

**PROSPECTUS**  
**November 07, 2014**

This document is for guidance purposes for price discovery process only

For information about risk factors which should be considered by prospective investors, see Risk Factors on page 34.

**FIDSON HEALTHCARE PLC**  
RC 267435



**OFFER FOR SUBSCRIPTION**  
**OF**

**₦ 2,000,000,000 15.5% 5 YEAR SECURED FIXED RATE BONDS DUE 2019**

Book Building Opens: September 30, 2014  
Book Building Closes: October 14, 2014

This offering of 5-year 15.5% Secured Fixed Rate Bonds (the "Issue") is being made through a 100% Book Building Process wherein 100% of the Issue shall be offered to Qualified Institutional Investors ("QIIs") and High Net-Worth Investors ("HNIs") as defined under Rule 321 of the Rules and Regulations of the Securities and Exchange Commission.

THIS DOCUMENT CONSTITUTES A PROSPECTUS WITHIN THE MEANING OF RULE 321 OF THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION ("SEC" OR "COMMISSION") MADE PURSUANT TO THE INVESTMENTS AND SECURITIES ACT NO. 29 OF 2007 ("ISA"). THE CLEARANCE OF THIS PROSPECTUS FOR CIRCULATION TO PROSPECTIVE INVESTORS HAS BEEN OBTAINED FROM THE COMMISSION.

THE CLEARANCE OF THIS PROSPECTUS FOR CIRCULATION SHOULD NOT BE TAKEN TO INDICATE THAT THE SEC RECOMMENDS THE SECURITIES OFFERED HEREIN OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS.

AN APPLICATION SHALL BE MADE TO THE COMMISSION FOR THE REGISTRATION OF A FINAL PROSPECTUS AND THE SECURITIES WHICH IT OFFERS. THE ISA PROVIDES FOR CIVIL AND CRIMINAL LIABILITIES FOR THE ISSUE OF A PROSPECTUS WHICH CONTAINS FALSE OR MISLEADING INFORMATION. THE REGISTRATION OF THE FINAL PROSPECTUS AND THE SECURITIES WHICH IT OFFERS DOES NOT RELIEVE THE PARTIES OF ANY LIABILITY ARISING UNDER THE ACT FOR FALSE OR MISLEADING STATEMENTS OR FOR ANY OMISSION OF A MATERIAL FACT.

**ISSUING HOUSE/BOOK RUNNER**



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## 1. INDICATIVE TIMETABLE

Activity	Responsibility	Date
Obtain SEC's approval and circulate Prospectus to qualified investors	Issuing House	Sept. 30, 2014
Commence book building process	Issuing House	Sept. 30, 2014
Conclude Book Building / Determine the price to offer the Bond based on the aggregation of orders received	Issuing House	Oct. 14, 2014
Dispatch Allocation Confirmation Notices to Successful Participants	Issuing House	Oct. 15, 2014
Submission of updated transaction documents to SEC for approval	Issuer, Issuing House	Oct. 16, 2014
Hold Completion Board Meeting	All Parties	Nov. 07, 2014
Allot bonds to successful participants	Issuing House	Nov. 07, 2014
Participants to effect payment to Receiving Banks	Allottee	Nov. 07, 2014
Remit net issue proceeds to Fidson	Receiving Banks	Nov. 10, 2014
Receive SEC's clearance of the Allotment	Issuer, Issuing House	Nov. 18, 2014
Announce Allotment	Issuing House	Nov. 20, 2014
Credit CSCS accounts of successful bidders	Registrar	Nov. 20, 2014
File Declaration of Compliance and General Undertaking with the NSE	Stockbrokers	Nov. 20, 2014
Listing of Securities on the NSE	Stockbrokers	Nov. 26, 2014
File summary report with SEC	Issuing House	Nov. 27, 2014

## 2. DEFINITIONS OF TERMS

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The definitions below apply throughout this document except where the context otherwise states:

<b>“Allotment”</b>	The issue of the Bonds to successful bidders pursuant to the Bond Issuance
<b>“Allotment Date”</b>	The date at which the Bonds are allotted to participants
<b>“Allottee”</b>	A successful applicant to whom the Bonds are allotted pursuant to the Issue
<b>“Bid Opening Date”</b>	The date on which the Book Runner shall begin to accept Bids for the Issue
<b>“Bid Period”</b>	The period between the Bid Opening Date and the Bid Closing Date (both days inclusive) during which Qualified Institutional Bidders or High Net-Worth Individuals can submit their Bids
<b>“Bidder”</b>	Any Qualified Institutional Bidders or High Net-Worth Individual who makes a Bid pursuant to the terms of the Prospectus
<b>“Board” or “Directors”</b>	Board of Directors of the Company
<b>“Bond Certificate” or “Certificate”</b>	A certificate in the form specified in the Trust Deed issued to a Bondholder for the number of Bonds held by him and representing evidence of the Bondholder’s title to the number of Bonds specified in the Bond Certificate
<b>“Bond Issue Date”</b>	The date on which the Issuer receives the proceeds, also the Allotment Date
<b>“Bond Maturity Date”</b>	The date on which the principal amount is repaid to the investor by the Issuer
<b>“Bonds” or “Issue”</b>	The debt instruments now being issued by Fidson under the terms and conditions of this Prospectus.
<b>“Book Building”</b>	A process of price and demand discovery by which An Issuing House(s)/Book Runner(s) seeks to determine the coupon at which a public offer should be made which the Bonds should be issued, based on demand from Qualified Institutional and High Net-worth Investors
<b>“Book Runner(s)”</b>	The Issuing House(s) duly appointed by the Issuer to maintain the book in respect of the Bonds being sold by way of a Book Build
<b>“Business Day”</b>	Any day except Saturdays, Sundays and Federal Government declared Public Holidays on which banks are open for business in Nigeria
<b>“Business Hours”</b>	8.00am to 5.00pm on any Business Day
<b>“CAC”</b>	Corporate Affairs Commission
<b>“CAGR”</b>	Compound Annual Growth Rate
<b>“CAMA”</b>	Companies and Allied Matters Act, Cap C.20, LFN, 2004
<b>“CardinalStone”</b>	CardinalStone Partners Limited
<b>“CBN”</b>	Central Bank of Nigeria

