,009)**	**762,068**	**(1,562,697)**	**893,164**

21.1 Deposit for forwards

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Deposit for forwards	1,057,578	543,137	1,057,578	543,137
	1,057,578	**543,137**	**1,057,578**	**543,137**

Deposit for foreign currency relates to deposit for bids which are funds placed with commercial banks (Zenith and Titan Trust Bank) for deliverable forwards at the nominal value.

Below is a reconciliation of Deposit for forwards for cash flow purposes:

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Opening balance	543,137	-	543,137	-
Movement per statement of cashflows	514,441	543,137	514,441	543,137
Closing balance	**1,057,578**	**543,137**	**1,057,578**	**543,137**

21.2 Amount due from related parties

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Edfel Venture Limited - Due from	-	-	-	-
Zolon Healthcare Limited - Due from	-	-	-	-
Emzor Hesco Limited - Due from	-	-	-	-
Emzor Sierra Leone Limited - Due from	502,702	795,344	558,343	850,985
Emzor Liberia Limited - Due from	-	217,781	-	245,689
Emzor Pharmacy & Stores Awka - Due from	13,155	-	10,717	-
Emzor Pharmacy & Stores Ikeja - Due from	-	-	-	-
Shareholder's Current Account	110,625	110,625	110,625	110,625
	626,482	1,123,750	679,685	1,207,299
Allowance for expected credit losses	(25,229)	(7,261)	(7,371)	-
	601,253	**1,116,489**	**672,314**	**1,207,299**

Notes to the Financial Statements

21.3 Loan receivable

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Opening balance	3,310,123	3,101,852	3,310,123	3,101,852
Interest	147,619	279,167	147,619	279,167
	3,457,742	3,381,019	3,457,742	3,381,019
Allowance for expected credit losses	(32,671)	(70,896)	(32,671)	(70,896)
Closing balance	3,425,071	3,310,123	3,425,071	3,310,123

Loan receivable due from related parties relates to loan receivables due from Emzor Hesco Limited and Edfel Ventures Limited. The loan is interest free and was issued on 31 December 2021 for a tenor of 18 months, repayable on 30 June 2023 and so has been classified as a current asset in the statement of financial position.

21.4 Staff loan and advances

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Staff loan	5,000	8,661	5,000	8,287
Staff advances	59,000	17,229	38,446	10,020
Allowance for expected credit losses	(2)	(2)	(2)	(2)
	63,998	25,888	43,444	18,305

Notes to the Financial Statements

22 Cash and cash equivalents

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Cash in hand	1,016	868	1,016	868
Cash in banks	1,655,898	1,219,521	1,589,058	1,177,904
Less: Expected Credit Loss	(462)	-	(457)	-
Cash and cash equivalents	1,656,452	1,220,389	1,589,617	1,178,772

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following at 31 December:

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents per Statement of Financial Position	1,656,452	1,220,389	1,589,617	1,178,772
Bank Overdraft (Note 27)	(1,061,609)	(431,299)	(1,061,609)	(431,299)
Cash and cash equivalents per Statement of Cashflows	594,843	789,090	528,008	747,473

The Company's exposure to credit risk and currency risk related to cash and cash equivalents is disclosed in Note 37.

23

(a) Share Capital

	Group		Company	
	2023	2022	2023	2022
Minimum issued share capital:	₦'000	₦'000	₦'000	₦'000
2,500,000,000 ordinary shares of 50 kobo each	1,250,000	1,250,000	1,250,000	1,250,000
Issued and fully paid:				
2,278,750,000 ordinary shares issued and fully paid at 50 kobo each	1,139,375	1,139,375	1,139,375	1,139,375
Issued and not paid:				
221,250,000 ordinary shares issued at 50 kobo each	110,625	110,625	110,625	110,625
	1,250,000	1,250,000	1,250,000	1,250,000

(b) Share premium

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Share premium on shares of 455,750,000 issued at ₦12.14 per share less transactions cost of share issue of ₦211 million.	5,321,138	5,321,138	5,321,138	5,321,138

Share premium relates to premium on additional shares issued in 2018 after considering transaction cost of issue.

(c) Equity contribution

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
	488,909	488,909	488,909	488,909

Equity contribution relates to the distribution of the net asset of Zolon Healthcare Limited to Emzor Pharmaceutical Industries Limited. The purchase consideration was deemed to be net asset of Zolon Healthcare Limited as at the acquisition date.

Notes to the Financial Statements

(d) Dividend payable

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
At 1 January	840,085	450,430	840,085	450,430
Dividend declared	-	410,175	-	410,175
Dividend paid*	(410,175)	(20,520)	(410,175)	(20,520)
At 31 December	429,910	840,085	429,910	840,085

*This relates to a dividend declared from profit in the prior year (2020) and subsequently paid out during the year ended 31 December 2023.

(e) Earnings per share

Basic / diluted earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Company by the average number of ordinary shares outstanding during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

The following table reflects the income and share data used in the basic earnings per share computations.

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Net loss attributable to ordinary equity holders for basic earnings per share	(3,499,930)	(2,691,679)	(3,479,337)	(2,587,700)
	Thousands	Thousands	Thousands	Thousands
Average number of ordinary shares in issue of 50 kobo each	2,500,000	2,500,000	2,500,000	2,500,000
Basic / diluted loss per share (₦)	(1.40)	(1.18)	(1.39)	(1.04)

24 Deposit for shares

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Opening balance	6,455,400	5,471,959	6,455,400	5,471,959
Interest expense (Note 12)	-	468,623	-	468,623
Foreign exchange loss	-	514,818	-	514,818
	6,455,400	6,455,400	6,455,400	6,455,400

As agreed in the Vending agreement signed 19 January 2018, the Company received payment from Oreon EPI Limited for convertible loan stock of USD 7 million at ₦364/ USD in 2018. The tenor of the loan was four (4) years at the effective interest rate of 18.9%. The loan becomes USD 14 million at the end of year four and will be converted into equity upon maturity. On 21 June 2022, the loan tenor expired and is to be converted to equity at a value of 391,705,052 additional shares. As at year-end 2023, the approval and ratification of the conversion was yet to be finalised, and the value of the convertible loan stock is recognised as deposit for shares in the financial statements.

25 Asset Revaluation Reserve

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Opening balance	237,559	237,559	237,559	237,559
Closing balance	237,559	237,559	237,559	237,559

Asset Revaluation Reserve relates to the gain on property, plant and equipment revaluation carried out by the Group in 2006.

26 Revenue Reserve

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Opening balance	1,646,382	1,646,382	1,646,382	1,646,382
Closing balance	1,646,382	1,646,382	1,646,382	1,646,382

Revenue reserve relates to the profit accumulated over the years.

