

Deloitte

P/F

Intravenous Infusions Plc

**Report and Financial Statements
31 December 2016**

Report and financial statements

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Corporate Information

Directors

Isaac Osei
Mr. Richard Okrah
Kofi Appenteng
Leon Appenteng
Samuel A. Appenteng
Nana Owusu Banahene
Michael Amafu-Dey
Prof. Mrs Gladys Amponsah

Chairman
Managing director(Retired)
(Resigned)

Secretary
Registered office

Dehands Services Limited
4 Liberation Road
P. O. Box GP 453
Accra

Auditors

Deloitte &Touche
Chartered Accountants
4 Liberation Road
P. O. Box GP 453
Accra

Bankers

National Investment Bank
Limited
Agricultural Development Bank
Limited
CAL Bank Limited
Ecobank (Ghana) Limited
Ecobank (Cote D'ivoire)
Barclays Bank Ghana Limited

Intravenous Infusions Plc

Report of the directors

The directors present their report and the accounts for the year ended 31 December 2016.

1. Nature of business

Intravenous Infusions Plc is a public limited company incorporated in Ghana. The address of its registered office and principal place of business is Plot 4/7 Blk L Effiduase P.O. Box KF 63 Koforidua.

2. Principal activities

Intravenous Infusions PLC (IIPLC) is a pharmaceutical company producing and distributing Intravenous Fluids in Ghana and the West African sub-region. The main business activity of IIPLC is the production of Intravenous Infusions and small volume injectable for therapeutic purposes. Intravenous Infusions therapy commonly called IV, refers to the administration of Fluids, drugs or blood directly into the circulatory system through a vein.

IIPLC production process is regulated and certificated by Food and Drugs Authority (FDA), and customs Divisions of Ghana Revenue Authority (GRA). Renewals for those certificates have been obtained for 2016 financial year. The wholesaling and distribution are regulated by Pharmacy Council under Act 857 and the certificate has been renewed for 2016 financial year.

3. Financial results

The statement of financial position has been signed by two directors indicating the board's approval of such statement of financial position and attached accounts on pages 13 to 52.

	GHS 2016	GHS 2015
The balance brought forward on income surplus account at 1 January	(3,156,859)	(2,637,221)
To which must be added profit (loss) for the year after charging all expenses including depreciation of	<u>669,945</u>	<u>(519,638)</u>
Leaving a deficit to be carried forward on income surplus account at 31 December of	<u>(2,486,914)</u>	<u>(3,156,859)</u>

4. Dividend

The Directors do not recommend the payment of dividend.

Report of the directors

5. Auditors

In accordance with Section 134 (5) of the Companies Act, 1963 (Act 179) the auditors, Messrs. Deloitte & Touche, will continue in office as auditors of the Company. Messr Deloitte and Touche have been providing audit services to IIPLC for more than 10years.

The Auditors are appointed by the Shareholders at the Annual General Meeting on the recommendation of the Board of Directors. Their professional fees are set and approved at the meeting.

During the year there was no any non-audit work done by the Auditors.

6. Going Concern

No issues have come to the attention of the directors to indicate that the Company will not remain a going concern for at least the next twelve (12) months from the date of this statement.

7. Related party transaction

As per requirement of IAS 24, related party transaction are disclosed under note 22 to the financial statements.

8. Corporate Responsibility and Compliance

The Company is registered with Environmental Protection Agency (EPA) and has obtained the environmental permit and certificate for the year 2016. The company submits environmental reports annually as well as environmental management plan every 3 years.

9. Approval of financial statements

The financial statements were approved by the board of directors on

On behalf of the board



Director:

Date: 21/04/2017



Director:

Date: 21/04/2017

Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and which enables them to ensure that the financial statements comply with International Financial Reporting Standards (IFRS). They are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities.

Corporate Governance

It is the policy of the Company to comply with international best practices in corporate governance to the extent appropriate for a company of its size.

The Board has established Audit and Risks Committee, Finance and Budget Committee, Human Resource and Staffing Committee. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Board of Directors

The Company still advocates for an integrated approach to corporate governance as evidenced by the governance framework. The Board consists of the Chairman, one Executive Directors and six (6) Non-Executive Director. The independent board provides strategic direction and has ultimate responsibility for the functioning of the Company.

The Board is accountable for all decisions taken by its Board committees and management. The Board and its committees all operate in terms of agreed mandates, which set out their terms of reference, and are reviewed and revised regularly in order to keep pace with global developments.

There are four reporting Committees responsible for supporting the Board of Directors

Finance and Budget Committee

The specific duties of this committee are to:

- Develop financial regulations for the Company;
- Collaborate with management in managing company's funds;
- Review quarterly operational results to ensure that targets are met;
- Examine proposals for recurrent revenue and expenditure budgets, and make recommendations to the board of directors;
- Examine proposals for capital and development budges and make recommendations to the board of directors;
- Recommend for approval all major capital and development expenditure;
- Develop an investment policy for the Company and monitor its implementation;
- Examine management reports as well as audited accounts and make recommendations to the board of directors; and
- Undertake any other relevant budgetary and financial assignment that the board may refer to from time to time.

It is made up of one executive director Mr. Richard Okrah(Retired) and three non-executive directors Mr. Leon Appenteng (Chairman), Mr. Michael Amafu-Dey and Mr. Samuel A. Appenteng.

Corporate Governance

Audit and Risks Committee

The company has constituted a three-member Audit Committee comprising the under listed Non-Executive Board Members.

