

MeCure Industries Limited
(RC 619125)

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

*By: Alexander Johnson &
Co. (Firm of chartered
accountants)*

MeCure Industries Limited

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

Contents

Corporate Information	1
Report of the directors	2
Statement of directors' responsibilities	4
Independent auditor's report	5
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Other national disclosures:	
Statement of value added	25
Five-year financial summary	26

MeCure Industries Limited

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

Corporate Information

Company Registration Number

RC: 619125

Directors

Samir Udani	Chairman
Arjun Udani	Executive Director
Avni Udani	Executive Director
Amy Udani	Executive Director
Dukor Anderline	Executive Director

Independent Auditor

Alexander Johnson & Co.
Chartered Accountants
18, Oremeji Street Off Coker road
Ilupeju - Lagos
Nigeria

Corporate Office

MeCure Industries Limited
Debo Industrial Compound
Plot 6, Block H, Oshodi Apapa Expressway
Oshodi Lagos, Nigeria

Company Secretary

Banwo & Ighodalo
98, Awolowo road, southwest
Ikoyi, Lagos, Nigeria.

Principal Bankers

Standard Chartered Bank
Eco Bank Plc
Union Bank of Nigeria Plc

MeCure Industries Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2019, to the members of MeCure Industries Limited ("the Company"). This report discloses the financial performance and state of affairs of the Company.

Incorporation and address

MeCure Industries Limited was incorporated in Nigeria on 16th March, 2005 under the Companies and Allied Matters Act as a private limited liability Company, and is domiciled in Nigeria.

Principal activity

The principal activity of the Company is to carry out the business of manufacturing of pharmaceutical products.

Results and dividends

The Company's results for the year ended 31 December 2019 are set out on page 6. The Profit for the year has been transferred to retained earnings. The summarised results are presented below.

	2019 N'000	2018 N'000
Revenue	15,813,495	15,172,872
Profit before Interest and tax	2,135,745	2,066,881
Income tax	(511,458)	(474,181)
Profit for the year	<u>303,913</u>	<u>427,541</u>

Dividends

The directors do not propose dividend payment in respect of the year ended 31 December 2019 (2018: Nil).

Directors

The directors who held office during the year and to the date of this report are set out on page 1.

Directors' shareholding

The directors who held office during the year and to the date of this report together with their direct and indirect interests in the issued share capital of the Company as recorded in the register of directors' shareholdings and/or as notified by the directors for the purposes of sections 275 and 276 of the Companies and Allied Matters Act are as shown in shareholders' information below.

Directors' interests in contracts

For the purpose of section 277 of the Companies and Allied Matters Act, the following directors have notified the Company of their respective declarable interest in contracts with which the Company was involved as at 31 December 2019.

The Directors who serve for the year under review are as follows:

Directors

- 1 Samir Udani
- 2 Arjun Udani
- 3 Avni Udani
- 4 Amy Udani
- 5 Anderline Dukor

Shareholders

The shares of the Company were held as follows:

Ordinary shares of N1.00 held at 2019 and 2018

	Number	Holding (%)
Samir Udani	4,000,000	20.00%
Avni Udani	3,800,000	19.00%
Amy Udani	4,000,000	20.00%
Arjun Udani	4,000,000	20.00%
Anderline Dukor	200,000	1.00%
Unallotted capital	4,000,000	20.00%
	<u>20,000,000</u>	<u>100%</u>

MeCure Industries Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Report of the Directors

Employment of disabled persons

The Company maintains a policy of giving equal opportunities and fair consideration to applications for employment by both able and disabled persons having regard to their particular aptitudes and abilities, to develop their experience and knowledge and to qualify for promotion in furtherance of their respective careers.

Employee health, safety and welfare

In addition to providing comprehensive medical care for its employees through designated hospitals and clinics retained for this purpose, the Company also provides first aid medical facilities within the office premises. Fire prevention and fire fighting gadgets are installed in strategic locations within the Company's premises. To further protect the interest of its workers, the Company runs a contributory pension fund scheme.