Notes to the Financial Statements

27 Loans and borrowings

			Group		Company	
			2023	2022	2023	2022
	Interest rat	Maturity	₦'000	₦'000	₦'000	₦'000
Loans and borrowings (Non-current)						
6% secured loan of ₦516,666,668 (a)	5%	2018-2024	36,079	106,298	36,079	106,298
RMB/CBN Government Intervention fund (d)	5%	2020-2027	971,615	1,287,437	971,615	1,287,437
10% unsecured bond of ₦13,729,000,000 (f)	10%	2022-2026	14,182,360	13,550,157	14,182,360	13,550,157
9% Fidelity BOI Loan of N4,800,000 (h)	9%	2023-2029	4,172,231	-	4,172,231	-
9% CBN Real Sector Credit Finance Facility of ₦5,000,000,000 (c)	5%	2018-2024	-	745,043	-	745,043
EIB loan of USD 8,000,000 (i)	9%	2023-2032	7,577,589	-	7,577,589	
			26,939,874	**15,688,935**	**26,939,874**	**15,688,935**
Loans and borrowings (Current)						
6% secured loan of ₦516,666,668 (a)	5%	2018-2024	70,219	66,080	70,219	66,080
RMB working capital loan (b)	5%	2022-2022	1,231	501,208	1,231	501,208
9% CBN Real Sector Credit Finance Facility of ₦5,000,000,000 (c)	5%	2018-2024	745,043	619,982	745,043	619,982
RMB/CBN Government Intervention fund (d)	5%	2020-2027	316,785	299,709	316,785	299,709
10% unsecured bond of ₦13,729,000,000 (f)	10%	2022-2026	-	582,212	-	582,212
9% Fidelity BOI Loan of N4,800,000 (h)	9%	2023-2029	94,047	-	94,047	-
Short term loan from Zenith (j)	19.5%		700,000	-	700,000	-
Import overdraft facility converted to loan (Nova Merchant Bank) (e)	5%		3,795,715	-	3,795,715	-
Import overdraft facility (Rand Merchant Bank) (e)	5%		1,219,112	1,601,188	1,219,112	1,601,188
Import overdraft facility (Titan) (e)	5%		521,950	328,223	521,950	328,223
Import overdraft facility (Nova Merchant Bank) (e)	5%		178,189	1,938,005	178,189	1,938,005
Import overdraft facility (Zenith bank) (e)	5%		25,776	432,512	25,776	432,512
Bank overdraft in naira (Note 22) (g)	25%		1,061,609	431,299	1,061,609	431,299
			8,729,675	**6,800,418**	**8,729,675**	**6,800,418**
			35,669,549	**22,489,353**	**35,669,549**	**22,489,353**
Summarized as:						
Bank Overdraft			1,061,609	431,299	1,061,609	431,299
Import finance facilities			1,945,027	4,299,928	1,945,027	4,299,928
Loans and Borrowings			32,662,913	17,758,126	32,662,913	17,758,126
			35,669,549	**22,489,353**	**35,669,549**	**22,489,353**

Notes to the Financial Statements

27 Loans and borrowings - continued

The movement in import finance facilities is as follows:

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Opening balance	4,299,928	2,553,550	4,299,928	2,484,603
Additions	(4,000,825)	2,577,189	(4,000,825)	2,577,189
Interest expense (Note 12)	1,265,903	203,688	1,265,903	203,688
Facility repayment	(1,532,971)	(1,601,918)	(1,532,971)	(1,532,971)
Unrealised foreign exchange loss	1,912,992	567,419	1,912,992	567,419
	1,945,027	**4,299,928**	**1,945,027**	**4,299,928**

27.1 Reconciliation of import finance facilities for cash flow purposes

Movement in import facilities	(2,354,901)	1,746,378	(2,354,901)	1,815,325
Unrealised foreign exchange loss	(1,912,992)	(567,419)	(1,912,992)	(567,419)
Interest expense (Note 12)	(1,265,903)	(203,689)	(1,265,903)	(203,689)
Movement per statement of cashflows	**(5,533,796)**	**975,270**	**(5,533,796)**	**1,044,217**

27.2 Movement in term loans and borrowings

Opening balance	17,758,126	18,746,300	17,758,126	18,746,300
Additions	16,552,594	500,000	16,552,594	500,000
Interest on term loans	1,302,516	2,170,906	1,302,516	2,170,906
Loan repayment	(1,983,078)	(1,881,191)	(1,983,078)	(1,881,191)
Interest paid	(398,698)	(1,639,632)	(398,698)	(1,639,632)
Gain on loan modification	(568,546)	(138,257)	(568,546)	(138,257)
	32,662,913	**17,758,126**	**32,662,913**	**17,758,126**

27.3 Interest charge on loans and borrowings

Interest charge recognised in profit or loss	1,302,516	2,170,906	1,302,516	2,170,906
Interest capitalised in PPE (Note 15)	-	(1,282,218)	-	(1,282,218)
Interest on borrowings for reconciliation to statement of cashflows	**1,302,516**	**888,688**	**1,302,516**	**888,688**

Notes to the Financial Statements

27 Interest bearing loans and borrowings - continued

a. Secured loan

This loan obtained in March 2018 has been drawn down under a fifteen-year period Bank of Industry loan (BOI) facility. The nominal interest rate is 6%, but was remeasured at a market interest rate of 14% in order to recognise government grant inherent in the loan. The interest is paid on monthly basis while principal is paid on quarterly basis. The facility is secured by a first charge over the Group's property, plant and equipment, with a carrying value of ₦37.61 billion (2022: ₦25.69 billion).

b. BOI working capital loan

The 15% interest rate loan of ₦1,000,000,000 obtained in February 2017 has been drawn down under a four-year period Bank of Industry loan (BOI) facility. The loan is repayable within 36 months after 2019 year end. The nominal interest rate is 15%, but was remeasured at a market interest rate as at April 2018 of 30.31% in order to recognise government grant inherent in the loan. The interest and the principal is paid on monthly basis. The facility is secured by a bank guarantee of the loan and accruing interest on a continuous basis by Rand Marchant Bank Nigeria Limited.

c. CBN Real Sector Credit Finance Facility

The 9% interest rate loan of ₦5,000,000,000 obtained in March 2018 is to be drawn down under a seven-year period (inclusive of 12 months moratorium on principal) given by Central Bank of Nigeria through Fidelity Bank to complete the phase 1 and part of phase 2 of the WHO/US FAD certified drug manufacturing plant at Sagamu. The nominal interest rate is 9%, but was remeasured at a market interest rate as at April 2019 of 31.56% in order to recognise government grant inherent in the loan. The interest and the principal is paid on a quarterly basis. The facility is secured by mortgage debenture on the Group's asset, personal guarantee of the MD/CEO of the Group, assignment of sales proceeds into Fidelity Bank Plc, lien/charge on the assets financed by the bank. Effective 1 March 2020 till 28 February 2023, the Central Bank of Nigeria reduced the interest rate on this loan facility from 9% to 5% per annum.

d. RMB/CBN Government Intervention fund

This relates to a CBN loan of ₦2,000,000,000 obtained through RMB in December 2020. The loan was obtained at the CBN rate of 5% but was to become 9% effective 1 March 2022. In current year, the CBN extended the discounted rate to elapse on 1 March 2023. The loan has been revalued at an effective interest rate of 11.35% and corresponding government grant income recognised.

CBN also provided the Company with an additional short term facilities during the year through RMB, a 1 year working capital loan of ₦500,000,000.

e. Import duty finance

This facility is to finance the importation of pharmaceutical raw materials. The average interest rate is 20% per annum and for a tenor of 12 months.

f. Bond

On 20 January 2022, the Group completed a senior unsecured series 1 bond issue, having raised a total amount of ₦13. 7 billion (₦13.4 billion net of issue cost) from investors. The bonds were issued through Emzor Pharma Funding SPV Plc, a subsidiary and the funds transferred to the Company. The bond was issued at an interest rate of 10% and a tenor of 5 years. The bond was rated A- by Global Credit Rating Co.

g. Bank overdrafts

The bank overdrafts are secured by a portion of the Group's cash equivalent. The average interest rate is 25%.

Notes to the Financial Statements

h. Fidelity BOI Loan

This loan obtained in Septmber 2023 is repayable up to 30 September 2029. The moratorium for repayment of principal was extended by 18 months in 2019. The facility is for the acquisition of ultra-modern pharmaceutical equipment. The tenure of the loan is six years inclusive of one-year moratorium on principal repayment from the date of first drawdown. The interest rate is 9% per annum payable monthly in arrears.

i. European investment bank loan

This loan obtained in July 2023 is repayable up to 30 June 2032. The moratorium for repayment of principal was extended by 30 months . The facility is for the acquisition of ultra-modern pharmaceutical equipment. The tenure of the loan is nine years inclusive of 30 months moratorium on principal repayment from the date of first drawdown. The interest rate is 9% per annum payable semi-annually.

j. Short term loan from Zenith bank

These are short term loans obtained from Zenith bank to finance urgent interest expense on corporate bonds. Interest rate is 19.5%

28 Deferred income

Government grants were received from the Bank of Industry loan and Real Sector Support Fund obtained from Central Bank of Nigeria at a below market interest rate. These have been recognised as deferred income and are amortised systematically over the tenor of the loan.

The movement in deferred income during the year is as follows:

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
At 1 January	374,020	721,063	374,020	721,063
Addition	568,545	-	568,545	-
Released to the statement of profit or loss (Note 11)	(257,472)	(347,043)	(257,472)	(347,043)
As at 31 December	685,093	374,020	685,093	374,020
Current	205,404	233,782	205,404	233,782
Non-current	479,689	140,238	479,689	140,238
	685,093	374,020	685,093	374,020

29 Lease liabilities

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows have been recognised as lease liability because it is reasonably certain that the leases will be extended.