## 2. DEFINITIONS OF TERMS

<b>“cGMP”</b>	Current Good Manufacturing Practice
<b>“CITA”</b>	Companies Income Tax Act, Cap C.21, LFN 2004 (as amended by Act No. 11 of 2007)
<b>“Completion Board Meeting Date”</b>	The date on which the Offer documents approved by SEC are signed by the Directors and other parties
<b>“Conditions” or “Terms and Conditions”</b>	Terms and conditions in accordance with which the Bonds will be issued, set out in the section headed “Terms and Conditions of the Bonds”
<b>“Coupon”</b>	The Interest rate determined by the book build which is payable to Bondholders when the Bond is issued
<b>“CSCS” or the “Clearing System”</b>	Central Securities Clearing Systems Limited
<b>“Day Count Fraction”</b>	Such method of calculation the interest amount for any interest period, as specified in this Prospectus
<b>“ECOWAS”</b>	The Economic Community Of West African States
<b>“Exchange Rate”</b>	The applicable USD/NGN currency exchange rate shall be the applicable Central Bank of Nigeria Dutch Auction clearing rate on the Allotment Date
<b>“FGN”</b>	Federal Government of Nigeria
<b>“Fidson” or “the Company” or “the Issuer”</b>	Fidson Healthcare Plc, a public limited liability company, incorporated under the laws of the Federal Republic of Nigeria
<b>“Final Maturity Date”</b>	The date as specified in the Prospectus on which the Principal Amount is due
<b>“FIRS”</b>	Federal Inland Revenue Service
<b>“Fixed Rate Bond”</b>	A Bond in which the rate of interest it yields for the Bondholder is fixed at the time of the issue, and will not change during the life of the Bond
<b>“GAAP”</b>	Generally Accepted Accounting Principles
<b>“GDP”</b>	Gross Domestic Product
<b>“High Net-Worth Individual”</b>	An Individual investor with a net-worth of at least ₦300 million, excluding real assets (such as automobiles, homes and furniture) as defined by SEC Rule 321
<b>“Holder”/“Bondholder”</b>	A person in whose name a Bond is registered in the Register
<b>“IMF”</b>	International Monetary Fund
<b>“Instruments”</b>	Any registered bond or other security or debt instrument issued by Fidson
<b>“Interest Commencement Date”</b>	The Issue date from which interest on the Bonds begins to accrue, in this case the Allotment Date
<b>“Interest Payment Date”</b>	Any date on which the Coupon becomes payable

## 2. DEFINITIONS OF TERMS

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<b>“ISA” or the “ACT”</b>	Investments & Securities Act No 29 of 2007
<b>“ISO”</b>	The International Organisation for Standardisation
<b>“Issuing House”</b>	CardinalStone Partners Limited
<b>“Listing Rules”</b>	The Listing Rules of The Nigerian Stock Exchange
<b>“Maturity Date”</b>	The date as specified in the Prospectus on which the principal payment amount falls due
<b>“Minimum Subscription Amount”</b>	Minimum of ₦10,000,000.00 (i.e. 10,000 units @ ₦1,000 per unit) and multiples of ₦5,000,000 (i.e. 5,000 units) thereafter
<b>“MPC”</b>	Monetary Policy Committee
<b>“NAFDAC”</b>	National Agency for Food and Drug Administration and Control
<b>“Naira” , “NGN” or “₦”</b>	Nigerian Naira
<b>“Nigeria”</b>	The Federal Republic of Nigeria and “Nigerian” shall be construed accordingly
<b>“NSE” or “The Exchange”</b>	The Nigerian Stock Exchange or any other or further stock exchange(s) recognised and/or approved by the SEC on which any Bonds may from time to time be listed
<b>“OTC”</b>	Over-the-Counter
<b>“Payment Date”</b>	The date on which the Coupon and/or the Principal of the Bond is paid to the Bondholders, commencing six months from the Bond Issue Date/Allotment Date as specified in the Prospectus
<b>“Paying Agent”</b>	Means the Registrar so appointed by the Issuer who shall also act as Paying Agent for the purposes of effecting the payment of all the Issuer’s payment obligations under the Trust Deed and Account Bank and Paying Agent Agreement including but not limited to the payment of interests and principal due on the Bonds to the Bondholders subject to the receipt of funds
<b>“Pension Reform Act”</b>	Pension Reform Act, 2014
<b>“PITA”</b>	Personal Income Tax Act, Cap P8, LFN 2004
<b>“PMG-MAN”</b>	Pharmaceutical Manufacturers Group of the Manufacturers Association of Nigeria
<b>“Primary Dealers”</b>	The financial institutions appointed by the Company/Exchange from time to time to exclusively purchase and trade in the Bonds
<b>“Prospectus”</b>	This document issued in accordance with the Rules and Regulations of the Securities & Exchange Commission which details the aggregate size and the broad terms of the offer