- | | | |
|--------------------------------|---|----------|
| • Mr. Isaac Osei | - | Chairman |
| • Mr. Samuel A. Appenteng | - | Member |
| • Prof. (Mrs.) Gladys Amponsah | - | Member |

The functions of the committee include:

- Overseeing the process relating to the IIL financial risk;
- Overseeing internal control;
- Examining management judgments and accounting estimates applied in financial reporting; and
- Conferring with both management and the external auditor about the financial statement.

Human Resource and Staffing Committee

The specific duties of this committee are to:

- Assist in the recruitment and selection of managerial personnel of the Company;
- Examine proposals for manpower needs and staff recruitment;
- Examine proposals for conditions of service of Management and Staff and make recommendations to the Board;
- Ensure that code of conduct and ethics are clearly defined and implemented; and
- Perform any other related matters to be referred to it by the board of directors.

The human resource and staffing committee is made up of Mr. Leon Appenteng, Richard Okrah (retired), Professor (Mrs) Gladys Amponsah (chairperson) and Nana Owusu Banahene.

Asset Management and Development Committee

The specific duties of this Committee are to:

- Oversee the proper management of all assets of the Company;
- Develop policies and methodology for asset management;
- Consider any proposals for expansion and make recommendations to the board of directors; and
- Undertake any other relevant assignments that the board of directors may from time to time refer to it.

The committee members are Mr. Samuel Appenteng (Chairman), Mr. Kofi Appenteng (Resigned) and Mr. Richard Okrah (Retired)

Corporate Governance

Systems of internal control

The Company has well-established internal control systems for identifying, managing and monitoring risks. These are designed to provide reasonable assurance that the risks facing the business are being controlled. The corporate internal assurance function of the Company plays a key role in providing an objective view and continuing assessment of the effectiveness of the internal control systems in the business. The systems of internal controls are implemented and monitored by appropriately trained personnel and their duties and reporting lines are clearly defined.

Code of business ethics

Management has communicated the principles in the Company's Code of Conduct to its employees in the performance of their duties. This code sets the professionalism and integrity required for business operations which covers compliance with the law, conflicts of interest, environmental issues, reliability of financial reporting, and strict adherence to the principles so as to eliminate the potential for illegal practices.

Directors Emolument

The terms of Directors emolument for the 2016 financial year were set as follows:

Non-Executive Chairman	GHS	23,051
All the Non-Executive Directors	GHS	120,960
One Executive Director	GHS	20,160

Intravenous Infusions Plc

Corporate Governance

Name	Nationality	Age	Profession	Position	Other Directorship	Date Of Appointment
Isaac Osei	Ghanaian	65	Bsc (Econs) MA (Dev Econs)	Non-Executive Chairman	KAS Products Ltd Tema Oil Refinery	16 th Dec. 1988
Richard O.Okrah	Ghanaian	70	B.A. (Hon) MPA	Managing Director (Retired)	Koforidua Polytechnic Council Winglow Clothes & Textiles Ltd.	1 st March, 2002
Leon Appenteng	Ghanaian	56	LLB (Hons) M.A (Business Law)	Non-Executive Director	Panbros Salt Industries Ltd. Vacuum Salt Products Ltd. Appenteng Mensah & Co Tema Oil Refinery	16 th Dec. 1988
Samuel A. Appenteng	Ghanaian	57	BSc. (Chemical Eng) MBA Finance	Non-Executive Director	IFS Capital Management Ltd. Ghana University Press Joissam Construction Ltd. Methodist University College	16 th Dec. 1988
Michael Amafu- Dey	Ghanaian	58	Independent Director	Independent Director	National Investment Bank Properties Ltd. Vacuum Salt properties Ltd.	9 th Nov. 2009
Nana Osei Owusu	Ghanaian	54	Diploma in Education (TRADITIONAL RULER)	Independent Director	KAS Products Ltd. Barasuo Construction Ltd.	18 th Sep. 2001
Prof. (Mrs.) Gladys Amponsah	Ghanaian	71	MB. ChB (GH) FRCA	Independent Director	Centre for World Scientific Information Ltd.	2 nd July, 2014
Kofi Appenteng	Ghanaian	59	B.A. J.D	Non-Executive Director (Resigned)	Panbros Salt Industries Ltd. Constand Capital Ghana Ltd. Institute de Empresa Fund Inc.IE University, Spain	

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Intravenous Infusions Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Intravenous Infusions Plc which comprise the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, the notes to the financial statements including a summary of significant accounting policies and other national disclosures.

In our opinion, the financial statements give a true and fair view of the financial position of Intravenous Infusions Plc as at 31 December 2016 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, and in the manner required by the Companies Act, 1963 (Act 179).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the requirements of the International Federation of Accountants Code of Ethics for Professional Accountants (IFAC Code) as adopted by the Institute of Chartered Accountants Ghana (ICAG) and we have fulfilled our other ethical responsibilities in accordance with IFAC Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors which we obtained prior to the date of this auditor's .The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1963, (Act 179) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

Independent auditor's report-continued

To the Shareholders of Intravenous Infusions Plc

Report on the Audit of the Financial Statements

We communicate with the audit committee and 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

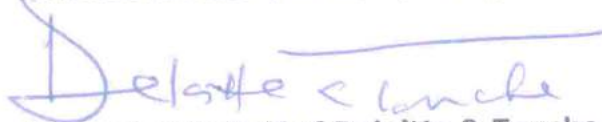
Report on Other Legal and Regulatory Requirements

The Companies Act, 1963 (Act 179) requires that in carrying out our audit work we consider and report on the following matters.