The future lease payments are discounted using the Company's incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
At 1 January	1,328,797	1,356,421	1,328,797	1,356,421
Addition	3,895	481,343	3,895	481,343
Unwinding of interest (Note 12)	191,438	257,024	191,438	257,024
Lease repayments	(559,120)	(765,991)	(559,120)	(765,991)
As at 31 December	965,011	1,328,797	965,011	1,328,797
Non-current	455,814	480,435	455,814	480,435
Current	509,197	848,362	509,197	848,362
	965,011	1,328,797	965,011	1,328,797

Notes to the Financial Statements

30 Capital management

For the purpose of the Group's capital management, capital includes issued capital, retained earnings and revaluation reserve attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short term deposits. The Group's policy is to keep the gearing ratio to the barest minimum.

30 Capital management - continued

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Interest bearing loans and borrowings (Note 27)	35,669,549	22,489,353	35,669,549	22,489,353
Less: cash and short-term deposit (Note 22)	(1,656,452)	(1,220,389)	(1,589,617)	(1,178,772)
Net debt	34,013,097	21,268,964	34,079,932	21,310,581
Equity	14,325,587	17,825,517	13,494,495	16,973,832
	48,338,684	**39,094,481**	**47,574,427**	**38,284,413**
Gearing ratio	**70%**	**54%**	**72%**	**56%**

31 Employee benefits

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Defined benefit plan - Gratuity (Note 30(b))	-	22,342	-	13,757
Defined benefit plan - Long service award (Note 30(c))	232,207	210,301	198,239	184,917
Employee benefit Obligation as at 31 December	**232,207**	**232,643**	**198,239**	**198,674**

(a) Defined contribution plan

The Group operates a defined benefit contributory staff pension scheme for its staff in accordance with the Pension Reform Act, 2014. The employer and employees contribute 10% and 8% respectively of the sum of basic salary, hosuing and transport allowances. The total expense charged to profit or loss of 174.46 (2022: N146.76 million) and 154.69 (2022: N130.63 million) represents contributions payable to these plans by Group and Company respectively at rates specified in the rules of the plan.

(b) Defined benefit plan - Gratuity

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Defined benefit obligation at 1 January	22,342	47,134	13,757	38,549
Benefits paid by the employer	(22,342)	(24,792)	(13,757)	(24,792)
Defined benefit obligation at 31 December	**-**	**22,342**	**-**	**13,757**

Prior to year 2017, the Group had a defined benefit plan (gratuity) which is unfunded. The Group makes provisions for gratuity for employees from day one of employment in the Group. The employee qualifies to receive the gratuity on resignation or retirement after he/she might have spent minimum of 5 years. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity liability is adjusted to inflation, interest rate risks and changes in salary. With effect from 31 December 2016, the Group discontinued with the gratuity scheme and made no further provision plan. The balance payable as at 31 December 2023 shall be repaid to qualified staff as they exit the Group.

Notes to the Financial Statements

31 Employee benefits - continued

(c) Defined benefit plan - Long Service Awards

The Group operates long service award for its qualified staff. The benefits are graduated depending on the employees number of years in service to the Group starting from 10 years, payments are made to employees on every 5 year incremental service from the 10th year. The Group's obligation in respect of the scheme is a multiple of the employees monthly basic salary at the point an employee is due for payment, with two times on the 10th year, and plus one multiple at each 5 year incremental service.

Obligation at year end is as shown below:

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Opening Balance	210,301	208,307	184,917	187,332
Current service cost	-	30,446	-	26,425
Interest cost	21,906	25,657	13,322	22,985
Benefit paid	-	(21,787)	-	(21,016)
Actuarial gain	-	(32,322)	-	(30,809)
	232,207	210,301	198,239	184,917

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Group	
	2023	2022
Discount rate (per annum)	-	14.50%
Average rate of inflation (per annum)	-	13.00%
Salary increase rate	-	14.00%

Demographic assumptions

Mortality in service

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the institute and Faculty of Actuaries in the UK due to unavailability of published reliable demoraphic data in Nigeria

Sample age	Number of deaths/year out of 10,000 lives		Withdrawal from service	Withdrawal from service (rate)	
	2023	2022		2023	2022
25	-	7	</= 30	-	4.0%
30	-	7	31-39	-	3.0%
35	-	9	40-44	-	2.0%
40	-	14	45-55	-	0.0%
45	-	26	>/=56		

Sensitivity

Reasonably possible changes at the reporting date to one of the acturial assumptions, holding other assumptions constant, would have affected the obligation by the amounts shown below

Notes to the Financial Statements

Defined benefit plan - Long Service Awards - continued

		Group		Company	
		2023	2022	2023	2022
Base *(in thousands of naira)*		-	210,301	-	184,917
Discount rate	1%	-	196,119	-	172,447
	-1%	-	226,110	-	198,818
Inflation rate	1%	-	226,943	-	199,550
	-1%	-	195,136	-	171,582
Mortality rate	Age +1	-	209,696	-	184,385
	Age -1	-	210,843	-	185,393

The actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2022 by Logic Professional Services using the projected unit credit method. Chidiebere Orji, a registered member of the Financial Reporting Council of Nigeria (FRC/2022/004/00000022718) was engaged as the independent actuary in the current and prior years. Actuarial re-measurements are recognized in the profit and loss in the year in which they arise.

32 Provisions

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Opening Balance	61,684	46,156	61,684	46,156
Unwinding Cost	-	15,528	-	15,528
	61,684	61,684	61,684	61,684

A provision has been recognised for decommissioning costs associated with a factory construction. The Group and Company is committed to decommissioning because it was obtained on an operating lease arrangement for a period of 7 years. As as the reporting date, the Company has not revalued the asset during the current year, hence, the long term average inflation and discount rates used in the estimate for entities within the Group was nil (2022: 17.29%) and nil (2022: 6.41%) respectively.

Below is a reconciliation of trade and other payables for cash flow purposes:

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Current service cost	-	30,446	-	26,425
Interest cost	21,906	25,657	13,322	22,985
Actuarial gain	-	(32,322)	-	(30,809)
Movement per statement of cashflows	**21,906**	**23,781**	**13,322**	**18,601**

33 Trade and other payables

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Trade payables	6,157,936	3,184,711	5,507,592	2,930,538
Statutory payables (Note 33.1)	1,477,298	1,379,878	1,347,352	1,270,580
Other payables	1,750,353	160,717	1,478,326	136,151
Dividend payables (Note 23(d))	429,910	840,085	429,910	840,085
Sundry accruals	1,396,113	721,063	1,146,110	585,500
Advances from customers	-	1,323,030	-	1,255,017
	11,211,610	7,609,484	9,909,290	7,017,871
Amount due to related parties (Note 33.2)	5,831,666	4,244,997	5,524,099	4,113,197
	17,043,276	11,854,481	15,433,389	11,131,068

Notes to the Financial Statements

33.1 Statutory payables

Withholding tax payables	891,240	904,974	864,394	877,968
Payroll taxes	579,020	464,740	476,519	383,047
Value added tax payables	7,038	10,164	6,439	9,565
	1,477,298	1,379,878	1,347,352	1,270,580

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of six months. Other payables include staff pension, sales representative credit reserve, payable to staff cooperative society, industrial training fund payable, haulage payable, managers incentive payable, official cars buy back. Sundry accruals include accruals for audit fees, utility bills, sales incentives, Directors allowances and other expenses.