The Company is committed to keeping employees informed as much as possible, of its performance and progress and to seek their views, whenever necessary.

Employee development and training

The Company attaches a lot of importance to the training and development of its employees. This has guided the Company's policy of continuous development of its human resources through courses and seminars organised by recognised professional bodies and organisations. Some members of staff benefited from these courses and seminars during the year.

Property, plant and equipment

The movement in property, plant and equipment has been disclosed in Note 10 to the financial statements. In the opinion of the directors, the carrying value of property, plant and equipment is not lower than the amounts shown in the financial statements.

Donations

The Company made no donations to charitable organisations or political association during the year (2018: Nil).

Independent Auditors

Messrs Alexander Johnson & Co. has indicated their willingness to continue in office in accordance with Section 357(2) of the Companies and Allied Matters Act.

By order of the Board

Banwo & Ighodalo
98, Awolowo road, southwest
Company Secretary
Lagos, Nigeria

10 February, 2020

MeCure Industries Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Statement of Directors' responsibilities

The Companies and Allied Matters Act 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. These responsibilities include:

- a) ensuring that the Company 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;
- b) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; and
- c) preparing the Company's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act.

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 or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



Samir Udani
Chairman



Arjun Udani
Executive Director

10 February, 2020



**REPORT OF THE INDEPENDENT AUDITORS
TO MEMBERS BOARD OF DIRECTORS
MeCure Industries Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of *MECURE INDUSTRIES LIMITED* which comprise the Statement of Financial Position as at 31 December 2019, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended, and Notes, comprising of Summary of Significant Accounting Policies and other explanatory information as set out on pages 10 to 24.

The financial statements are in agreement with the books, which, in our opinion, have been properly kept. We obtained the information and explanations which we considered necessary.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, guidelines and circulars, to the extent that they do not conflict with the requirements of IFRS. This responsibility includes designing, implementing and maintaining internal control systems relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

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

**REPORT OF THE INDEPENDENT AUDITORS
TO MEMBERS BOARD OF DIRECTORS CONTD.
MECURE INDUSTRIES LIMITED**

Opinion

In our opinion, the Company has kept proper accounting records and the financial statements are in agreements with the records in all material respects and give in the prescribed manner, information required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011 The Financial Statements give a true and fair view of the financial position of MECURE INDUSTRIES LIMITED as at December 31, 2019 and of its financial performance and its cash flows for the year ended, in accordance with the International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the statement of financial position and the statements of comprehensive income are in agreement with the books of account.



Alexander Johnson & Co

Alexander O. Johnson, FCA
FRC/2016/ICAN/00000014668
For : Alexander Johnson & Co.
(Chartered Accountants)
10th February 2020

McCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Statement of profit or loss and other comprehensive income

	Note	2019 N'000	2018 N'000
Revenue	4	15,813,495	15,172,872
Cost of sales	5	(10,653,590)	(10,194,910)
Gross profit		5,159,904	4,977,962
Marketing expenses	6	(837,995)	(783,061)
Administrative expenses	6	(2,186,164)	(2,128,020)
Operating Profit		2,135,745	2,066,881
Profit before Interest and tax		2,135,745	2,066,881
Finance cost	8	(1,320,374)	(1,165,159)
Profit Before Tax		815,371	901,723
Income tax	9	(511,458)	(474,181)
Profit for the year		303,913	427,541
Other comprehensive income for the year		-	-
Profit for the year		303,913	427,541
Basic and diluted earnings/(loss) per share (Naira)	17	15.20	21.38

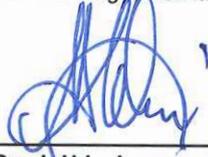
The notes on pages 10 to 24 are an integral part of these financial statements.

MeCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Statement of Financial Position

	Note	2019 N'000	2018 N'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	3,378,555	1,186,919
Intangible assets	11	1,706,970	1,980,603
Development Cost	11	-	681,759
Total non-current assets		5,085,525	3,849,282
Current assets			
Inventories	12	6,542,089	6,622,734
Trade and other receivables	13	2,040,607	1,710,786
Cash and cash equivalents	14	22,546	28,707
Total current assets		8,605,242	8,362,227
Total assets		13,690,767	12,211,509
LIABILITIES			
Non-current liabilities			
Term Loan		7,084,562	6,002,884
Unsecured Loan		227,130	410,002
Deferred tax liabilities	9	653,046	313,401
		7,964,738	6,726,288
Current liabilities			
Trade and other payables	15	438,243	326,885
Bank Overdraft		472,473	818,748
Current tax liabilities	9	790,921	619,108
Total current liabilities		1,701,637	1,764,741
Total liabilities		9,666,375	8,491,029
EQUITY			
Share capital	16	20,000	20,000
Retained profit		4,004,393	3,700,480
Total equity		4,024,393	3,720,480
Total equity and liabilities		13,690,767	12,211,509

The notes on pages 10 to 24 are an integral part of these financial statements.

The financial statements on pages 7 to 24 were approved and authorised for issue by the board of directors on 10 February 2020 and were signed on its behalf by:



Samir Udani
 Chairman



Arjun Udani
 Executive Director

McCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Statement of Changes in Equity

	Share capital N'000	Capital contribution N'000	Retained earnings N'000	Total N'000
Balance at 1 January 2019	20,000	-	3,700,480	3,720,480
Profit for the year	-	-	303,913	303,913
Other comprehensive income	-	-	-	-
Total comprehensive Profit	-	-	303,913	303,913
Balance at 31 December 2019	20,000	-	4,004,393	4,024,394
At 1 January 2018	20,000	-	3,272,938	3,292,938
Profit for the year	-	-	427,541	427,541
Prior year adjustment (Restated Non-Current)	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive Profit	-	-	427,541	427,541
Balance at 31 December 2018	20,000	-	3,700,480	3,720,480

The notes on pages 10 to 24 are an integral part of these financial statements.

McCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Statement of Cash Flows

	Notes	2019 N'000	2018 N'000
Cash flows from operating activities			
Cash used in operations	18	2,227,323	(56,028)
Tax paid	9	-	-
Net cash used in operating activities		2,227,323	(56,028)
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(2,786,015)	(875,626)
Purchase of intangible assets	11	-	(2,504,070)
Cash flows from Financing activities			
Long-term loan		898,805	2,873,805
Bank Overdraft		(346,275)	573,333
Net cash used in investing activities		(2,233,485)	67,442
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	14	28,707	17,292
Cash and cash equivalents at the end of the year		22,546	28,707

The notes on pages 10 to 24 are an integral part of these financial statements.

MeCure Industries Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Notes to the Financial Statements

1 General Information

These financial statements are the financial statements of MeCure Industries Limited ("the Company"). MeCure Industries Limited was incorporated in Nigeria on 16th March, 2005 under the Companies and Allied Matters Act as a private limited liability company, and is domiciled in Nigeria. The address of its registered office is:

Debo Industrial Compound
Plot 6, Block H, Oshodi Apapa Expressway
Oshodi Lagos, Nigeria

The principal activity of the Company is to carry out the business of manufacturing of pharmaceutical products.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

The financial statements of the MeCure Industries Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate. As first time adoption, appropriate standard are adopted in line with IFRS 1

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept. All values are rounded to the nearest thousand, except when otherwise indicated. The financial statements are presented in Naira.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 10 & 11

2.2.1 Going concern

The financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business as the fall due. The directors are of the opinion that the Company will continue to be in operation in the nearest future. There is no intention on their part to liquidate the entity or to significantly curtail its activities.

2.2.2 Changes In accounting policies and disclosures

i) New standards, amendments, Interpretations

The following standards have been adopted by the Company for the first time for the financial period beginning on or after 1 January 2018:

MeCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Notes to the Financial Statements

2.2.2 Changes in accounting policies and disclosures (continued)

ii) **New Standards, amendments, Interpretations issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not effective for 31 December 2017 reporting periods and have not been earlier adopted by the Company. The Company's assessment of the impact of these new standards and interpretations (excluding quantitative impact) is set out below.