We confirm that:

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

The engagement partner on the audit resulting in this independent auditor's report is **Daniel Kwadwo Owusu (ICAG/P/1327)**



For and on behalf of Deloitte & Touche (ICAG/F/2017/129)
Chartered Accountants
4 Liberation Road
Accra Ghana

25th April, 2017

Statement of profit & loss and other comprehensive income

For the year ended 31 December 2016

	Note	2016 GHS	2015 GHS
Revenue	6	10,596,009	7,529,883
Cost of operations	7	<u>(5,478,175)</u>	<u>(4,335,004)</u>
Gross profit		5,117,834	3,194,879
Other income	8	74,258	26,104
Operating and other expenses	9	<u>(3,507,644)</u>	<u>(3,086,197)</u>
Profit before finance cost and tax		1,684,448	134,786
Finance cost	10	<u>(515,796)</u>	<u>(689,952)</u>
Profit before tax		1,168,652	(555,166)
Income tax expense	11a	<u>(498,707)</u>	<u>(35,528)</u>
Profit for the year		669,945	(519,638)
Other Comprehensive income:		-	-
Total comprehensive income		<u>669,945</u>	<u>(519,638)</u>

The accompanying notes form an integral part of the financial statements.

Statement of financial position

As at 31 December 2016

		2016	2015
Assets	Note	GHS	GHS
Non-current assets			
Property, plant and equipment	12	<u>4,143,770</u>	<u>3,633,087</u>
Total non-current asset		<u>4,143,770</u>	<u>3,633,087</u>
Current assets			
Inventory	13	<u>2,102,234</u>	1,254,411
Trade and other receivables	14	<u>5,828,257</u>	5,171,611
Cash and cash equivalent	15	<u>235,088</u>	3,482,218
Current tax	11c	<u>-</u>	<u>160,492</u>
Total current asset		<u>8,165,579</u>	<u>10,068,732</u>
Total assets		<u>12,309,349</u>	<u>13,701,819</u>
Equity			
Stated capital	16	<u>7,213,384</u>	7,213,184
Income surplus		<u>(2,486,914)</u>	<u>(3,156,859)</u>
Capital surplus		<u>2,468,400</u>	<u>2,468,400</u>
Total equity		<u>7,194,870</u>	<u>6,524,725</u>
Non-Current Liability			
Employee Benefit obligation	17	<u>1,080,815</u>	1,021,660
Deferred tax liabilities	11b	<u>584,910</u>	<u>616,689</u>
Total non-Current Liability		<u>1,665,725</u>	<u>1,638,349</u>
Current liabilities			
Borrowings	18	<u>1,845,032</u>	-
Trade and other payables	19	<u>1,591,308</u>	5,538,745
Current tax	11c	<u>12,414</u>	<u>-</u>
Total current liabilities		<u>3,448,754</u>	<u>5,538,745</u>
Total Liability		<u>5,114,479</u>	<u>7,177,094</u>
Total Liabilities and equity		<u>12,309,349</u>	<u>13,701,819</u>



Director

Date: 21/04/2017



Director

Date: 21/04/2017

The accompanying notes form an integral part of the financial statements.

Intravenous Infusions Plc

Statement of changes in equity

As at 31 December 2016

2016

	Stated capital	Income surplus	capital surplus	Total
Balance at 1 Jan 2016	7,213,184	(3,156,859)	2,468,400	6,524,725
cash from share issue	200			200
Total comprehensive income	-	669,945	-	669,945
At 31 December 2016	<u>7,213,384</u>	<u>-2,486,914</u>	<u>2,468,400</u>	<u>7,194,870</u>

2015

	Stated capital	Income surplus	capital surplus	Total
Balance at 1 Jan 2016	570,520	(2,637,221)	2,468,400	401,699
cash from share issue	6,642,664			6,642,664
Profit/(Loss) for the year	-	(519,638)	-	(519,638)
At 31 December 2016	<u>7,213,184</u>	<u>(3,156,859)</u>	<u>2,468,400</u>	<u>6,524,725</u>

The accompanying notes form an integral part of the financial statements.

Intravenous Infusions Plc

Statement of cashflows

For the year ended 31 December 2016

	2016 GHS	2015 GHS
Operating activities		
Profit/(loss) before tax	1,168,652	(555,166)
Adjustments for non-cash income and expenses:		
Depreciation of property, plant and equipment	288,237	215,933
Profit from disposal of Non-current asset	(11,000)	(9,674)
Impairment Loss on Non-current Asset	4,848	-
Net employee benefit obligation	166,538	93,568
Cash flow included in operating activities:	1,509,892	(255,339)
Changes in operating assets and liabilities		
Changes in trade and other receivables	(656,646)	(905,137)
Changes in trade payables	(3,947,437)	(387,534)
Changes in inventory	(847,822)	(194,737)
Cash flow from Changes in working capital	(5,451,905)	(1,487,408)
Tax paid	(357,580)	(44,834)
Net cash generated from operating activities	(4,299,593)	(1,787,581)
Cash flows from investing activities		
Proceeds from sale of equipment	11,000	12,625
Purchases of equipment	(803,769)	(56,907)
Net cash used in investing activities	(792,769)	(44,282)
Cash flows from financing activities		
Increase in borrowings	1,845,032	(1,561,882)
Cash from share issue	200	6,642,664
Net cash generated from financing activities	1,845,232	5,080,782
Net increase (decrease)/ increase in cash and cash equivalents	(3,247,130)	3,248,919
Cash and cash equivalents at beginning of year	3,482,218	233,299
Cash and cash equivalents at end of year	235,088	3,482,218

The accompanying notes form an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 December 2016

1. General information

Intravenous Infusions Plc is a limited company incorporated in Ghana. The address of its registered office and principal place of business is Plot 4/7 Blk L Effiduase P.O. Box KF 63 Koforidua.