33.2 Amount due to related parties

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Director's Current Account	3,356,961	3,266,961	3,176,608	3,086,608
Director's salary payables	-	90,000	-	90,000
Emzor Pharmacy & Stores Awka	-	19,601	-	21,093
Emzor Pharmacy & Stores Ikeja	3,642	3,643	7,117	7,117
Emzor Pharmacy & Stores Osolo	103,424	95,189	105,644	97,409
Emzor Sierra Leone Limited	-	-	-	-
Emzor Liberia Limited	113,244	-	85,335	-
Emzy Bureau De Change	-	720	-	720
Emzor Hesco Limited	644,928	337,469	355,609	48,149
Emzor Telecom	-	-	-	-
Frontwave Nigeria Limited	-	7,500	-	7,500
Zolon Healthcare Limited	-	-	184,166	330,534
Edfel Venture Limited	1,609,467	423,914	1,609,620	424,067
	5,831,666	4,244,997	5,524,099	4,113,197

33.3 Reconciliation of trade and other payables for cash flow purposes:

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Movement in trade and other payables	5,188,795	3,117,398	4,302,321	3,074,855
Unrealised foreign exchange loss	-	(315,485)	-	(608,409)
Dividend paid (Note 23d)	410,175	20,520	410,175	20,520
Dividend declared (Note 23d)	-	(410,175)	-	(410,175)
Movement per statement of cashflows	5,598,970	2,412,258	4,712,496	2,076,791

34 Refund liabilities

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Refund liabilities	55,399	76,544	51,835	15,403
	55,399	76,544	51,835	15,403

This relates to the contractual right to return defective products purchased by customers for a credit note if it can be proven that such defects occurrred at the time of sale or in transit.

Notes to the Financial Statements

35 Group information

The consolidated financial statements of the Group include its subsidiaries, Zolon Healthcare Limited with a 99.99% (2022: 99.99%) equity interest and Emzor Pharma Funding SPV Plc with a 99.99% (2022: 99.99%) equity interest. Zolon Healthcare Limited is incorporated in Nigeria and its principal activities is in the importation, distribution and marketing of pharmaceutical and healthcare products. Emzor Pharma Funding SPV Plc is incorporated in Nigeria and its principal activities is the acquisition, issue and investment of bonds, notes, corporate loans, debentures, debenture stock, annuities, or other securities and instruments on behalf of its Parent Company, Emzor Pharmaceuticals Industries Limited.

35.1 Shareholding structure of subsidiaries

Structure of Zolon Healthcare Limited

	2023	2022
	%	%
Emzor Pharmaceuticals Industries Limited	99.99	99.99
Emzor Chemist Limited	0.01	0.01
	100	**100**

Structure of Emzor Pharma Funding SPV Plc

	2023	2022
	%	%
Emzor Pharmaceuticals Industries Limited	99.99	99.99
Emeka C. Okoli	0.01	0.01
	100	**100**

The summarised financial information of Zolon Healthcare Limited and Emzor Pharma Funding SPV Plc, is provided below. This information is based on amount before intercompany eliminations.

Zolon Healthcare Limited

Summarised statement of profit or loss	2023	2022
	₦'000	₦'000
Revenue	3,561,948	3,126,252
Cost of sales	(2,390,483)	(2,135,908)
Other income	2,147	2,167
Adminstrative expenses	(428,769)	(285,098)
Selling and distribution expenses	(486,117)	(477,968)
Impairment loss on trade and other receivables	(1,090,621)	(248,321)
Finance cost	(58,698)	(55,505)
Loss before taxation	(890,593)	(74,381)
Income taxation credit/(expense)	88,452	(208,890)
Loss for the year	(802,141)	(283,271)
Other comprehensive income	-	-
Total comprehensive (loss)/income	**(802,141)**	**(283,271)**

Notes to the Financial Statements

Summarised statement of financial position as at 31 December

	2023	2022
	₦'000	₦'000
Current assets	3,417,404	6,207,567
Non-current assets	485,140	189,046
Current liabilities	(3,152,102)	(4,844,030)
Non-current liabilities	(33,968)	(33,968)
Total equity	716,474	1,518,615
Attributable to;		
Equity holders of parent	716,474	1,518,615
Total equity	716,474	1,518,615

Emzor Pharma Funding SPV Plc

Summarised statement of profit or loss

	2023	2022
	₦'000	₦'000
Adminstrative expenses	(3,200)	(5,080)
Finance cost	(1,430,393)	(1,435,972)
Finance income	1,430,393	1,435,972
Loss before tax	(3,200)	(5,080)
Income tax	-	-
Loss for the year	(3,200)	(5,080)
Other comprehensive income	-	-
Total comprehensive loss	(3,200)	(5,080)

Summarised statement of financial position as at 31 December

	2023	2022
	₦'000	₦'000
Current assets	582,631	14,132,788
Non-current assets	13,550,157	-
Current liabilities	(592,412)	(7,000)
Non-current liabilities	(13,550,157)	(14,132,369)
Total equity	(9,781)	(6,581)
Attributable to;		
Equity holders of parent	(9,781)	(1,501)
Total equity	(9,781)	(1,501)

Summarised statement of cash flows as at 31 December

	Zolon		SPV	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Net cash generated/(used in) from:				
Operating	32,783	(410,946)	1,380,402	1,380,077
Investing	(1,095)	(67,883)	-	-
Financing	1,480	(950)	(1,380,402)	(1,382,184)
Net (decrease)/increase in cash and cash equivalents	33,168	(479,779)	-	(2,107)

Notes to the Financial Statements

36 Related party disclosures

The shareholding structure of the Group as at current and prior year reporting dates are Dr. Stella C. Okoli (80%) and Oreon EPI Limited (20%). The parent Company of the Group is Emzor Pharmaceutical Industries Limited.

The following table provides the total amount of transactions that have been entered with related parties by the Group in the current year.

Group

At 31 December 2023

Related parties	Relationship	Nature of transaction	Finance provided by Emzor	Finance provided to Emzor	Sales to related parties	Purchase from related parties	Service charge	Director salaries &other	Amount due from	Amount due to
			₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Edfel Venture Limited	Director's significant interest	Purchase of packaging materials	8,397	-	-	(1,617,864)	-	-	-	(1,609,467)
Emzor Sierra Leone Limited	Director's significant interest	Sale of pharmaceutical products and drugs	1,415,275	(922,041)	9,468	-	-	-	502,702	-
Emzor Liberia Limited	Director's significant interest	Sale of pharmaceutical products and drugs	496,965	(610,209)	-	-	-	-	-	(113,244)
Shareholder's Current Account	Key management personnel of the Group	Issue of shares	110,625	-	-	-	-		110,625	-
Frontwave Limited	Fellow subsidiary	Staff salaries and back charge of expenses	-	-	-	-	-	-	-	-
Emzor Bureau De Change	Fellow subsidiary	Foreign exchange purchase	-	-	-	-	-	-	-	-
Emzor Pharmacy & Stores Akwa	Retail outlet	Backcharge of expenses	37,233	(24,077)	-	-	-	-	13,156	
Emzor Pharmacy & Stores Ikeja	Retail outlet	Backcharge of expenses	8,650	(15,511)	-	-	-	-	-	(6,861)
Emzor Pharmacy & Stores Osolo	Retail outlet	Backcharge of expenses	5,438	(118,070)	-	-	-	-	-	(112,632)
Emzor Hesco Limited	Fellow subsidiary	Purchase of medical equipment and consumables	1,041,188	(1,686,116)	-	-	-	-	-	(644,928)
Director's Current Account	Key management personnel of the Group	Directors' fees & GMD's Salaries	-	-	-	-	-	(3,356,608)	-	(3,356,961)
		Total	3,123,771	(3,376,024)	9,468	(1,617,864)	-	(3,356,608)	626,483	(5,844,093)

Directors' current account represents accrued short term compensation to directors and reimbursable expenses for transactions the directors did on behalf of the Group. The balances are interest free.

Notes to the Financial Statements

The following table provides the total amount of transactions that have been entered with related parties by the Group in prior year.