Title of standard	IFRS 9 <i>Financial Instruments</i>
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	The Company has reviewed its financial assets and liabilities and is not expecting any impact from the adoption of the new standard on 1 January 2018.
Date of adoption by company	Not yet adopted

Title of standard	IFRS 15 <i>Revenue from Contracts with Customers</i>
Nature of change	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. It requires that in recognising revenue, the Company must: 1. Identify the contract(s) with the customer 2. Identify performance obligations in the contract(s) 3. Determine the transaction price 4. Allocate the transaction price to performance obligations in the contract 5. Recognise revenue when (or as) the Company satisfies a performance obligation. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Impact	The company's revenue is the fair value of the consideration received or receivable from the sales of manufactured pharmaceutical products & Nutraceuticals net of discount. The new standard will not have a significant impact on the company.
Date of adoption by company	Effective January 1, 2018

Title of standard	IFRS 16 <i>Leases</i>
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The new standard will not have any impact on the Company.
Date of adoption by company	Must be applied for financial years commencing on or after 1 January 2019.

MeCure Industries Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Notes to the Financial Statements

2.3 Foreign currency translation

a) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency and presentation currency of the Company is the Nigerian Naira (N).

b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in profit or loss. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

2.4 Financial instruments

2.4.1 Financial assets

a) *Classification*

The Company classifies its financial assets as loans and receivables. The Company does not hold any financial assets in any other financial instrument category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade receivables, due from related parties and cash and cash equivalents, and are included in current and non current assets depending on their contractual settlement date. They are classified as current if they are to be settled within one year and non-current if they are to be settled after one year.

c) *Recognition and measurement*

Loans and receivables are initially recognized at fair value using the effective interest rate method. Subsequently, loans and receivables are carried at amortised cost less any impairment.

2.4.2 Financial liabilities

a) *Classification*

Financial liabilities are classified as financial liabilities at amortised cost. The Company has no financial liabilities in any

b) *Financial liabilities at amortised cost*

These include trade payables, due to related parties and borrowings. Trade payables are classified as current liabilities due to their short term nature while borrowings are split into current and non current liabilities. Borrowings included in non-current liabilities are those with maturities greater than 12 months after the reporting date.

c) *Recognition and measurement*

Financial liabilities are recognized initially at fair value, net of any transaction costs. Subsequently, they are measured at amortised cost using the effective interest method.

McCure Industries Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Notes to the Financial Statements

2.4.3 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred.

2.4.4 Offsetting financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.4.5 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

2.5 Revenue recognition

The company recognises revenue when the amount of revenue can be reliably measured and when risks and rewards have passed to the customer. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from sale of pharmaceutical products & Nutraceuticals net of discounts. This amount excludes value added tax and any amount remittable to third parties.

2.6 Employee benefits

2.6.1 Wages, salaries and annual leave

Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Company.

The Company operates a defined contribution pension scheme.

2.6.2 Defined contribution scheme

The Company operates a defined contribution retirement benefit scheme for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. In a defined contribution plan, the actuarial risk falls 'in substance' on the employee. The employee contributes 8% while the Company contributes 10% of monthly emoluments of the employees in compliance with the Pension Reform Act 2014. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of this scheme are held in separate trustee administered funds, which are funded by contributions from both the employee and the Company. The contributions are recognised as employee benefit expense when they are due.

McCure Industries Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Notes to the Financial Statements

2.7 Statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as changes from receivables and liabilities.

In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated. In the statement of cash flows, cash and cash equivalents includes cash in hand, deposit held at call with banks and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

The cash flows from investing and financing activities are determined by using the direct method.

2.8 Cash and cash equivalents

Cash and cash equivalents represent a net of cash and bank balances as well as short term investments that are readily convertible to cash. Cash and cash equivalents comprise cash in hand and current balances with banks.