The principal activity of the Company is the manufacturing and marketing of pharmaceutical products.

2. Basis of preparation and accounting policies

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at amounts or fair values, as explained in the accounting policies below. The financial statements are presented in Ghana Cedi (GHS).

3. Summary of significant accounting policies

3.1. Fair value measurement

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

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

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

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

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

Notes to the financial statements

For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

3.1. Fair value measurement (continued)

The Company 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 on a recurring basis, the Company 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.

3.2. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Turnover represents net invoice value after the deduction of discounts and allowances given and accruals for estimated future rebates and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Value added tax and other sales taxes are excluded from revenue.

3.3. Inventory

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

Notes to the financial statements

For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

3.4. Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Taxes

3.4.1. Current income tax

Current income tax assets and liabilities for the current period 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 Company 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.

3.4.2. Deferred tax

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the financial statements

For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

3.5. Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3.6. Property, plant and equipment

Property, plant and equipment (PP&E) is stated at the cost of purchase or construction less provisions for depreciation and impairment. Financing costs are capitalised within the cost of qualifying assets in construction.

Depreciation is calculated to write off the cost less residual value of PP&E, excluding freehold land, using the straight-line basis over the expected useful life. Residual values and lives are reviewed, and where appropriate adjusted, annually. The normal expected useful lives of the major categories of PP&E are:

Leasehold land and building	3%
Plant, machinery and equipment	10%-33.33%
Furniture and fittings	20%
Motor vehicles	20%-25%

On disposal of PP&E, the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is taken to the income statement.

Notes to the financial statements

For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

3.5. Property, plant and equipment (continued)

Revaluation

A revaluation surplus is recorded in OCI and credited to the asset revaluation reserve/capital surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

3.7. Financial instruments – initial recognition and subsequent measurement

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

3.7.1. Financial assets

3.7.1.1. Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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 Company commits to purchase or sell the asset.

3.7.1.2. Subsequent measurement

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

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Notes to the financial statements

For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Company has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Loans and receivables

This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment.

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 income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs.

Notes to the financial statements

For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

3.6.1. Financial assets (continued)

3.6.1.2. Subsequent measurement (continued)

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss and other comprehensive income

Notes to the financial statements

For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

3.7.1. Financial assets (continued)

3.7.1.3. De-recognition of financial assets

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

3.7.1.4. Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Company of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Company 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the financial statements

For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

3.7.2. Financial liabilities

3.7.2.1. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, 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 Company's financial liabilities include trade and other payables, loans and borrowings including Company overdrafts, financial guarantee contracts and derivative financial instruments.

3.7.2.2. 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 Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. 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 the statement of 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 IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. 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 the statement of profit or loss.

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

Notes to the financial statements

For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

3.7.2. Financial liabilities (continued)

3.7.2.3. De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition 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 and other comprehensive income.

3.7.3. 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.

3.8. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's 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 Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer

Notes to the financial statements

For the year ended 31 December 2016

periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

3. Summary of significant accounting policies (continued)

3.8. Impairment of non-financial assets (continued)

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously re-valued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

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

3.9. Cash and short-term deposits

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.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding Company overdrafts.

3.10. Provisions

3.10.1. General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company 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 the statement of profit or loss net of any reimbursement. Details of the provision are shown in note 19.

Notes to the financial statements

For the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

3.11. New and amended standards and interpretations

3.11.1. Standards and Interpretations effective in the current period

IFRS 9 Financial Instruments

Classification and measurement of financial assets

On 24 July 2014, the IASB issued the final version of IFRS 9 Financial Instruments incorporating a new expected loss impairment model and introducing limited amendments to the classification and measurement requirements for financial assets. This version supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements). For a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before 1 February 2015.

IFRS 9 uses a single approach to determine classification of financial assets (which will then determine their measurement basis either at amortised cost or fair value, replacing the many different rules in IAS 39). The approach is based on how an entity manages its financial assets ("business model") and the contractual cash flow characteristics of such assets ("contractual cash flows"). The business model criterion is met when an entity holds financial assets in order to collect the asset's cash flows. The contractual cash flows criterion is met when the contractual cash flows collected from the financial asset represent solely interest and principal. When the two criteria are met, the financial asset must be measured at amortised cost unless the fair value designation is adopted. This assessment does not need to be performed on an asset by asset basis but rather on a portfolio basis. A new measurement category of fair value through other comprehensive income will apply for debt instruments held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets.

Classification and measurement of financial liabilities

The classification criteria for financial liabilities contained in IAS 39 move to IFRS 9 unchanged and the IAS 39 classification categories of amortised cost and fair value through profit or loss are retained. For a financial liability designated as at fair value through profit or loss using the fair value option, the change in the liability's fair value attributable to changes in the liability's credit risk is recognised directly in other comprehensive income, unless it creates or increases an accounting mismatch. The amount that is recognised in other comprehensive income is not recycled when the liability is settled or extinguished. The meaning of credit risk is clarified to distinguish credit risk from asset-specific performance risk. The cost exemption in IAS 39 for derivative liabilities is eliminated, although the concept of bifurcating embedded derivatives from a financial liability host contract remains unchanged from IAS 39.