Group

At 31 December 2022

Related parties	Relationship	Nature of transaction	Finance provided by Emzor	Finance provided to Emzor	Sales to related parties	Purchase from related parties	Service charge	Director salaries &other payments	Amount due from	Amount due to
			₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Edfel Venture Limited	Director's significant interest	Purchase of packaging materials	527,090	-	-	(951,004)	-	-	-	(423,914)
Emzor Sierra Leone Limited	Director's significant interest	Sale of pharmaceutical products and drugs	1,440,017	(805,192)	160,519	-	-	-	795,344	-
Emzor Liberia Limited	Director's significant interest	Sale of pharmaceutical products and drugs	294,966	(225,370)	148,185	-	-	-	217,781	-
Shareholder's Current Account	Key management personn	Issue of shares	-	-	-	-	-	-	110,625	-
Frontwave Limited	Fellow subsidiary	Staff salaries and back charge of expenses	100,678	-	-	-	(108,178)	-	-	(7,500)
Emzor Bureau De Change	Fellow subsidiary	Foreign exchange purchase		(720)					-	(720)
Emzor Pharmacy & Stores Akwa	Retail outlet	Backcharge of expenses	18,493	(38,094)	-	-	-	-	-	(19,601)
Emzor Pharmacy & Stores Ikeja	Retail outlet	Backcharge of expenses	11,868	(15,511)	-	-	-	-	-	(3,643)
Emzor Pharmacy & Stores Osolo	Retail outlet	Backcharge of expenses	2,220	(97,409)	-	-	-	-	-	(95,189)
Emzor Hesco Limited	Fellow subsidiary	Purchase of medical equipment and consumables	570,858	(908,327)	-	-	-	-	-	(337,469)
Director's Current Account	Key management personnel of the Group	Directors' fees & GMD's Salaries	-	-	-	-	-	(3,356,961)	-	(3,356,961)
		Total	**2,966,190**	**(2,090,623)**	**308,704**	**(951,004)**	**(108,178)**	**(3,356,961)**	**1,123,750**	**(4,244,997)**

Directors' current account represents accrued short term compensation to directors and reimbursable expenses for transactions the directors did on behalf of the Group. The balances are interest free.

Notes to the Financial Statements

The following table provides the total amount of transactions that have been entered with related parties by the Company in the current year.

Company

At 31 December 2023

Related parties	Relationship	Nature of transaction	Finance provided by Emzor	Finance provided to Emzor	Sales to related parties	Purchase from related parties	Service charge	Director salaries &other payments	Amount due from	Amount due to
			₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Edfel Venture Limited	Director's significant interest	Purchase of packaging materials	8,244	-	-	(1,617,864)	-	-	-	(1,609,620)
Emzor Sierra Leone Limited	Director's significant interest	Sale of pharmaceutical products and drugs	1,415,275	(856,932)	-	-	-	-	558,343	-
Emzor Liberia Limited	Director's significant interest	Sale of pharmaceutical products and drugs	495,636	(580,971)	-	-	-	-	-	(85,335)
Shareholder's Current Account	Key management personnel of the Group	Issue of shares	110,625	-	-	-	-	-	110,625	-
Emzor Hesco Limited	Fellow subsidiary	Purchase of medical equipment and consumables	880,877	(1,236,486)	-	-	-	-	-	(355,609)
Frontwave Limited	Fellow subsidiary	Staff salaries and back charge of expenses	-	-	-	-	-	-	-	-
Zolon Healthcare Limited	Subsidiary	Purchase of Healthcare products	3,905,730	(4,787,178)	617,372	(31,754)	-	-	-	(295,830)
Emzor Pharmacy & Stores Awka	Retail outlet	Backcharge of expenses	34,794	(24,077)	-	-	-	-	10,717	-
Emzor Pharmacy & Stores Ikeja	Retail outlet	Backcharge of expenses	8,394	(15,511)	-	-	-	-	-	(7,117)
Emzor Pharmacy & Stores Osolo	Retail outlet	Backcharge of expenses	-	(105,644)	-	-	-	-	-	(105,644)
Emzor Bureau De Change	Fellow subsidiary	Foreign exchange purchase	-	-	-	-	-	-	-	-
Director's Current Account	Key management personnel of the Group	Directors' fees & GMD's Salaries	-	-	-	-	-	(3,176,608)	-	(3,176,608)
		Total	6,859,575	(7,606,799)	617,372	(1,649,618)	-	(3,176,608)	679,685	(5,635,763)

Directors' current account represents accrued short term compensation to directors and reimbursable expenses for transactions the directors did on behalf of the Company. The balances are interest free.

Notes to the Financial Statements

The following table provides the total amount of transactions that have been entered with related parties by the Company in prior year.

Company

At 31 December 2022

Related parties	Relationship	Nature of transaction	Finance provided by Emzor	Finance provided to Emzor	Sales to related parties	Purchase from related parties	Service charge	Director salaries &other payments	Amount due from	Amount due to
			₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Edfel Venture Limited	Director's significant interest	Purchase of packaging materials	526,937	-	-	(951,004)	-	-	-	(424,067)
Emzor Sierra Leone Limited	Director's significant interest	Sale of pharmaceutical products and drugs	1,440,017	(740,084)	151,051	-	-	-	850,985	-
Emzor Liberia Limited	Director's significant interest	Sale of pharmaceutical products and drugs	293,637	(196,132)	148,184	-	-	-	245,689	-
Shareholder's Current Account	Key management personn	Issue of shares	-	-	-	-	-	-	110,625	-
Emzor Hesco Limited	Fellow subsidiary	Purchase of medical equipment and consumables	410,547	(458,696)	-	-	-	-	-	(48,149)
Frontwave Limited	Fellow subsidiary	Staff salaries and back charge of expenses	100,678	-	-	-	(108,178)	-	-	(7,500)
Zolon Healthcare Limited	Subsidiary	Purchase of Healthcare products	2,417,031	(3,326,392)	598,940	(20,113)	-	-	-	(330,534)
Emzor Pharmacy & Stores Awka	Retail outlet	Backcharge of expenses	17,001	(38,094)	-	-	-	-	-	(21,093)
Emzor Pharmacy & Stores Ikeja	Retail outlet	Backcharge of expenses	8,394	(15,511)	-	-	-	-	-	(7,117)
Emzor Pharmacy & Stores Osolo	Retail outlet	Backcharge of expenses	-	(97,409)	-	-	-	-	-	(97,409)
Emzor Bureau De Change	Fellow subsidiary	Foreign exchange purchase	-	(720)	-	-	-	-		(720)
Director's Current Account	Key management personnel of the Group	Directors' fees & GMD's Salaries	-	-	-	-	-	(3,176,608)	-	(3,176,608)
		Total	**5,214,242**	**(4,873,038)**	**898,175**	**(971,117)**	**(108,178)**	**(3,176,608)**	**1,207,299**	**(4,113,197)**

Directors' current account represents accrued short term compensation to directors and reimbursable expenses for transactions the directors did on behalf of the Company. The balances are interest free.

Notes to the Financial Statements

36 Related party disclosures - continued

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. The entity applied the general approach in computing expected credit losses (ECL) for intercompany receivables. The Entity recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at an approximation of the original effective interest rate.

36.5 Key management personnel fees

Directors	Group 2023	Group 2022	Company 2023	Company 2022
	₦'000	₦'000	₦'000	₦'000
Fees	48,227	46,421	48,227	36,648
Salaries and other emoluments	307,698	171,000	290,180	135,000
	355,926	217,421	338,407	171,648

Directors (including the chairman) that received fees and other emolument in the following ranges was:

	Group 2023	Group 2022	Company 2023	Company 2022
	Number	Number	Number	Number
₦1 to ₦10,000,000	0	2	0	2
₦10,000,001 and above	7	5	7	5
	7	7	7	7
Directors mix:				
Executive	4	4	4	4
Non-Executive	3	3	3	3
	7	7	7	7
Highest paid Director received	210,700	180,000	194,300	154,800

36.6 Information relating to employees

The average number of persons employed by Emzor Pharmaceuticals Industries Limited during the year is as follows:

	Group 2023	Group 2022	Company 2023	Company 2022
	Number	Number	Number	Number
Production	519	539	519	539
Administration	214	178	212	176
Warehouse	53	43	53	43
Marketing	188	191	112	112
	974	951	896	870

Employees of the Group, other than directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration in the following ranges:

	Group 2023	Group 2022	Company 2023	Company 2022
	Number	Number	Number	Number
10,000 - 650,000	0	8	0	8
Above 650,001	974	943	896	862
	974	951	896	870

Notes to the Financial Statements
For the year ended 31 December 2023

37 Financial Instruments - financial risk management and fair values

A. Classification of financial instruments and fair values

The following table shows the classification, carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group