## 2. DEFINITIONS OF TERMS

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<b>“Qualified Institutional Investor”</b>	A purchaser of securities that is financially sophisticated and recognised by the Commission as such in accordance with SEC Rule 321
<b>“Ratings Agency”</b>	Global Credit Rating Co.
<b>“Receiving Agent”</b>	Market operators authorised to receive acceptance forms / monies from debt holders
<b>“Receiving Banks”</b>	First City Monument Bank Limited  Access Bank Plc
<b>“Record Date”</b>	The date on which the list of holders of the Bonds is extracted from the register for the purposes of making coupon payments
<b>“Register”</b>	The Register of Bondholders to be maintained by the Registrar
<b>“The Registrar”</b>	City Securities (Registrars) Limited, appointed by the Issuer, or any other registrar so appointed by the Issuer for the time being
<b>“Remittance Date”</b>	The date on which the Receiving Banks have to transfer the proceeds of the Bonds to the Issuer
<b>“Reporting Accountants”</b>	PKF Professional Services
<b>“SEC” or “the Commission”</b>	The Securities and Exchange Commission as established and constituted under the Investments and Securities Act No. 29 of 2007
<b>“Settlement Date”</b>	The date by which an Allottee must pay for the Bonds following an allocation of Bonds; which in the case of a Book Build will be the same as the Completion Board Meeting Date
<b>“SURE-P”</b>	Subsidy Reinvestment & Empowerment Programme
<b>“SWOT analysis”</b>	A structured planning method used to evaluate the Strengths, Weaknesses, Opportunities and Threats involved in a project, business venture or industry
<b>“The Constitution”</b>	The Constitution of the Federal republic of Nigeria 1999
<b>“Trust Deed”</b>	The Deed constituting the Bond between Fidson Healthcare and the Trustees annexed to the Bonds Law
<b>“Trustee”</b>	ALM Consulting Limited
<b>“VAT”</b>	Value Added Tax pursuant to the Value Added Tax Act Cap V1, LFN 2004 as amended by the Value Added Tax (Amendment) Act 2007 and as may be amended from time to time and any other tax of a similar nature
<b>“WDAS/RDAS”</b>	Wholesale Dutch Auction System / Retail Dutch Auction System



## 2. DEFINITIONS OF TERMS

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“WHO”	World Health Organisation
“YouWIN”	Youth Enterprise with Innovation in Nigeria

### **3. IMPORTANT NOTICE TO INVESTORS**

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#### **1. Presentation of Information**

All information regarding the Issuer contained herein was obtained from official sources that are believed to be reliable. Care has been taken by the Issuer to ensure that the information is free of material misstatements.

#### **2. Financial Information**

Unless otherwise stated, the financial information presented in this Prospectus with regard to Fidson, the Issuer, has been derived from the Reporting Accountants' Reports on its audited financial statements for the four years ended 31 December, 2013 and the financial forecasts for the five years ending 31 December, 2014 - 2018. The Issuer's audited financial statements have been prepared in compliance with International Financial Reporting Standard (IFRS) issued by the Board of the International Accounting Standards Committee (IASC), and are presented in Naira, the reporting currency of the Issuer.

Fidson maintains its books of accounts in accordance with the relevant laws of the Federal Republic of Nigeria.

#### **3. Rounding**

Certain numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown in totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

#### **4. Forward-Looking Statements**

Recent historic financial information in this document presented in various forms is not intended to indicate future or continuing trends in the financial performance of the Issuer. No representation is made that past performance, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. However, certain statements incorporated in this Prospectus do constitute forward-looking statements. Such statements are generally identifiable by terminology used such as 'budget', 'estimate', 'expect', 'forecast', 'plan' or other similar words. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking-statements.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that Fidson's actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised.

## 4. DECLARATION BY THE ISSUER



Fidson Healthcare Plc RC 267435

Corporate Head Office:  
268, Ikorodu Road, Obanikoro,  
P.O.Box 7210, Shomolu, Lagos.  
Tel: +234-1-0700343766752,  
+234 01-3429102, 01-3429106  
e-mail: info@fidson.com  
www.fidson.com

04 August, 2014

**The Director-General**

Securities and Exchange Commission  
SEC Towers  
Plot 272 Samuel Adesujo Ademulegun Street  
Central Business District  
Garki, Abuja

Dear Madam,

**DEBT ISSUANCE BY FIDSON HEALTHCARE PLC ("THE ISSUE") – DECLARATION BY THE ISSUER**

This Prospectus has been prepared by the Issuing House on our behalf with a view to providing a description of Fidson Healthcare Plc ("Fidson" or "the Company") and other material disclosures, in connection with the Issue.

On behalf of the Board of Directors, we hereby make the following declarations:


- 1) We confirm that the information contained in this Prospectus, is, to the best of our knowledge, in accordance with the facts and does not omit any information likely to affect its import; and
- 2) The Company is not in breach of any terms and conditions in respect of borrowed monies which resulted in the occurrence of an event of default and an immediate recall of such borrowed monies during the 12 (Twelve) months preceding the date of this Prospectus.


Signed for and behalf of

**FIDSON HEALTHCARE PLC**

By its duly authorised representatives:

  
Mr. Fidelis Ayeboe  
CHIEF EXECUTIVE OFFICER

  
Mr. Olatunde Olanipekun  
CHIEF FINANCE OFFICER

  
Mr. Yomi Adebajo  
COMPANY SECRETARY

Board Of Directors: Felix Ohiwerei ORR (Chairman), Fidelis A. Ayeboe (Managing/CEO), Olufunmilola O. Ayeboe, Emmanuel E. Imoagene, Aisha P. Sadauki OON, Olugbenga O. Olayeye (Executive), Abiola A. Adebayo (Executive), Olatunde B. Olanipekun (Executive).