2.9 Leases

The Company is a lessee and it classifies its leases as operating leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.10 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Construction work in progress is not depreciated. All such assets, once available for use are capitalised within the appropriate class of property, plant and equipment and subjected to the applicable depreciation rate in the year they are put to use.

Land is not depreciated by the Company. Depreciation of property, plant and equipment is calculated using the straight-

	Useful life (years)
Plant & Machinery	10
New Factory (WIP)	NIL
Motor Vehicle	10
Ambulance	10

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the estimated selling price in the ordinary course of business less costs to sell and value in use.

MeCure Industries Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Notes to the Financial Statements

2.10 Property, plant and equipment (continued)

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and taken into account in determining operating profit. These gains or losses are recognised within "other income or loss" in profit or loss.

2.11 Intangible assets

Intangible assets include computer softwares. Software acquired by the company is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. Software has a finite useful life, the estimated useful life of the software is five years for E-Pharmacy and ten years for IP Software.

2.12 Finance cost

Finance cost comprises interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest

2.13 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in arriving at profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

a) Income tax

The current income tax charge is calculated on the basis of the applicable tax laws enacted or substantively enacted at the reporting date in the country, Nigeria, where the Company generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b) Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balance on a net basis.

MeCure Industries Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Notes to the Financial Statements

2.15 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in

The cost of inventory is determined using the first-in, first-out (FIFO) method and comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), incurred in bringing inventory to its present location and condition.

Allowance is made for excessive, obsolete and slow moving items. Write-downs to net realizable value and inventory losses are expensed in the period in which the write-downs or losses occur.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is within one year or less. Otherwise, they are classified as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Share capital

The Company has only one class of shares; ordinary shares. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

3 Financial risk management

3.1 Financial risk factors

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's risk management is carried out by the board of directors. The finance department identifies, evaluates and hedges financial risks. The board provides principles for overall risk management as well as policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk.

3.1.1 Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

a) Management of credit risk

Credit risk is managed on a Company basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management.

MeCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Notes to the Financial Statements

	2019	2018
	N'000	N'000
4 Revenue		
Sales of Finished product	15,813,495	15,172,872
All revenue was generated within Nigeria.		
5 Cost of sales		
Opening Inventories of raw material	4,159,129	2,875,511
Add: Purchases of raw materials	9,769,469	10,919,425
	13,928,598	13,794,937
Less: Closing Inventories of raw materials	(4,092,628)	(4,159,129)
Material Consumed	9,835,970	9,635,808
Add: Opening Inventories of work-in-progress	1,486,199	684,018
Less: Closing Inventories of work-in-progress	(959,470)	(1,486,199)
Add: Opening Inventories of Finished goods	977,405	1,538,497
Less: Closing Inventories of Finished goods	(1,489,991)	(977,405)
Overheads	5,041	6,308
Other direct expenses	798,436	793,884
	10,653,590	10,194,910
6 Expenses by function		
Marketing expenses	837,995	783,061
Administrative expenses	2,186,164	2,128,020
	3,024,159	2,911,081
The balances above have been further analysed as follows:		
Employee costs (Note 7)	516,105	486,564
Depreciation (Note 11)	64,203	64,203
Utilities	130,063	156,005
Rent	22,487	39,363
Foreign exchange loss - realised	17,738	34,782
Marketing expenses	837,995	783,061
Audit fees & Professional fee	19,438	17,292
Repairs and maintenance	62,914	72,340
Amortization (Note 11)	955,393	887,217
Regulatory expenses	21,488	8,998
Outsourcing fee	47,751	46,407
Insurance	35,126	32,993
Other expenses	293,458	281,855
	3,024,159	2,911,081
7 Employee costs		
Salaries and wages	453,356	446,828
Defined contribution benefit	1,894	2,083
Other employment related expenses	60,856	37,653
	516,105	486,564

MeCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Notes to the Financial Statements

8 Finance Cost	2019 N'000	2018 N'000
Bank Comm and Charges	182,072	156,902
Bank Interest	1,138,301	1,008,256
	<u>1,320,374</u>	<u>1,165,159</u>