	Carrying Amount			Fair Value		
31 December 2023 **In thousands of naira**	Amortised Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets not measured at fair value						
Trade and other receivables* - Note 21	8,860,101	-	8,860,101	-	8,860,101	-
Cash and cash equivalents - Note 22	1,656,452	-	1,656,452	-	1,656,452	-
	10,516,553	-	10,516,553	-	10,516,553	
Financial liabilities not measured at fair value						
Loans and borrowings - Note 27	-	35,669,549	35,669,549	-	35,669,549	
Lease liabilities - Note 29	-	965,011	965,011	-	965,011	
Trade and other payables[1] - Note 33	-	15,565,978	15,565,978	-	15,565,978	
	-	52,200,538	52,200,538	-	52,200,538	

	Carrying Amount			Fair Value		
31 December 2022 *In thousands of naira*	Amortised Cost	financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets not measured at fair value						
Trade and other receivables* Note 21	7,322,452	-	7,322,452	-	7,322,452	-
Cash and cash equivalents - Note 22	1,220,389	-	1,220,389	-	1,220,389	-
	8,542,841	-	8,542,841	-	8,542,841	
Financial liabilities not measured at fair value						
Loans and borrowings - Note 27	-	22,489,353	22,489,353	-	22,489,353	
Lease liabilities - Note 29	-	1,328,797	1,328,797	-	1,328,797	
Trade and other payables[1] - Note 33	-	9,151,573	9,151,573	-	9,151,573	
	-	32,969,723	32,969,723	-	32,969,723	

Notes to the Financial Statements
For the year ended 31 December 2023

37 Financial Instruments - financial risk management and fair values - continued

* Withholding tax Receivable has been excluded from the Trade and other receivables as they are not financial instruments

** Excluding advance by customers and statutory deductions such as PAYE, WHT, Pension, VAT etc.

Company

	Carrying Amount			Fair Value		
31 December 2023 In thousands of naira	Amortised Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets not measured at fair value						
Trade and other receivables* Note 21	7,398,671	-	7,398,671	-	7,398,671	-
Cash and cash equivalents - Note 22	1,589,617	-	1,589,617	-	1,589,617	-
	8,988,288	-	8,988,288	-	8,988,288	-
Financial liabilities not measured at fair value						
Loans and borrowings - Note 27	-	35,669,549	35,669,549	-	35,669,549	-
Lease liabilities - Note 29	-	965,011	965,011	-	965,011	-
Trade and other payables** - Note 33	-	14,086,037	14,086,037	-	14,086,037	-
		50,720,597	50,720,597	-	50,720,597	-

	Carrying Amount			Fair Value		
31 December 2022 *In thousands of naira*	Amortised Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets not measured at fair value						
Trade and other receivables* Note 21	6,155,758	-	6,155,758	-	6,155,758	-
Cash and cash equivalents - Note 22	1,178,772	-	1,178,772	-	1,178,772	-
	7,334,530	-	7,334,530	-	7,334,530	
Financial liabilities not measured at fair value						
Loans and borrowings - Note 27	-	22,489,353	22,489,353	-	22,489,353	-
Lease liabilities - Note 29	-	1,328,797	1,328,797	-	1,328,797	-
Trade and other payables** Note 33	-	8,605,471	8,605,471	-	8,605,471	-
	-	32,423,621	32,423,621	-	32,423,621	

Notes to the Financial Statements
For the year ended 31 December 2023

37 Financial Instruments - financial risk management and fair values - continued

B. Measurement of fair values

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets (quoted equity) is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group and Company is the bid price at the reporting date. These instruments are included in level 1. There were no transfers between levels during the year.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (loans and borrowings and finance leases) is determined by using discounted cash flow valuation techniques. This valuation technique maximize the use of observable market data by using the market related interest rates. There are no significant unobservable inputs. There were no transfers between levels during the year. The basis of measurement has remained the same between Group's current and prior years.

(iii) Financial instruments in Level 3

The fair value of financial instruments that are not based on observable market data (unobservable inputs). The valuation technique maximize the use of market multiples derived from quoted prices of companies comparable to the investee and the expected revenue and EBITDA of the investee. The estimate is adjusted for the effect of non-marketability of the equity securities. There are no significant unobservable inputs. There were no transfers between levels during the year. The basis of measurement has remained the same between current and prior years.

C. Financial risk management framework

Overview

The Group and Company has exposure to the following risks arising from financial instruments:

- Credit risk (Note (i))
- Liquidity risk (Note (ii))
- Market risk (Note (iii))
- Operational risk (Note (iv))

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing risks.

Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group and Company's risk management framework, including implementation and monitoring of risk management policies. The Group and Company's risk management policies are established to identify and analyse the risks faced by the Group and Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group and Company's activities.

(i) **Credit risk**

Credit risk is the risk of financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's and Company's receivables from its customers.

Notes to the Financial Statements

For the year ended 31 December 2023

37 Financial Instruments - financial risk management and fair values - continued

The Group's and the Company's principal exposure to credit risk is in its trade receivables. Trade receivables principally represent amounts owed to the Group and the Company by third parties and credit risk is managed at that level.

The management has established a customer activation process under which each new customer is analysed individually for creditworthiness before the Group's and Company's customer sales agreement are issued to seal each sale transaction. The Group's and Company's payment and delivery terms and conditions offered to customers provide that payments be made in advance.

The Group and the Company have no significant concentration of credit risk, with exposure spread over a large number of parties. Cash and cash equivalents are placed with banks and financial institutions which are regulated.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Trade Receivables (Note 21)	9,621,927	7,199,318	7,169,372	5,293,439
Cash and cash equivalents* (Note 22)	1,655,436	1,219,521	1,588,601	1,177,904
	11,277,363	8,418,839	8,757,973	6,471,343

*Cash in hand has been excluded from the Group cash and cash equivalent as there is no credit risk associated with cash in hand.

A summary of the Group and Company's exposure to credit risk for trade receivables is as follows.

Group

	2023		2022	
	Credit impaired	Not Credit impaired	Credit impaired	Not Credit impaired
	₦'000	₦'000	₦'000	₦'000
Trade receivables	1,636,946	7,984,981	1,071,101	6,128,217
Trade receivables- Loss allowance (Note 21)	(1,636,946)	-	(1,071,101)	-
	-	7,984,981	-	6,128,217

Company

	2023		2022	
	Credit impaired	Not Credit impaired	Credit impaired	Not Credit impaired
	₦'000	₦'000	₦'000	₦'000
Trade receivables	667,110	6,502,262	413,285	4,880,154
Trade receivables- Loss allowance (Note 21)	(667,110)	-	(413,285)	-
	-	6,502,262	-	4,880,154

Notes to the Financial Statements
For the year ended 31 December 2023

37 Financial Instruments - financial risk management and fair values - continued

The impairment loss as at 31 December 2023 relates to customers that are not expected to be able to pay their outstanding balances, mainly due to economic circumstances. Management believes that the unimpaired amounts that are past due by more than 90 days are still collectible in full, based on historical payment behavior and extensive analysis of customer credit risk, including underlying customers' credit ratings.

Expected credit loss assessment for customers

The Group uses an allowance matrix to measure the ECLs of trade receivables from its customers, which comprises of both individual customers and corporate customers.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated together as all customers have common credit risk characteristics.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2023.