Notes to the financial statements

For the year ended 31 December 2016

Impairment

A new impairment model based on expected credit losses will apply to debt instruments measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The loss allowance will be for either 12 month expected credit losses or lifetime expected credit losses. The latter applies if credit risk has increased significantly since initial recognition of the financial instrument. A different approach applies for purchased or originated credit impaired financial assets.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

Notes to the financial statements

For the year ended 31 December 2016

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

Consensus

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Amendments to Standards and interpretations

IFRS 2 Share- Based Payments

The IASB finalised three separate amendments to IFRS 2:

Effects of vesting conditions on the measurement of a cash-settled share-based payment

Until now, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

Notes to the financial statements

For the year ended 31 December 2016

Accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled

Until now, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

- On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.
- Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

Classification of share-based payment transactions with net settlement features

IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

IFRS 7 Financial Instrument: Disclosures

Disclosures about the initial application of IFRS 9

The following disclosures are required in the reporting period when IFRS 9 is first applied:

- changes in the classifications of financial assets and financial liabilities; and
- details of financial assets and financial liabilities which have been reclassified so that they are measured at amortised cost, including the fair value of the financial asset or liability at the end of the reporting period and the fair value gain or loss that would have been recognised in profit or loss during the reporting period if the financial asset had not been reclassified.

IFRS 15 Revenue from Contracts with Customers

To keep the IASB and FASB informed on interpretive issues occurring during implementation of the converged revenue recognition standard and to assist in determining what action may be needed to resolve diversity in practice, the Boards created the Joint Transition Resource Group for Revenue Recognition (TRG).

Notes to the financial statements

For the year ended 31 December 2016

The discussions of the TRG highlighted potential diversity in stakeholders' understanding of some topics in IFRS 15. In response to this, the IASB made amendments to the following areas clarify IFRS 15:

- Distinct goods or services
- Principal versus agent
- Licensing
- Determining the nature of the entities promise
- Sales-based usage- based royalties

IAS 1 Presentation of Financial Statements

The narrow-focus amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. In most cases the proposed amendments respond to overly prescriptive interpretations of the wording in IAS 1. The amendments relate to the following:

- materiality;
- order of the notes;
- subtotals;
- accounting policies; and
- disaggregation

IAS 7 Statement of Cash Flows

The amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

Notes to the financial statements

For the year ended 31 December 2016

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. This is a departure from the December 2014 exposure draft that had proposed that such a reconciliation should be required.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities

IAS 12 Income Taxes

The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type

IAS 16 Property, plant and equipment

Clarification of Acceptable Methods of Depreciation and Amortisation

The amended IAS 16 introduces a rebuttable presumption that revenue is not an appropriate basis for amortisation of property, plant and equipment. This presumption can only be rebutted in two limited circumstances:

1. Property plant and equipment is expressed as a measure of revenue; or
2. Revenue and consumption of the item of property, plant and equipment are highly correlated.

Guidance is introduced to explain that expected future reductions in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset.

Notes to the financial statements

For the year ended 31 December 2016

IAS 27 Separate Financial Statements

Equity Method in Separate Financial Statements

The objective of this narrow-scope project is to restore the option to use the equity method of accounting in separate financial statements. IAS 27 Separate Financial Statements allows an entity to account for investments in subsidiaries, joint ventures and associates either at cost or in accordance with IFRS 9 Financial Instruments in the entity's separate financial statements.

IAS 38 Intangible assets

Clarification of Acceptable Methods of Depreciation and Amortisation

The amended IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in two limited circumstances:

1. The intangible asset is expressed as a measure of revenue; or
2. Revenue and consumption of the intangible asset are highly correlated.

Guidance is introduced to explain that expected future reductions in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset.

IAS 40 Investment Property

The amendment provides guidance on transfers to, or from, investment properties. More specifically, the question was whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use. The IASB amended the paragraph to reinforce the principle for transfers into, or out of, investment property in IAS 40 to specify that such a transfer should only be made when there has been a change in use of the property.

Improvements to IFRS

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Change in methods of disposal

Notes to the financial statements

For the year ended 31 December 2016

The amendments introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments state that:

Such reclassifications should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied; and

Assets that no longer meet the criteria for held for distribution to owners (and do not meet the criteria for held for sale) should be treated in the same way as assets that cease to be classified as held for sale.

IFRS 7 Financial Instruments: Disclosure Servicing contracts

The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of disclosures required in relation to transferred assets. Paragraph 42C(c) of IFRS 7 states that a pass through arrangement under a servicing contract does not, in itself, constitute a continuing involvement for the purposes of the transfer disclosure requirements. However, in practice, most service contracts have additional features that lead to a continuing involvement in the asset, for example, when the amount and/or timing of the service fee depends on the amount and/or timing of the cash flows collected.

Applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements

Amendments to IFRS 7 were made to remove uncertainty as to whether the disclosure requirements on offsetting financial assets and financial liabilities (introduced in December 2011) and effective for periods beginning on or after 1 January 2013) should be included in condensed interim financial statements, and if so, whether in all condensed interim financial statements after 1 January 2013 or only in the first year. The amendments clarify that the offsetting disclosures are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with

Investment Entities

Clarifies that an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

IAS 19 Employee Benefits

The amendments to IAS 19 clarify that the high quality corporate bonds to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level.