Interest relates to the interest paid during the year for the term loan

9 Taxation	2019 N'000	2018 N'000
a) Current income tax		
Company income tax	143,617	299,006
Education tax	28,196	32,719
Prior year under provision		
Deferred tax charge to the profit or loss	339,645	142,456
Total tax charge to profit or loss	<u>511,458</u>	<u>474,181</u>

b) Current income tax liability	2019 N'000	2018 N'000
Balance at 1 January	619,108	287,382
<i>Charge for the year:</i>		
Income tax expense	143,617	299,006
Education tax	28,196	32,719
Prior year under provision	-	
Payment during the year	-	
At 31 December	<u>790,921</u>	<u>619,108</u>

MeCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Notes to the Financial Statements

9 Taxation (continued)

d) Deferred income tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets of N100 Million (31 December 2018: N242 million) for the Company have not been recognised as at 31 December 2018 because the Directors are of the opinion that it is probable that future taxable profits will not be available against which they can be utilised.

The analysis of deferred tax assets/(liabilities) is as follows:	2019	2018
	N'000	N'000
To be recovered after more than 12 months	(653,046)	(313,401)
To be recovered within 12 months	-	-
	(653,046)	(313,401)

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss (P/L) are attributable to the following items:

Deferred income tax assets/(liabilities):	At 1 January	Credit/ (charge)	Credit/ (charge)	At 31 December
	2018	to P/L	to equity	2018
	N'000	N'000	N'000	N'000
Property, plant and equipment	(313,401)	(339,645)	-	(653,046)
Tax losses charged to profit & loss	-	-	-	-
Unutilised tax credits	-	-	-	-
Total deferred tax liabilities	(313,401)	(339,645)	-	(653,046)

Deferred income tax assets/(liabilities):	At 1 January	Credit/ (charge)	Credit/ (charge)	At 31 December
	2018	to P/L	to equity	2018
	N'000	N'000	N'000	N'000
Property, plant and equipment	(170,945)	(142,456)	-	(313,401)
Tax losses charged to profit & loss	-	-	-	-
Unutilised tax credits	-	-	-	-
Total deferred tax assets/(liabilities)	(170,945)	(142,456)	-	(313,401)

MeCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Notes to the Financial Statements

10 Property, plant and equipment

	Plant & Machinery N'000	New Factory N'000	Motor Vehicle N'000	Ambulance N'000	Total N'000
Cost:					
As at 1 January 2019	5,065,389		49,788	592,243	5,707,420
Additions	1,414,272	1,371,743	-	-	2,786,015
As at 31 December 2019	6,479,661	1,371,743	49,788	592,243	8,493,435
As at 1 January 2018	4,189,763		49,788	592,243	4,831,795
Additions	875,626		-	-	875,626
As at 31 December 2018	5,065,389	-	49,788	592,243	5,707,420
Accumulated depreciation					
As at 1 January 2019	4,194,939		29,441	296,122	4,520,501
Charge for the year	530,175		4,979	59,224	594,378
As at 31 December 2019	4,725,113	-	34,420	355,346	5,114,879
As at 1 January 2018	3,845,502		24,463	236,897	4,106,862
Charge for the year	349,437		4,979	59,224	413,639
As at 31 December 2018	4,194,939	-	29,441	296,122	4,520,501
Net book value					
At 31 December 2019	1,754,548	1,371,743	15,368	236,897	3,378,555
At 31 December 2018	870,450	-	20,347	296,122	1,186,919

The depreciation charge on Plant & Machinery is classified as cost of sales. The depreciation charge on other categories of property, plant and equipment is classified as administrative expenses.