Factory: Km. 38, Lagos-Abeokuta Expressway, Sango-Ota, Ogun State, Nigeria



## 5. PARTIES TO THE ISSUE

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### Issuer

#### **Fidson Healthcare Plc**

268 Ikorodu Road,  
Obanikoro, Lagos

### Board of Directors and Company Secretary

#### **Mr. Felix Ohiwerei, OFR**

*Chairman*

268 Ikorodu Road,  
Obanikoro, Lagos

#### **Dr. Fidelis Ayebae**

*Managing Director/CEO*

268 Ikorodu Road,  
Obanikoro, Lagos

#### **Chief (Mrs.) Aisha Sadauki, OON**

*Director*

268 Ikorodu Road,  
Obanikoro, Lagos

#### **Mrs. Olufunmilola Ayebae**

*Director*

268 Ikorodu Road,  
Obanikoro, Lagos

#### **Mr. Olugbenga Olayeye**

*Director*

268 Ikorodu Road,  
Obanikoro, Lagos

#### **Mr. Abiola Adebayo**

*Director*

268 Ikorodu Road,  
Obanikoro, Lagos

#### **Mr. Olatunde Olanipekun**

*Director*

268 Ikorodu Road,  
Obanikoro, Lagos

#### **Mr. Emmanuel Imoagene**

*Director*

268 Ikorodu Road,  
Obanikoro, Lagos

## 5. PARTIES TO THE ISSUE

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Company Secretary	<b>Mr. J. Abayomi Adebajo</b> <i>Company Secretary</i> 268 Ikorodu Road, Obanikoro, Lagos
Issuing House/Book Runner	<b>CardinalStone Partners Limited</b> 5 Okotie Eboh Street Ikoyi, Lagos
Solicitor to the Issue	<b>G. Elias &amp; Co.</b> 6th Floor, NCR Building 6 Broad Street Marina, Lagos
Trustee	<b>ALM Consulting Limited</b> Cluster B, Block B12, Flat 102 1004 Housing Estate Victoria Island, Lagos
Solicitor to the Trustee	<b>Templars</b> 4th Floor, The Octagon 13A AJ Marinho Drive Victoria Island, Lagos
Solicitor to the Issuer	<b>Tokunbo Orimobi LP</b> 5th Floor, 72 Broad Street Lagos
Auditors	<b>Ernst &amp; Young</b> 2A Bayo Kuku Road Ikoyi, Lagos
Reporting Accountant	<b>PKF Professional Services</b> PKF House 205A Ikorodu Road, Obanikoro, Lagos
Ratings Agency	<b>Global Credit Rating Co.</b> 17th Floor New Africa House 31 Marina, Lagos

## 5. PARTIES TO THE ISSUE

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### Stockbroker

#### **CardinalStone Securities Limited**

5 Okotie Eboh Street  
Ikoyi, Lagos

### Registrar

#### **City Securities (Registrars) Limited**

358 Herbert Macaulay Road,  
Yaba, Lagos

### Receiving Banks

#### **First City Monument Bank Limited**

Primrose Towers  
17A Tinubu Street  
Lagos

#### **Access Bank Plc**

Plot 999C Danmole Street  
Off Adeola Odeku / Idejo Street  
Victoria Island, Lagos

## 6. SUMMARY OF THE ISSUE

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*The following summary does not purport to be complete and is taken from, and qualified in its entirety by the remainder of this Prospectus. Words and expressions defined in “Form of the Bonds” and “Terms and Conditions of the Bonds” shall have the same meaning in this summary:*

<b>Issuer:</b>	Fidson Healthcare Plc (“Fidson” or “the Company”)
<b>Issuing House:</b>	CardinalStone Partners Limited
<b>Issue Size:</b>	₦2,000,000,000 (Two billion Naira Only)
<b>Description of the Issue:</b>	Public Issue, being undertaken by Fidson, of 5-year 15.5% Fixed Rate Secured Bonds due 2019
<b>Nature of Issue:</b>	Tax-free, Secured and Non-Convertible
<b>Issue Rating:</b>	‘A-’ by Global Credit Rating Co.
<b>Issue Price:</b>	At Par
<b>Units of Sale:</b>	Minimum of ₦10,000,000.00 (i.e. 10,000 units) and multiples of ₦5,000,000.00 (i.e. 5,000 units) thereafter
<b>Par Value:</b>	₦1,000.00 (One Thousand Naira Only)
<b>Units Issued:</b>	2,000,000 units
<b>Tenor:</b>	5 (Five) Years
<b>Specified Currency:</b>	Naira (“₦”)
<b>Payment Terms:</b>	In Full on Application
<b>Listing:</b>	The Nigerian Stock Exchange
<b>Bond Issue Date:</b>	November 07, 2014
<b>Bond Maturity Date:</b>	November 07, 2019
<b>Coupon Rate:</b>	Fixed rate of 15.5% per annum
<b>Coupon Frequency:</b>	Semi-annual (Payable in Arrears)
<b>Interest Commencement Date:</b>	November 07, 2014
<b>Coupon Payment Date:</b>	May 07 and November 07
<b>Coupon Payment:</b>	Interest on the Bonds will start to accrue on Allotment Date, and shall be payable semi-annually in arrears on the Interest Payment Date of every year that the Bond is outstanding. The initial periodic coupon distribution is payable six (6) months from the Allotment Date.

## 6. SUMMARY OF THE ISSUE

**Moratorium:** One (1) year Moratorium on Principal Repayment

**Principal Repayment:** Equal semi-annual payments in arrears over four (4) years (i.e. 8 equal instalments), after the twelve (12) month moratorium period.

**Use of Proceeds:**

Description	Amount	Percentage of Gross Proceeds	Duration of Use*
Refinancing of debt	1,500,525,387.80	75.03%	One (1) Month
Working Capital	431,007,412.20	21.55%	Six (6) Months
Cost of Issue	68,467,200.00	3.42%	Two (2) Weeks
<b>Total</b>	<b>2,000,000,000.00</b>	<b>100.00%</b>	

\* Proposed Duration of Use becomes effective from Remittance Date

**Nature of Indebtedness and Ranking/Seniority:** The Bonds are secured by an All Asset Debenture on the assets of the Issuer, and shall rank pari passu with all other senior obligations of the Issuer.

**Security:** The Bonds will be covered by an All Assets Debenture to cover the properties stated below hereto charged respectively under the Mortgage Debenture Trust Deed dated 2 November, 2011, the Supplemental Mortgage Debenture Trust Deed dated 19 February 2014 and the Mortgage Debenture Trust Deed dated 22 December 2010 and any supplemental mortgage debenture trust deed in respect thereof to the sum of 2.805 times (the assets force sale value) the proposed Issue size:

**Assets charged under the mortgage debenture trust deed dated 2 November 2011 and the supplemental mortgage debenture trust deed dated 19 February 2014**

1. A modern office complex of six floors and other appurtenant structures at 268, Ikorodu Road, Obanikoro, Lagos covered by a deed of sub-lease registered as No. 23 at Page 23 in Volume 2084 at the Lands Registry, Ikeja