Notes to the financial statements

For the year ended 31 December 2016

IAS 28 Consolidated Financial Statements

Investment Entities Exemption

Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition

IAS 34 Interim Financial Reporting

The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

4. Critical accounting judgements, estimates and assumptions.

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

Judgements

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

Estimates and assumptions

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

Notes to the financial statements

For the year ended 31 December 2016

Revenue

Revenue is recognised when title and risk of loss is passed to the customer, reliable estimates can be made of relevant deductions and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete.

Gross turnover is reduced by rebates, discounts, allowances and product returns given or expected to be given, which vary by product arrangements and buying groups. These arrangements with purchasing organisations are dependent upon the submission of claims sometime after the initial recognition of the sale. Accruals are made at the time of sale for the estimated rebates, discounts or allowances payable or returns to be made, based on available market information and historical experience.

Because the amounts are estimated they may not fully reflect the final outcome and the amounts are subject to change dependent upon, amongst other things, the types of buying group and product sales mix.

The level of accrual is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information.

5. Critical accounting judgements, estimates and assumptions. (Continued)

Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group

Taxes

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

Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Company companies.

Notes to the financial statements

For the year ended 31 December 2016

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.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Judgement include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date.

The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Useful lives of property, plant and equipment

As described at 3.5 above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the directors determined that the useful lives of certain items of equipment should be shortened, due to developments in technology.

Notes to the financial statements

For the year ended 31 December 2016

6. Revenue

	2016 GHS	2015 GHS
Export sales	-	14,850
Local sales	<u>10,596,009</u>	<u>7,515,033</u>
	<u>10,596,009</u>	<u>7,529,883</u>

7. Cost of operations

	2016 GHS	2015 GHS
Stock of Raw Materials at 1/01/16	750,206	596,730
Stock of Non-trade stock at 1/01/16	219,917	176,253
Purchases of Raw Materials & Non-trade stock	3,509,825	2,492,117
Stock of Raw Materials at 31/12/16	(1,509,445)	(750,206)
Stock of Non-trade stock at 31/12/16	(337,677)	(219,917)
Direct labour	1,114,101	1,023,532
Factory overheads	1,702,071	1,014,092
Stock of Finished Goods at 1/01/16	284,288	286,691
Stock of Finished Goods at 31/12/16	(255,111)	(284,288)
	<u>5,478,175</u>	<u>4,335,004</u>

8. Other income

	2016 GHS	2015 GHS
Profit from disposal of motor vehicle	11,000	10,625
Others	<u>63,258</u>	<u>4,854</u>
	<u>74,258</u>	<u>15,479</u>

Notes to the financial statements

For the year ended 31 December 2016

9. General and administrative expenses

	2016 GHS	2015 GHS
Directors' emoluments	164,171	96,746
Salaries and wages	852,351	697,732
Bank interest and charges	55,743	28,544
Postage and telephones	38,369	33,621
Cleaning expenses	7,020	4,448
Rents & Rates	71,251	67,936
Secretarial services	30,290	24,160
Donations and subscriptions	15,762	20,721
Carriage outwards	188,657	132,240
Entertainment	13,648	5,370
Audit fees	40,000	30,000
Printing and stationery	23,126	14,961
Licenses and registration	47,965	48,011
Insurance	27,623	15,867
Travelling and transport	223,892	212,074
Motor vehicle expenses	354,511	283,142
Commissions and promotion	634,021	373,645
Repairs and maintenance	78,918	49,568
Medical expenses	17,720	10,252
Staff welfare expenses	12,015	6,205
Professional/Legal/Consultancy services	118,221	34,050
Provision for doubtful debts	103,156	-
Depreciation	90,670	94,157
Other staff cost (training)	4,230	850
Security Expenses	75,421	82,963
Defined benefit obligation	107,383	158,496
Electricity & water (bungalows)	14,867	8,746
Exchange loss	70,625	506,128
Stamp duty	-	33,213
Impairment Loss on PPE	4,848	-
Sundry expenses	21,170	12,351
	<u>3,507,644</u>	<u>3,086,197</u>

Notes to the financial statements

For the year ended 31 December 2016

10. Finance Cost

	2016 GHS	2015 GHS
Loan interest payable	1,059	137,261
Bank overdraft interest	<u>514,737</u>	<u>552,691</u>
	<u>515,796</u>	<u>689,952</u>

11. Taxation

a. Income tax Expense

	Note	2016 GHS	2015 GHS
Income tax	11c	530,486	-
Deferred tax expense	11b	<u>(31,779)</u>	<u>(35,528)</u>
		<u>498,707</u>	<u>(35,528)</u>

Income tax is calculated at the rate of 18.75% of the Assessable income for the year of assessment 2016. An additional tax of GHS264, 707 arising from the tax audit by GRA covering the period of 2013-2014 has been charged.

b. Deferred Tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 18.75%. The movement on the deferred income tax account is as follows:

	2016 GHS	2015 GHS
At start of year	616,689	652,217
Income statement charge	<u>(31,779)</u>	<u>(35,528)</u>
At end of year	<u>584,910</u>	<u>616,689</u>