	2019 N'000	2018 N'000
11 Intangible assets		
Cost:		
As at 1 January and 31 December	3,295,535	2,613,776
Accumulated amortisation (Restated):		
As at 1 January	2,091,021	1,568,266
Charge for the year	590,931	522,755
As at 31 December	2,681,952	2,091,021
Net book value:		
At 31 December	613,583	522,755

Intangible asset comprises of E-Pharmacy and IP Software Development

MeCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Notes to the Financial Statements

	2019	2018
	N'000	N'000
1 Intangible assets - R&D		
Cost:		
As at 1 January and 31 December	1,822,310	1,822,310
Accumulated amortisation :		
As at 1 January	364,462	-
Charge for the year	364,462	364,462
As at 31 December	1,093,386	1,457,848
12 Inventories		
Raw materials	4,092,628	4,159,129
Work-In-Progress	959,470	1,486,199
Finished goods	1,489,991	977,405
	6,542,089	6,622,734
Write-downs of inventories represent the lower of cost or net realisable value as at the reporting date.		
13 Trade and other receivables		
Prepaid expenses	32,455	48,028
Trade receivables	736,129	427,663
Other receivables	337,494	322,606
Due from related parties (note 19)	934,528	912,488
	2,040,607	1,710,786
14 Cash and cash equivalents		
Cash-in-hand	1,212	3,211
Cash at bank	21,333	25,497
	22,546	28,707
15 Trade and other payables		
Trade payables	382,832	284,023
Pension and other benefits	2,372	606
PAYE and Withholding Tax	3,293	13,397
Accrued salaries	12,276	13,080
Audit fee payable	5,528	2,410
Due to related parties (note 19)	31,943	13,370
	438,243	326,885
All trade payables are due within twelve (12) months.		

MeCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Notes to the Financial Statements

	2019	2018
	N'000	N'000
16 Ordinary share capital		
Authorised:		
Ordinary shares of N1.00 each	20,000	20,000
Issued and fully paid:		
Ordinary shares of N1.00 each	20,000	20,000

17 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding at the end of the reporting period.

	2019	2018
Profit attributable to equity holders of the Company (N'000)	303,913	427,541
Weighted average number of ordinary shares in issue ('000)	20,000	20,000
Basic and diluted loss per share (Naira)	15.20	21.38

Diluted EPS is the same as the basic earning per share as there are no potential securities convertible to ordinary shares.

	2019	2018
	N'000	N'000
18 Cash generated from operating activities		
Profit before tax	815,371	901,723
Adjustment for:		
Depreciation of property, plant and equipment (Note 10)	594,378	413,640
Amortisation (Note 11)	955,393	887,217
Changes in working capital:		
-Decrease in inventories	80,645	(1,524,708)
-Increase in trade and other receivables	(329,821)	(594,611)
-Increase in trade and other payables	111,358	(139,289)
Cash used in operations	2,227,323	(56,028)

19 Related parties

The MeCure Industries Limited has a common directors with MeCure Healthcare Limited who is a parent company of MeCure Infraproject and MeCure Wecare Limited.

A number of transactions were entered into with related parties in the normal course of business in an arms length basis. These are disclosed below:

		2019	2018
	Nature of relationship	N'000	N'000
a) Finance costs			
	Common Directors (MHL)	178,654	

MeCure Industries Limited

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

Notes to the Financial Statements

19 Related parties (continued)

The receivables from MeCure Healthcare Limited, MeCure Infracore Limited and MeCure WeCare Limited relates to loan repayment and short-term non-interest borrows by MeCure Industries Limited on behalf of its related companies.

		2019 N'000	2018 N'000
c) Receivables from related parties	Nature of relationship		
Mecure Healthcare Limited	Common Directors	707,388	725,656
Mecure Infracore Limited	Common Directors	91,747	51,439
Mecure WeCare Limited	Common Directors	135,393	135,393
		934,528	912,488

d) Key management compensation

	2019 N'000	2018 N'000
Amy Udani	23,000	
Avni Udani	25,000	
	48,000	-

The directors receive emolument from the Company for the year ended 2019 (2018: N48 million).

20 Directors and employees

a) The average number of persons (excluding directors) employed by the Company during the year was as follows:

	2019 Number	2018 Number
Managerial	2	-
Senior staff	-	2
Others	16	3
	18	5

b) The table below shows the number of employees (excluding directors), who earned over N400,000 as emoluments in the year and were within the bands stated.