**Assets charged under the mortgage debenture trust deed dated 22 December 2010**

1. Industrial premises comprising administrative block, factories and other appurtenant structures situated at Km 38, Lagos-Abeokuta Expressway, Sango Otta, Ogun State covered by a deed of assignment registered as No 13 at Page 13 in Volume 658 at the Lands Registry, Abeokuta
2. Industrial property comprising single bay warehouse situated Km 38, Lagos-Abeokuta Expressway, Sango Otta, Ogun State, covered by a deed of assignment registered as No 22 at Page 22 in Volume 647 of the Lands Registry, Abeokuta
3. Fidson Healthcare Plc industrial premises comprising factory blocks with other appurtenant structures situated at Veepee Avenue, Sango Otta, Ogun State covered by a deed of assignment registered as No 34 at Page 34 in Volume 675 at the Lands Registry, Abeokuta
4. Ecomed Pharma Limited property at Plot 32, Lynson Chemical Avenue, KM 38 Lagos Abeokuta Expressway, Sango Ota, Ogun State covered by a certificate of occupancy as No. 64, in volume 113, dated April 22, 1992, at the Lands Registry Office, Abeokuta, Ogun State



## 6. SUMMARY OF THE ISSUE

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<b>Repayment Method:</b>	The Bond principal will be amortized after one year (please refer to clause 7 on page 110 of the Prospectus)
<b>Distribution Method:</b>	Offer for Subscription via a Book Building Process
<b>Source of Payment:</b>	Principal and coupon payments in respect of the Bonds are payable from the operating cash flows of Fidson.
<b>Target Investors:</b>	This Issue is open to Eligible Investors only as defined in Rule 321 of the SEC Rules and Regulations.
<b>Payment Terms:</b>	In full on application.
<b>Early Redemption:</b>	Call Option: Not Applicable Put Option: Not Applicable
<b>Ratings:</b>	<p>Fidson Healthcare has been assigned an Investment Grade rating of 'BBB' by Global Credit Rating Co.</p> <p>The Bond has been assigned an Investment Grade rating of 'A-' by Global Credit Rating Co.</p> <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
<b>Events of Default:</b>	<p>The Conditions contain Events of Default including those relating to (a) Non-Payment (b) Breach of other Obligations (c) Cross Default (d) Enforcement Proceedings (e) Insolvency and (f) Obligations Unenforceable. The provisions include certain minimum thresholds and grace periods as follows:</p> <ul style="list-style-type: none"><li>(i) the Issuer shall within five (5) Business Days of the occurrence of an Event of Default give notice to the Bond Trustee of each event that constitutes</li><li>(ii) the Bond Trustee may within five (5) Business Days of becoming aware of the occurrence of an Event of Default, give notice in writing to the Issuer, declaring the Bonds to be immediately due and payable</li></ul>
<b>Tax Considerations:</b>	The Bonds are exempt from taxation in Nigeria. Tax Considerations are further highlighted on page 20
<b>Claims and Litigation:</b>	The Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus which are likely to have, or have had in the recent past, a material effect on the financial position of the Corporation.
<b>Terms and Conditions:</b>	The Terms and Conditions applicable to the issue will be based on those set out on pages 21 to 32 hereof as supplemented, modified or replaced by the applicable supplemental Trust Deed

## 6. SUMMARY OF THE ISSUE

<b>Bond Certificates/Credit to CSCS:</b>	Subsequent to clearance of Allotment Proposal by the Securities and Exchange Commission (SEC), Bonds allotted will be credited to the CSCS Account of all Allottees within five (5) working days of clearance of the Allotment.
<b>Bond Trading &amp; Liquidity:</b>	Bonds may trade OTC between banks and qualified market counterparties. Dealers will be obliged to quote two-way prices for the Bonds and satisfy additional terms specified in the Dealing Agreement.
<b>Oversubscription:</b>	In the event of oversubscription, Fidson can absorb a maximum additional amount of 15% of the offer size, in line with consolidated SEC rule 288(1)(o) (after SEC approval).
<b>Underwriting:</b>	Not applicable
<b>Governing Law:</b>	The Bonds and all related contractual documentation will be governed by, and construed in accordance with Nigerian Law.
<b>Short Term Loans and Overdrafts:</b>	Details on short term loans and overdrafts by the Company are given on pages 91 and 96 respectively.

### Historical Financial Summary:

	31 December, 2013 ₦'000	31 December, 2012 ₦'000	(18 months) 2011 ₦'000
Revenue	9,247,056	7,168,939	7,127,853
Profit Before Tax	249,591	540,080	214,264
Profit After Tax	154,980	206,889	55,590
Share Capital	750,000	750,000	750,000
Net Assets	5,245,335	5,228,436	5,190,377

## 7. USE OF PROCEEDS

The Company has, in the last few years been involved in several capital expansion projects. To fund these projects the Company, resorted to relatively expensive credit facilities from banks and non-bank finance houses that put a strain on the Company's cash flows. In addition, the tenors of these loans were often too short and a mismatch with the Company's cash flows.

Given the need to source for cheaper and more stable debt financing, the Company seeks to refinance the relatively expensive portion of their outstanding debt to better match the tenor of its debt obligations with the cash flows of the business and reduce its interest costs.

The net proceeds from the total issue estimated at ₦1.93 billion, after deducting the total cost of the issue of ₦68.467million (3.423% of gross issue proceeds), will be used for the purpose of refinancing a portion of the Company's existing debt (₦1.50billion) and to help fund the Company's working capital needs (₦431.0million):

Description	Amount (₦)	Percentage of Gross Proceeds	Duration of Use*
Refinancing of debt	1,500,525,387.80	75.03%	One (1) Month
Working Capital	431,007,412.20	21.55%	Six (6) Months
<b>Total</b>	<b>1,931,532,800.00</b>	<b>96.58%</b>	

\* Proposed Duration of Use becomes effective from Remittance Date

Details of the existing debt to be refinanced include:

Name of Institution	Description	Outstanding Loan Amount (₦)	Interest Rate (per Annum)
First City Monument Bank Limited	Lease	166,614,950.89	19.50%
First City Monument Bank Limited	Term Loan	869,039,924.11	20.50%
Guaranty Trust Bank Plc	Term Loan	183,289,893.49	19.00%
Access Bank Plc	IFF	34,639,700.80 (\$216,498.13)	22.00%
Access Bank Plc	Overdraft	72,811,938.09	22.00%
Financial Derivatives	Lease	174,128,980.42	23.00%
<b>Total</b>		<b>1,500,525,387.80</b>	<b>20.60% (Weighted av.)</b>

\* Exchange Rate assumed at ₦160/1USD

## 8. TAX CONSIDERATIONS

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The Bonds issued will be exempt from taxation in Nigeria. As such, all payments made to Bondholders shall be free and clear of Withholding, State and Federal Income and Capital Gains Taxes with no deductions whatsoever being made at source.

The Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 issued on the 9<sup>th</sup> of December 2011 communicated the approval of a waiver of taxes on all categories of bonds and short term Federal Government securities; including taxes prescribed pursuant to the Companies Income Tax Act, Personal Income Tax Act (PITA), Value Added Tax Act and the Capital Gains Tax Act, with the aim of eliminating respective taxes payable on such investments.

The tax exemption granted by this Order is for a period of 10 years from the date of its issue (2011 to 2021), with the exception of Bonds issued by the Federal Government, which shall continue to enjoy such exemption indefinitely.

## 9. TERMS AND CONDITIONS OF THE BONDS

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*The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the Final Terms which are attached to the Trust Deed and the Prospectus, will be endorsed on or attached to the Bonds issued. Further information with respect to Bonds will be given in the Trust Deed and the Prospectus which will provide for those aspects of these terms and conditions which are applicable to those Bonds.*

The shareholders and the board of directors of Fidson Healthcare plc (the "Issuer"), each by a resolution passed on October 21, 2013, authorised the establishment of the ₦2,000,000,000 bond issue (the "Issue").

In the event of any inconsistency between these Conditions and the Final Terms, the Final Terms shall prevail.

The Bonds are constituted by a trust deed dated 07, November 2014 (the "Trust Deed") between the Issuer and ALM Consulting Limited (the "Bond Trustee"), which expression shall include any person or persons for the time being appointed as the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds (the "Bondholders").

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed. Copies of the Trust Deed are available for inspection at the specified office of the Trustee, at Block B12 flat 102, 1004 Estates, Victoria Island, Lagos.

Words and expressions defined in the Trust Deed (as same has been and may be amended, varied or supplemented from time to time with the consent of the parties thereto) are expressly and specifically incorporated to and shall apply to these Conditions.

### 1. Interpretation

- a) **Definitions:** In these conditions the following expressions have the following meanings:

**"Business Day"** means a day (other than a Saturday, Sunday or Federal Government of Nigeria declared public holiday) on which commercial banks are open for general business in Abuja and Lagos;

**"Business Day Convention"**, in relation to any particular date, has the meaning given in the Final Terms and, if so specified in the applicable Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention" or "Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

## 9. TERMS AND CONDITIONS OF THE BONDS

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- (iv) **“Floating Rate Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms as the specified period after the calendar month in which the preceding such date occurred, provided, however, that:
- a. if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - b. if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - c. if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred;

**“Day Count Fraction”** means in respect of the calculation of an amount for any period of time (the "Calculation Period"), such day count fraction as may be specified in these conditions or the Final Terms and:

- (i) if **"Actual/365"** or **"Actual/Actual"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iii) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360; and
- (iv) if **"30/360"** is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve (12) 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

**“Final Redemption Amount”** means, in respect of any Bond, its principal amount or such

## 9. TERMS AND CONDITIONS OF THE BONDS

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other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**“Indebtedness”** means any monetary indebtedness which is represented by a bond or other debt security and which is or is capable of being admitted to or listed or traded on a stock exchange or other securities market (including any over-the-counter market), any loan advanced by a bank, an insurance company or any other financial institution (including, without limitation, assignable loans) and any guarantee or suretyship in respect of any such monetary indebtedness or such loan;

**“Insolvency Event”** means in relation to the Issuer:

- (i) a voluntary case, proceeding or other action under any applicable law of any jurisdiction, domestic or foreign, relating to the bankruptcy, insolvency, reorganization, suspension of payments or relief of debtors seeking to have an order of relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or to its debts;
- (ii) a voluntary case, proceeding or other action seeking appointment of a receiver, trustee, liquidator, intervenor, administrator, custodian, conservator or other similar official of it or for any substantial part of its Property;
- (iii) an involuntary case, proceeding or other action of a nature referred to in clause (i) above shall be commenced against it that: (A) shall result in the entry of an order for relief or of an order granting or approving such adjudication or appointment; or (B) shall remain unstayed, undismissed, undischarged or unbonded for a period of at least 60 days after the party's actual knowledge of such action;
- (iv) an involuntary case, proceeding or other action shall be commenced against it that seeks the issuance of a warrant of attachment, execution, distraint or other similar process against any substantial part of its Secured Assets that shall result in the entry of an order for relief and shall remain unstayed, undismissed, undischarged or unbonded for a period of at least pending appeal within 60 from the entry thereof;
- (v) there shall be commenced against it any extra-judicial liquidation proceedings under any applicable law on insolvency (except such proceeding is frivolous, vexatious and an abuse of legal process);
- (vi) it shall admit in writing its inability to pay its debts as they become due;
- (vii) it shall make a general assignment for the benefit of creditors; or
- (viii) it shall take any corporate (or similar) action in furtherance of, or indicating its consent to, approval of or acquiescence in, any of the foregoing acts;

**“Interest Amount”** means, in relation to a Bond and an Interest Period, the amount of

## 9. TERMS AND CONDITIONS OF THE BONDS

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interest payable in respect of that Bond for that Interest Period;

**“Interest Commencement Date”** means the Issue Date of the Bonds or such other date as may be specified as the Interest Commencement Date in the Final Terms;

**“Interest Payment Date”** means the date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms

**“Interest Period”** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**“Interest Rate”** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Bonds specified in the Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the Final Terms;

**“Issue Date”** has the meaning given in the Final Terms;

**“Maturity Date”** has the meaning assigned to it in the Final Terms;

**“Moratorium Period”** means a period of 12 (twelve) months from the Issue Date;

**“Payment Date”** means the dates specified as such in the Final Terms upon which interest and/or principal are due and payable in respect of the Bonds;