Notes to the financial statements

For the year ended 31 December 2016

c. Corporate tax

Corporate Tax

	At 1/1/2016 GHS	Profit/Loss account GHS	Paid during the year GHS	At 31/12/16 GHS
Up to 2011	(49,877)	27,816	(20,574)	(42,635)
2012	15,598	46,896	(14,419)	48,075
2013	(81,379)	44,938	(13,887)	(50,328)
2014	-	84,517	(15,496)	69,021
2015	(44,834)	60,540	(70,901)	(55,195)
2016	-	265,779	(222,303)	43,476
	<u>(160,492)</u>	<u>530,486</u>	<u>(357,580)</u>	<u>12,414</u>

d. Reconciliation of effective tax rate

Analysis of tax charge in the year :

The charge for taxation based upon the profit for the year comprises:

	2016 GHS	2015 GHS
The differences are explained below:		
Profit before tax	<u>1,168,652</u>	<u>(555,166)</u>
Tax at 18.75% (2015: 18.75%)	219,122	-
Non-deductible expenses	541,783	-
Capital allowances	(302,949)	-
Deferred tax	(31,779)	-
Other deductions	<u>(192,177)</u>	-
Current tax charge	<u>234,000</u>	-
Effective tax rates	19.85%	-

Notes to the financial statements

For the year ended 31 December 2016

12. Property plant and equipment

Cost	Leasehold land & building	Plant, machinery & equipment	Motor vehicle	Furniture & fittings	Spare parts	Work in progress	Total
1/1/2016	1,751,421	1,288,062	444,259	181,371	168,225	1,704,716	5,538,054
Additions	-	282,457	110,000	251,560	-	159,751	803,769
Disposals/impairment	-	-	(14,695)	-	-	(4,848)	(19,543)
Transfers	403,886	1,351,240	-	104,493	-	(1,859,619)	-
31/12/16	2,155,307	2,921,759	539,564	537,424	168,225	-	6,322,280
Depreciation							
1/1/2016	411,099	878,505	443,139	138,579	33,645	-	1,904,967
Charge for the year	29,369	164,685	22,000	55,361	16,823	-	288,237
Disposals	-	-	(14,695)	-	-	-	(14,695)
31/12/16	440,468	1,043,190	450,444	193,940	50,468	-	2,178,510
Net Book Value as at 31 December 2016	1,714,839	1,878,569	89,120	343,484	117,757	-	4,143,770

Notes to the financial statements

For the year ended 31 December 2016

Cost	Leasehold land & building	Plant, machinery & equipment	Motor vehicle	Furniture & fittings	Spare parts	Work in progress	Total
1/1/2015	1,751,421	1,268,602	457,059	170,578	168,225	1,685,439	5,501,324
Additions	-	19,460	-	18,170	-	19,277	56,907
Disposals/impairment	-	-	(12,800)	(7,377)	-	-	(20,177)
31/12/15	1,751,421	1,288,062	444,259	181,371	168,225	1,704,716	5,538,054
Depreciation							
1/1/2015	362,697	770,073	431,138	125,529	16,823	-	1,706,260
Charge for the year	48,401	108,432	24,801	17,476	16,823	-	215,933
Disposals	-	-	(12,800)	(4,426)	-	-	(17,226)
31/12/15	411,098	878,505	443,139	138,579	33,646	-	1,904,967
Net Book Value as at 31 December 2015	1,340,323	409,557	1,120	42,792	134,579	1,704,716	3,633,087

Notes to the financial statements

For the year ended 31 December 2016

13. Inventory Note

	2016 GHS	2015 GHS
Stock of Raw Materials	1,509,446	750,206
Stock of Non-trade stock	337,677	219,917
Stock of Finished Goods	<u>255,111</u>	<u>284,288</u>
	<u>2,102,234</u>	<u>1,254,411</u>

14. Trade and other receivables

	2016 GHS	2015 GHS
Trade receivables (Note 8)	5,139,681	3,830,687
Allowance for bad debt	(103,156)	(11,446)
Other receivables	747,081	1,328,185
Prepayments	<u>44,651</u>	<u>24,185</u>
	<u>5,828,257</u>	<u>5,171,611</u>

The average credit period on sales of goods is 90 days. Allowances for doubtful debts are recognised against trade receivables after 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. A General provision of 0.25% of the total outstanding receivables are provided.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	2016 GHS	2015 GHS
< 30 days	1,128,736	544,060
30 to 60 days	697,754	605,618
60 to 90 days	719,973	411,824
90 to 180 days	1,314,332	1,132,236
180 to 360 days	930,403	430,907
> 360 days	<u>348,484</u>	<u>706,042</u>
	<u>5,139,681</u>	<u>3,830,687</u>

Notes to the financial statements

For the year ended 31 December 2016

15. Cash and cash equivalent

	2016 GHS	2015 GHS
Cash account	415	6,740
Bank account	<u>234,673</u>	<u>3,482,218</u>
	<u>235,088</u>	<u>3,482,218</u>

Cash and bank are non-interest bearing.

16. Stated capital

The authorized share capital is 10 billion.