Group

2023

In thousands of naira	Weighted average loss	Gross carrying amount	Impairment loss allowance	Balance (Net)	Credit impaired
Current (not past due)	0.0%	164,349	-	164,349	No
1–30 days past due	3.5%	4,634,682	(160,131)	4,474,551	No
31–60 days past due	8.3%	1,643,658	(135,943)	1,507,714	No
61–90 days past due	12.3%	1,091,255	(134,137)	957,118	No
More than 90 days past due	57.8%	2,087,959	(1,206,735)	881,224	Yes
		9,621,902	**(1,636,946)**	**7,984,956**	

2022

In thousands of naira	Weighted average loss	Gross carrying amount	Impairment loss allowance	Balance (Net)	Credit impaired
Current (not past due)	1.0%	102,186	(1,055)	101,131	No
1–30 days past due	0.2%	1,647,852	(3,481)	1,644,371	Yes
31–60 days past due	1.2%	1,251,782	(15,217)	1,236,565	Yes
61–90 days past due	0.8%	1,588,649	(12,811)	1,575,838	Yes
More than 90 days past due	39.8%	2,608,849	(1,038,537)	1,570,312	Yes
		7,199,318	**(1,071,101)**	**6,128,217**	

Notes to the Financial Statements
For the year ended 31 December 2023

37 Financial Instruments - financial risk management and fair values - continued

Company

2023

In thousands of naira	Weighted average loss	Gross carrying amount	Impairment loss allowance	Balance (Net)	Credit impaired
Current (not past due)	0.0%	58,946	-	58,946	No
1–30 days past due	2.7%	4,339,078	(117,087)	4,221,991	No
31–60 days past due	8.1%	1,456,443	(118,678)	1,337,765	No
61–90 days past due	13.0%	914,104	(118,678)	795,426	No
More than 90 days past due	78.0%	400,801	(312,666)	88,135	Yes
		7,169,372	(667,110)	6,502,262	

2022

In thousands of naira	Weighted average loss	Gross carrying amount	Impairment loss allowance	Balance (Net)	Credit impaired
Current (not past due)	0.0%	94,758	-	94,758	No
1–30 days past due	0.1%	1,520,763	(2,201)	1,518,562	Yes
31–60 days past due	0.8%	1,077,555	(8,195)	1,069,360	Yes
61–90 days past due	0.5%	1,452,588	(7,140)	1,445,448	Yes
More than 90 days past due	34.5%	1,147,775	(395,749)	752,026	Yes
		5,293,439	(413,285)	4,880,154	

Movements in the allowance for impairment in respect of trade and other receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

	Group		Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Balance at 1 January	**1,071,101**	**822,778**	**414,194**	**413,285**
Impairment allowance on trade receivables	1,394,488	248,323	314,464	-
Balance at 31 December	**2,465,589**	**1,071,101**	**728,658**	**413,285**

Notes to the Financial Statements
For the year ended 31 December 2023

37 Financial Instruments - financial risk management and fair values - continued

(b) *Cash and cash equivalents*

The Group and the Company held cash and cash equivalents of ₦2.43 billion and ₦2.35 billion respectively as at 31 December 2023 (2022: ₦1.13 billion and ₦1.09 billion). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated by established rating agencies. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short term maturities of the exposures. The Group and Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group and Company uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt investments. The impairment loss was assessed as nil at year end (2022: nil).

(ii) **Liquidity risk**

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

Group

2023 *In thousands of naira*	Carrying amount	Contractual cash flows	1 year or less	Over 1 year
Non-derivative financial liabilities:				
Trade and other payables[1] (Note 33)	15,565,978	15,565,978	15,565,978	-
Dividend payable (Note 23)	429,910	429,910	429,910	-
Lease liabilities (Note 29)	965,011	965,011	509,197	455,814
Loans and borrowings (Note 27)	35,669,549	35,669,549	8,729,675	26,939,874
	52,630,448	52,630,448	25,234,760	27,395,688

2022 *In thousands of naira*	Carrying amount	Contractual cash flows	1 year or less	Over 1 year
Non-derivative financial liabilities:				
Trade and other payables[1](Note 33)	9,151,573	9,151,573	9,151,573	-
Dividend payable (Note 23)	840,085	840,085	840,085	-
Lease liabilities (Note 29)	1,328,797	1,706,093	621,178	1,084,916
Loans and borrowings (Note 27)	22,489,353	27,876,709	8,133,707	19,743,002
	33,809,808	39,574,460	18,746,543	20,827,918

[1] Non-company income taxes, pension payable, and advances from customers that are not financial liabilities are not included.

Notes to the Financial Statements

For the year ended 31 December 2023

37 Financial Instruments - financial risk management and fair values - continued

Company

2023

In thousands of naira	Carrying amount	Contractual cash flows	1 year or less	Over 1 year
Non-derivative financial liabilities:				
Trade and other payables1(Note 33)	14,086,037	14,086,037	14,086,037	-
Dividend payable (Note 23)	429,910	429,910	429,910	-
Lease liabilities (Note 29)	965,011	965,011	509,197	455,814
Loans and borrowings (Note 27)	35,669,549	35,669,549	8,729,675	26,939,874
	51,150,507	**51,150,507**	**23,754,819**	**27,395,688**

2022

In thousands of naira	Carrying amount	Contractual cash flows	1 year or less	Over 1 year
Non-derivative financial liabilities:				
Trade and other payables[1]	8,605,471	8,605,471	8,605,471	-
Dividend payable (Note 23)	840,085	840,085	840,085	-
Lease liabilities (Note 27)	1,328,797	1,706,093	621,178	1,084,916
Loans and borrowings (Note 25)	22,489,353	27,876,709	8,133,707	19,743,002
	33,263,706	**39,028,358**	**18,200,441**	**20,827,918**

[1] Non-company income taxes, pension payable, and advances from customers that are not financial liabilities are not included.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iii) **Market risk**

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

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Group, the Naira. The currencies to which the Group is exposed are primarily denominated are the US dollars (US$), euro (EUR) and British pound sterling (GBP). The currency risk is the risk that the fair value or future cash flows of financial instrument will fluctuate due to the changes in foreign exchange rates.

Notes to the Financial Statements
For the year ended 31 December 2023

37 Financial Instruments - financial risk management and fair values - continued

The summary of quantitative data about the Group's exposure to currency risk is as

	Group		
In thousands	**2023**	**2023**	**2023**
	US$'000	GBP'000	EUR'000
Cash and cash equivalents	642	1	1
Advance payment to vendors	2,871	32	0.3
Trade and other payables	(2,039)	(33)	(142)
Net exposure	1,474	-	(141)

	Company		
In thousands	**2023**	**2023**	**2023**
	US$'000	GBP'000	EUR'000
Cash and cash equivalents	629	1	1
Advance payment to vendors	2,592	32	0.3
Trade and other payables	(1,778)	(33)	(142)
Net exposure	1,443	-	(141)

The following significant exchange rates were applied;

	Average rate		Year end spot rate	
	2023	2022	2023	2022
US$ 1	684.11	426.96	907.11	461.10
GBP 1	848.01	528.05	1,149.81	555.21
EUR 1	740.67	449.82	989.02	492.32

Sensitivity analysis

A reasonably possible weakening of the Naira against the US dollar (US$), British pound sterling (GBP) and Euro (EUR) as at 31 December would have affected the measurement of financial instruments denominated in these currencies and affected profit or (loss) (no impact on equity) by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

In thousands of Naira	Profit or loss Strengthening		Profit or loss Weakening	
31 December 2023	Group	Company	Group	Company
US$ (5% weakening)	(66,850)	(65,444)	66,850	65,444
EUR (5% weakening)	6,953	6,953	(6,953)	(6,953)

Notes to the Financial Statements

For the year ended 31 December 2023

37 Financial Instruments - financial risk management and fair values (Cont'd)

Interest rate risk

The Group and Company adopts a policy of ensuring that all its interest bearing instruments are at fixed rate.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market interest rates. The board of directors is responsible for setting the overall duration and interest management targets. The Group's and Company's objective is to manage its interest rate exposure through careful borrowing profiling and use of heterogeneous borrowing sources.

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks may arise from all aspects of the Company's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to management. This responsibility is supported by the development of overall Company standards for the management of operational risk.

38 Commitments and contingencies

The Group and Company have a contingent liability arising from copyright infrignment amounting to ₦250 million (2022: ₦30 million). In the opinion of the directors, it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

39 Events after the reporting period

Subsequent to year end, in May 2024, the government notified the Company of its plan to demolish the facility in Enugu, Nigeria. The demolition led to the destruction of the inventory items and this caused a depletion in the Group and Company's assets and as such would have an impact on the future results and financial position of the Group and Company. However, at the date of issuing these financial statements, the quantitative impacts of the depletion has been assessed by the Group and Company to total N225,864,770; Emzor products (N203,221,554), Zolon products (N22,643,216). This is considered a non-adjusting event, as the demolition was announced after the reporting date.

40 Going Concern

The consoliated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The directors have considered the Group and Company's budgets and cash flow forecasts for a period of at least twelve months from the date of approval of the financial statements and the Group and Company is expected to continue to generate positive cash flows on its own account for the foreseeable future.