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**“Principal Amount Outstanding”** means, on any day in relation to a Bond, the principal amount of that Bond on issue less the aggregate of all principal payments that have become due and payable in respect of that Bond and have been paid on or prior to that day;

**“Redemption Amount”** means, any principal amount specified to be redeemed, as appropriate, the Final Redemption Amount, , or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the applicable Final Terms;

**“Redemption Date”** means the Payment Date(s) specified in the applicable Final Terms;

**“Special Resolution”** means any resolution of the Bondholders passed by Bondholders holding a minimum of 75% (seventy-five percent) of the principal amount of the bonds outstanding;

**“Transaction Accounts”** means the Minimum Reserve Account, the Payment Account and the Perfection Reserve Account to be opened in the name of the Issuer and administered by the Bond Trustee with the Account Bank in accordance with the terms of the Account Bank & Paying Agent Agreement;



## 9. TERMS AND CONDITIONS OF THE BONDS

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**“Transaction Documents”** means the Prospectus, the Trust Deed; Account Bank & Paying Agent Agreement and the Vending Agreement

b) Interpretation: In these Conditions:

- (i) any reference to principal shall include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 10 (Taxation), any premium payable in respect of a Bond and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 10 (Taxation) and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) references to Bonds being "outstanding" shall be construed in accordance with the Trust Deed; and
- (iv) if an expression is stated in Condition 1(a) (Definitions) to have the meaning given in the Final Terms, but the Final Terms give no such meaning or specify that such expression is "not applicable" then such expression is not applicable to the Bonds.
- (v) Any reference to the Trust Deed shall be construed as a reference to the Trust Deed as amended and/or supplemented up to and including the Issue Date of the Bonds.

### 2. Form, Denomination and Title

- 2.1. Form and Denomination:** The Bonds shall be issued in uncertificated (dematerialised or book entry) form, which shall be registered with a separate securities identification code with the CSCS.
- 2.2. Title:** Title to the Bonds will pass upon registration of the name of the Bondholder in the Register maintained by the Registrar for this purpose. The Issuer, the Bond Trustee and the Registrar may deem and treat the holder of any Bond Certificate as the absolute owner of such Bond Certificate, free from any equity, set-off or cross-claim on the part of the Issuer against the original or any intermediate holder of such Bond Certificate. All payments made to the holder shall be valid and, to the extent of sums so paid, effective to satisfy and discharge the liability for the moneys payable on the Bonds.

### 3. Registration and Transfer of Bonds

- 3.1.** A Register of the Bonds shall be kept by the Registrar at its office, and there shall be entered in such Register:-
- i) The names and addresses of the holders for the time being of the Bonds
  - ii) The amount of the units of Bonds held by every registered holder
  - iii) The account number of the Bondholder

## 9. TERMS AND CONDITIONS OF THE BONDS

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- iv) The date at which the names of every registered holder is entered in respect of the Bond standing in its name; and
  - v) The CSCS account details of each holder
- 3.2. Any change of name or address on a part of the Bondholder shall forthwith be notified to the Registrar and thereupon the Register shall be altered accordingly. The Bond Trustee and the Bondholders and any Person authorised by any of them shall be entitled at all reasonable times during office hours to inspect the Register and to make copies of or take extracts from the same.
- 3.3. The Bonds are transferable in whole or in part in denominations of ₦1,000 (or such denominations set out in the applicable Final Terms) by instrument in writing in the usual common form of transfer or in any form approved by the Issuer and the Bond Trustee and in accordance with the provisions of the Trust Deed.
- 3.4. Every instrument of transfer of the Bonds must be signed by both the transferor and the transferee and title to the Bond will pass upon registration of the instrument of transfer in accordance with the provisions of the Trust Deed.
- 3.5. Every instrument of transfer of the Bond must be left for registration at the office of the Registrars for the time being of the Bond accompanied by the Certificate for the Bond to be transferred and such other evidence as the Issuer may require to prove the title of the transferor or his right to transfer the Bond, and if the instrument of transfer is executed by some other Person on his behalf the authority of that Person so to do.
- 3.6. Any Person becoming entitled to the Bonds in consequence of the death, bankruptcy, winding-up or dissolution of the holder thereof may, upon producing such evidence that he has or is entitled to the capacity in respect of which he proposes to act under this Condition or of his title as the Registrar shall think sufficient, be regarded as the holder of such Bonds, or subject to the preceding Conditions as to transfer may transfer the same. The Issuer shall be at liberty to retain the interest payable upon any Bonds which any Person is entitled to transfer under the preceding Condition until such Person shall be registered or duly transfer the same as aforesaid.
- 3.7. No Bondholder may require the transfer of a Bond to be registered during a period of 15 (fifteen) days immediately preceding each Payment Date during which the Register will be closed ("Record Date").

### 4. Status of Bonds and Guarantee

The Bonds constitute direct and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and rateably without any preference among them. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

### 5. Negative Pledge

So long as any Bonds remain outstanding the Issuer will not secure any other indebtedness represented by bonds, or any other publicly issued debt securities which are, or are capable of being, traded or listed on any stock exchange or over-the-counter or similar securities market without securing the Bonds equally and rateably with such indebtedness.

## **9. TERMS AND CONDITIONS OF THE BONDS**

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### **6. Redemption, Purchase and Cancellation**

#### **6.1. Redemption at Maturity**

Unless previously redeemed, purchased and cancelled, Bonds may be fully redeemed in one bullet payment at its Final Redemption Amount (which, unless otherwise provided, is its Principal Amount Outstanding) at the Maturity Date specified in the Final Terms.

#### **6.2. Redemption by Instalments**

Bonds may be partially redeemed by instalment on each Payment Date by equal semi-annual payments over four (4) years, i.e. 8 equal instalments, after the Moratorium Period.

#### **6.3. Purchase**

The Issuer may at any time and from time to time purchase at any price Bonds through the Stock Exchange or by tender (available to all Bondholders alike).