	2016 No. of Shares	Amount GHS	2015 No. of Shares	Amount GHS
Issued for cash and fully paid	200,420,877	6,173,301	200,420,877	6,173,101
Preference Shares converted to equity	20,324,119	540,000	20,324,119	540,000
Transfer from surplus	-	20,000	-	20,000
Conversion of Debt to Equity	5,876,250	470,100	5,876,250	470,100
Loan converted into equity	-	9,983	-	9,983
	<u>226,621,246</u>	<u>7,213,384</u>	<u>226,621,246</u>	<u>7,213,384</u>

17. Employment benefit obligation

The movement in the net defined benefit liability is as follows:

Employee Obligation	2016 GHS	2015 GHS
At start of year	1,021,660	928,092
Service cost	107,383	44,735
Interest cost	-	113,762
Payment by Employer	<u>(48,228)</u>	<u>(64,929)</u>
At end of year	<u>1,080,815</u>	<u>1,021,660</u>

The company pays its employees a long service benefits. The benefit is paid when employees reach predetermined milestones. The method of accounting and frequency of valuation are similar to the used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually. In 2016, management elected to replace the defined benefit scheme with a provident fund scheme (Defined benefit contribution). In 2016, employee obligation was determined based on the collective bargaining agreement effective from 2003, under this agreement a permanent staff is entitled to six (6) weeks annual salary for each year of employment.

Notes to the financial statements

For the year ended 31 December 2016

18. Borrowing

	2016 GHS	2014 GHS
Amount due after one year	<u>1,845,032</u>	<u>-</u>

This amount represents an overdraft with National Investment Bank (NIB) at a rate of 32% per annum.

19. Trade and other payables

	2016 GHS	2015 GHS
Trade payables	653,255	2,659,665
Other payables(Taxes payable)	766,831	1,049,495
Directors' current account	30,197	30,406
Loans payable within one year(Debenture inclusive)	-	1,716,676
Accrued charges	141,025	82,503
Proposed dividend	<u>-</u>	<u>-</u>
	<u>1,591,308</u>	<u>5,538,745</u>

The average credit period on purchases of goods is 2 months. No interest is charged on the trade payables beyond the credit period. The company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Notes to the financial statements

For the year ended 31 December 2016

20. Financial risk management objective and policy

Introduction and overview

The Company has exposure to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk
- operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Risk Management Committee of the Board assists the Board in carrying out this responsibility. To enable it achieve its purpose, the Committee:

- Reviews and monitors aggregate risk levels in the business and the quality of risk mitigation and controls for all areas of risk to the business
- Makes recommendations to management on areas of improvement
- Informs the Board of progress in implementing improvements.

The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee of the Board is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in these functions by Internal Audit and Internal Control. Internal Audit and Internal Control undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

All Board committees are made up of non-executive members, with executives in attendance. The committees report regularly to the Board of Directors on their activities.

Notes to the financial statements

For the year ended 31 December 2016

20.1 Market risk

20.1.1 Foreign currency risk management

The company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

There was no foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period.

20.3 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- Trade receivables arising out of credit sales;

Other areas where credit risk arises include cash and cash equivalents, and deposits with banks and other receivables.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

The exposure to individual counterparties is also managed by other mechanisms, such as the right to offset where counterparties are both debtors and creditors of the Company.

Management information reported to the Company includes details of provisions for impairment on trade and other receivables and subsequent write-offs. Internal audit makes regular reviews to assess the degree of compliance with the Company procedures on credit.

Maximum exposure to credit risk before collateral held

	2016 GHS	2015 GHS
Trade and other receivables excluding prepayments	5,783,695	5,147,426
Cash and bank balances	<u>235,088</u>	<u>3,482,218</u>
	<u>6,018,783</u>	<u>8,629,644</u>

Notes to the financial statements

For the year ended 31 December 2016

20. Financial risk management objective and policy

20.3 Credit risk (continued)

No collateral is held for any of the above assets. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

	Current GHS	Past due not Impaired GHS	Total GHS
Trade receivables	2,546,463	2,593,218	5,139,681
Other receivables	644,014	-	644,014
	<u>3,190,477</u>	<u>2,593,218</u>	<u>5,783,695</u>

None of the above assets are past due or impaired.

20.4 Liquidity risk

The company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts when necessary.

The Company has an average credit days of 90 days.

Maturity analysis of financial liabilities

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities.

The table below analyses the financial liabilities into the relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date.

	2016 GHS	2015 GHS
Less than one year		
Trade and other payable	<u>1,591,308</u>	<u>5,495,532</u>

20.5 Operational risks

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 arise from all of the Company's operations and are faced by all business entities.

Notes to the financial statements

For the year ended 31 December 2016

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions requirements for the reconciliation and monitoring of transactions, compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit, Internal Control, Risk and Compliance Departments. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Senior Management Committee, Audit Committee, Risk Management Committee and the Board.

20.5 Capital management

For the purpose of the Company's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

In order to achieve this overall objective, the Company'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 Company 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 Company 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 Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Notes to the financial statements

For the year ended 31 December 2016

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 20% and 40%. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

Fair values of financial assets and liabilities

- The fair values of the Company's financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual re-pricing or maturity dates. Fair values
- are based on discounted cash flows using a discount rate based upon the borrowing rate that the directors expect would be available to the Company at the statement of financial position date.

21. Contingencies and commitments

21.1 Legal proceedings and regulations

The company operates in the Pharmaceutical industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

There are no contingencies associated with the company's compliance or lack of compliance with regulations.

21.2 Capital commitments

The company has no capital commitments at the reporting date.

22. Related party transactions

This relates to transactions with key management personnel.

Transactions with Directors and Key Management Personnel

- Directors and key management personnel refer to those personnel with authority and responsibility for planning, directing and controlling the business activities of the Company. These personnel are the Executive Directors of the Company.

During the year, there were no significant related party transactions with companies or customers of the Company where a Director or any connected person is also a director or key management members of the Company.

23. Event after the reporting period

No significant event occurred after the end of the reporting date which is likely to affect these financial statements.