41 Changes in presentation of comparatives

Certain changes were made to the presentation and classification of line items on the statement of financial position. The changes were made in order to achieve fairer presentation.
Further details are shown below:

	Group	Company
	₦'000	₦'000
Revenue Reserve		
As reported in 2022 financial year	-	-
Reclassification	1,646,382	1,646,382
2022 comparative re-presentation	1,646,382	1,646,382
Asset revaluation reserve		
As reported in 2022 financial year	-	-
Reclassification	237,559	237,559
2022 comparative re-presentation	237,559	237,559

Revenue reserve and asset revaluation reserve has been reclassified from retained earnings to achieve a more appropriate presentation.

Other national disclosures

Value Added Statement
For the year ended 31 December
Group

	2023	%	2022	%
	₦'000		₦'000	
Revenue	41,152,666		37,556,144	
Other income	46,027		22,539	
	41,198,693		37,578,683	
Less: Bought in materials and services				
- Foreign	(25,032,064)		(23,512,413)	
- Local	(10,728,027)		(10,076,749)	
Value added	5,438,602		3,989,521	
Applied as follows:				
To employees:				
-as salaries and labour related expenses (Note 9.1)	3,834,482	71	3,214,015	29
To providers of capital:				
- as interest (Note 12)	2,920,278	54	1,863,754	39
To Government:				
- as Group taxes	347,524	6	188,866	11
Retained for Growth & Expansion:				
- for assets replacement (Depreciation) (Note 9.2)	1,836,248	34	1,662,888	17
To augment reserves	(3,499,930)	(64)	(2,940,002)	4
	5,438,602	100	3,989,521	100

Value Added Statement
For the year ended 31 December
Company

	2023	%	2022	%
	₦'000		₦'000	
Revenue	38,239,845		35,048,946	
Other income	43,880		20,371	
	38,283,725		35,069,317	
Less: Bought in materials and services				
- Foreign	(23,285,063)		(21,730,441)	
- Local	(9,979,313)		(9,313,046)	
Value added	5,019,350		4,025,829	
Applied as follows:				
To employees:				
-as salaries and labour related expenses (Note 9.1)	3,530,308	70	2,935,949	27
To providers of capital:				
- as interest (Note 12)	2,918,798	58	1,862,804	40
To Government:				
- as taxes	259,072	5	188,866	11
Retained for Growth & Expansion:				
- for assets replacement (Depreciation) (Note 9.2)	1,790,509	36	1,625,910	17
To augment reserves	(3,479,337)	(69)	(2,587,700)	5
	5,019,350	100	4,025,829	100

Five Year Financial Summary

Group

Non-current assets	2023	2022	2021	2020	2019 Restated
	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	37,686,073	25,815,899	15,537,601	13,224,680	12,167,293
Right-of-use-assets	712,877	1,177,196	1,117,457	1,509,508	1515961
Intangible assets	11,500	11,500	11,500	11,500	11,500
Long term loan receivables	-	-	3,101,852	-	-
Net current assets/(liabilities)	4,749,726	8,942,772	15,195,568	11,990,525	9,955,035
	43,160,176	**35,947,367**	**34,963,978**	**26,736,213**	**23,649,789**
Creditors- due after one year					
Convertible loan stock	-	-	-	(4,343,351)	(3,319,284)
Loans and borrowings	(26,939,874)	(15,688,935)	(16,676,989)	(3,981,797)	(2,984,652)
Deferred income	(479,689)	(140,238)	(374,020)	(719,429)	(1,099,138)
Employee benefits	(232,207)	(232,643)	(255,441)	(254,528)	(253,229)
Provisions	(61,684)	(61,684)	(46,156)	(43,374)	(23,221)
Lease liabilities	(455,814)	(480,435)	(938,642)	(1,356,421)	(1,664,481)
Deferred tax liabilities	(665,321)	(1,517,915)	(1,952,436)	(1,797,728)	(1,314,785)
	14,325,587	**17,825,517**	**14,720,294**	**14,239,585**	**12,990,999**
Share capital	1,250,000	1,250,000	1,250,000	1,139,375	1,139,375
Share Premium	5,321,138	5,321,138	5,321,138	5,321,138	5,321,138
Equity contribution	488,909	488,909	488,909	488,909	488,909
Retained earnings	(1,073,801)	2,426,129	7,660,247	7,290,163	6,041,577
Revenue Reserve	1,646,382	1,646,382	-	-	-
Asset revaluation reserve	237,559	237,559	-	-	-
Deposit for shares	6,455,400	6,455,400	-	-	-
Total Shareholders' equity	**14,325,587**	**17,825,517**	**14,720,294**	**14,239,585**	**12,990,999**
Revenue	41,152,666	37,556,144	35,080,591	28,376,498	25,424,202
(Loss)/profit before taxation	(3,847,453)	(3,050,512)	1,330,798	2,568,158	2,225,844
Taxation	-	(188,866)	(960,714)	(932,184)	(1,039,998)
(Loss)/profit after taxation	(3,847,453)	(3,239,378)	370,084	1,635,974	1,185,846
Total comprehensive (loss)/income for the year, net of tax	(3,499,930)	(2,940,002)	370,084	1,635,974	1,185,951
Naira Per Share:					
Basic /diluted (loss)/earnings per share	(1.40)	(1.18)	0.15	0.72	0.47
Net asset per share	5.73	7.13	5.89	6.25	5.20

Five Year Financial Summary

Company

Non-current assets	2023	2022	2021	2020	2019 Restated
	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	37,606,815	25,692,666	15,447,441	13,153,829	12,139,247
Right-of-use-assets	712,877	1,177,196	1,117,457	1,509,508	1,515,961
Intangible assets	11,500	11,500	11,500	11,500	11,500
Investment in subsidiaries	490,909	490,909	490,909	488,909	488,909
Long term loan receivables	-	-	3,101,852	-	-
Net current assets/(liabilities)	3,878,896	7,755,256	13,741,749	10,281,059	8,740,191
	42,700,997	**35,127,527**	**33,910,908**	**25,444,805**	**22,895,808**
Creditors- due after one year					
Convertible loan stock	-	-	-	(4,343,351)	(3,319,284)
Loans and borrowings	(26,939,874)	(15,688,935)	(16,676,989)	(3,981,797)	(2,984,652)
Deferred income	(479,689)	(140,238)	(374,020)	(719,429)	(1,099,138)
Employee benefits	(198,239)	(198,674)	(225,881)	(225,725)	(233,158)
Provisions	(61,684)	(61,684)	(46,156)	(43,374)	(23,221)
Lease liabilities	(455,814)	(480,435)	(938,642)	(1,356,421)	(1,664,481)
Deferred tax liabilities	(1,071,202)	(1,583,729)	(2,132,913)	(1,816,448)	(1,034,848)
	13,494,495	**16,973,832**	**13,516,307**	**12,958,260**	**12,204,025**
Share capital	1,250,000	1,250,000	1,250,000	1,139,375	1,139,375
Share Premium	5,321,138	5,321,138	5,321,138	5,321,138	5,321,138
Equity contribution	488,909	488,909	488,909	488,909	488,909
Retained earnings	(1,904,893)	1,574,444	6,456,260	6,008,838	5,254,603
Revenue Reserve	1,646,382	1,646,382	-	-	-
Asset revaluation reserve	237,559	237,559	-	-	-
Deposit for shares	6,455,400	6,455,400	-	-	-
Total Shareholders' equity	**13,494,495**	**16,973,832**	**13,516,307**	**12,958,260**	**12,204,025**
Revenue	38,239,845	35,048,946	32,437,044	32,437,044	23,364,651
(Loss)/profit before taxation	(3,738,409)	(2,907,100)	1,372,470	8,022,046	1,507,358
Taxation	-	(188,866)	(925,048)	(724,291)	(779,845)
(Loss)/profit after taxation	(3,738,409)	(3,095,966)	447,422	7,297,755	727,513
Total comprehensive (loss)/income for the year, net of tax	(3,479,337)	(2,587,700)	447,422	7,297,755	727,513
Naira Per Share:					
Basic /diluted (loss)/earnings per share	(1.39)	(1.04)	0.18	0.18	0.32
Net asset per share	5.40	6.79	5.41	5.18	5.36