	2019 N'000	2018 N'000
Below 400,000	107	105
400,000 - 1,000,000	2	1
1,000,001 - 3,000,000	3	3
3,000,001 - 6,000,000	-	-
Above 6,000,000	-	-
	112	109

c) Staff costs for the above persons have been disclosed in Note 7.

MeCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Notes to the Financial Statements

21 Contingent liabilities

There are no contingent liabilities as at the reporting date ended 31st December, 2019

22 Commitments

The Company had no capital commitments as at 31 December 2019 (2018: Nil).

23 Events after reporting period

There were no events after the reporting date that are deemed to have an adjusting or non-adjusting effect on the financial statements.

MeCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Statement of Value Added

	2019		2018	
	N'000	%	N'000	%
Revenue	15,813,495		15,172,872	
Other income	-		-	
Less:				
Bought in materials and services:				
Local	(1,994,506)		(1,851,903)	
Imported	(11,302,203)		(10,494,111)	
Value added	2,516,785	100	2,826,859	100
Applied as follows:				
To pay employees				
Wages, salaries and other benefits	516,105	21	486,564	17
To pay government:				
Tax expense	511,458	20	474,181	17
To provide for enhancement of assets and growth:				
Depreciation and amortisation of assets	1,185,309	47	1,438,573	51
Retained Profit for the year	303,913	12	427,541	15
Value added	2,516,785	100	2,826,859	100

Value added depicts wealth created by the Company alongside its employees' efforts and how that wealth has been distributed among various stakeholders. The various stakeholders comprise of the employees, shareholders, government, creditors and the wealth that is retained in the business.

McCure Industries Limited
Annual Report and Financial Statements
for the year ended 31 December 2019
Five-year financial summary

	IFRS			N-GAAP	
	2019 N'000	2018 N'000	Restated 2017 N'000	2016 N'000	2015 N'000
Financial position					
Capital employed:					
Ordinary share capital	20,000	20,000	20,000	20,000	20,000
Retained Earnings	4,004,393	3,700,480	3,272,939	2,257,964	2,197,083
Total equity	4,024,393	3,720,480	3,292,939	2,277,964	2,217,083
Represented by:					
Non-current assets	5,085,525	3,849,282	1,770,444	3,911,677	4,023,035
Current assets	8,605,242	8,362,227	6,231,493	4,867,760	2,162,856
Non-current liabilities	(7,964,738)	(6,726,288)	(3,955,442)	(5,429,407)	(2,855,914)
Current liabilities	(1,701,637)	(1,764,741)	(753,556)	(1,072,066)	(1,112,894)
Net assets/ (liabilities)	4,024,392	3,720,480	3,292,939	2,277,964	2,217,083
Net assets/(liabilities) per share (Naira)	201.22	186.02	164.65	113.90	110.85

Net assets per share is calculated by dividing net assets of the company by the number of ordinary shares outstanding at the end of the reporting period.

	IFRS			N-GAAP	
	2019 N'000	2018 N'000	Restated 2017 N'000	2016 N'000	2015 N'000
Financial result					
Revenue	15,813,495	15,172,872	11,233,039	11,801,095	6,369,462
Gross profit	5,159,904	4,977,962	3,356,783	1,918,166	1,406,359
Net operating expenses	(3,024,159)	(2,911,081)	(1,683,831)	(1,364,283)	(1,469,385)
Operating Profit	2,135,745	2,066,881	1,672,952	553,883	(63,026)
Finance cost	(1,320,374)	(1,165,159)	(1,145,443)	(483,582)	(425,099)
Profit before taxation	815,371	901,723	527,509	70,302	(488,125)
Tax (expense)/credit	(511,458)	(474,181)	(441,509)	(9,420)	-
Profit for the year	303,913	427,541	86,000	60,882	(488,125)
Basic and diluted earnings/(loss) per share (Naira)	15.20	21.38	4.30	3.04	(24.41)

Earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding at the end of the reporting period.