#### **6.4. Cancellation**

All the Bonds which are redeemed in accordance with the provisions of the Trust Deed will be cancelled and may not be reissued or resold. For so long as the Bond is admitted to listing and/or trading on the Stock Exchange and the rules of such exchange so require, the Registrar shall promptly inform the Stock Exchange of the cancellation of any Bonds under this Condition 6.4 (Cancellation).

### **7. Interest and Calculation**

#### **7.1. Accrual of Interest**

The Bonds will bear interest from and including the Interest Commencement Date at the Interest Rate payable in arrears on its Principal Amount Outstanding. Each Bond will cease to bear interest from and including the due date for final redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the Interest Rate in the manner provided in this Condition.

#### **7.2. Fixed Rate Bonds**

The Interest Rate applicable to the Bonds and the amount of interest payable in respect of such Bonds for any Interest Period shall be the applicable Interest Amount specified in (an amortisation/payment schedule appended to), or determined in accordance with, the Final Terms.

#### **7.3. Calculation of Interest Amount**

The Interest Amount payable in respect of each Bond for an Interest Period shall be specified in (an amortisation/payment schedule appended to), or determined in accordance with, the Final Terms. The amount of interest payable in respect of any Bond for any period shall be calculated by multiplying the product of the Interest Rate and the Principal Amount Outstanding of such

## 9. TERMS AND CONDITIONS OF THE BONDS

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Bond by the Day Count Fraction and rounding the resulting figure to the nearest sub unit of the Naira.

### 8. Payments

- 8.1. Subject to Condition 10 (Taxation), any principal, interest or other moneys payable on or in respect of any Bonds may be paid by the Bond Trustee through the Registrar by cheque or warrant sent through recorded delivery post to the registered address of the holder or Person entitled thereto, or in the case of joint holders to the registered address of the joint holder who is first named on the Register in respect of such Bonds, or to such Person and to such address as the holder or holders may in writing direct, or through electronic payment transfer to a designated account (denominated in Naira) maintained by the payee with any Nigerian bank as notified to the Registrar.
- 8.2. Every such cheque or warrant shall be made payable to the order of the Person to whom it is sent or to such other Person or Persons as the holder, or in the case of joint holders, all such joint holders may in writing direct and payment of the cheque or warrant shall be a satisfaction of the moneys represented thereby. Every such cheque or warrant shall be sent at the risk of the Person entitled to the moneys represented thereby.
- 8.3. Whenever any part of the Bond is redeemed, a proportionate part of each holding of the Bond shall be repaid to the Bondholders.
- 8.4. Payments will be made to the Person shown in the Register at the close of business on the Record Date as defined in Condition 3.7
- 8.5. The Registrar shall give to the Bondholders not less than [one (1)] month's notice in writing of the time and mode for repayment of the Bonds to be redeemed and each such notice shall state the amount of the Bond for redemption.
- 8.6. At the time and place so fixed for redemption, each Bondholder shall, where applicable, deliver to the Registrar evidence of title issued by the CSCS in order that the same may be cancelled together with a receipt for the redemption moneys payable in respect of the Bonds, and upon such delivery, the Bond Trustee shall acting through the Registrars pay to the Bondholder the amount payable to him in respect of such redemption together with all interest accrued thereon.
- 8.7. If, on the Maturity Date, any Bondholder whose Bonds are liable to be redeemed shall fail or refuse to deliver up the Bond Certificate(s) (where applicable) held by him at the time and place fixed for their redemption or shall fail or refuse to accept payment of the redemption moneys payable in respect thereof, the moneys payable to such Bondholder shall be paid to the Bond Trustee and the Bond Trustee shall hold such moneys in trust for such Bondholder and interest on such Bonds shall cease to accrue as from the date fixed for redemption thereof and the Issuer shall thereby be discharged from all obligations in connection with such Bonds. If the Bond Trustee shall place the moneys so paid to them on deposit at a commercial bank or invest them in the purchase of securities for the time being authorised by law for the investment of trust funds, the Bond Trustee shall not be responsible for the safe custody of such moneys or for interest thereon except such interest (if any) as the said money may earn whilst on deposit or invested as aforesaid less any expenses incurred by the Bond Trustee.

## 9. TERMS AND CONDITIONS OF THE BONDS

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### 9. Priority of Payments

All moneys received by the Bond Trustee in respect of the Bonds or amounts payable under the Trust Deed shall, despite any appropriation of all or part of them by the Issuer, be held by the Bond Trustee on trust and shall be applied by the Bond Trustee:

- a) firstly, for payment of all fees and incidental expenses of the Trustee and/or its appointed agents and the Rating Agency;
- b) secondly, in payment of any amounts owing in respect of the Bonds *pari passu* and rateably; and
- c) thirdly, the excess cash flow (if any) shall be paid to the Issuer to the extent that the Minimum Reserve Account has been funded and/or replenished and the relevant payments into the Payment Account has been satisfied in full.

If the Bond Trustee holds any moneys in respect of Bonds which have become void, or in respect of which claims have become prescribed, the Bond Trustee shall apply them in accordance with the order of payment set out above.

### 10. Taxation

All payments of principal, interest and any other sum due in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Federal Republic of Nigeria or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, no additional amounts shall be paid to the Bondholders as a result thereof.

### 11. Events of Default

If any of the following events (“Events of Default”) occurs and is continuing, the Trustee may at their discretion and shall, upon the request in writing of the registered holders of at least one-fifth of the nominal amount of the Bonds for the time being outstanding or upon being so directed by an Extra Ordinary Resolution by notice in writing to the Issuer declare the Bonds to have become immediately repayable:

- a) Payment Default: the Issuer does not pay any amount in respect of the Bonds within five Business Days of the due date for payment; or
- b) Breach of other Obligations: the Issuer does not comply with its other obligations under or in respect of the Bonds and, if the non-compliance can be remedied, does not remedy the non-compliance within 30 days after written notice requiring such default to be remedied has been delivered to the Issuer by a Bondholder; or
- c) Cross Default: any Indebtedness in excess of [~~₦~~200,000,000] (or its equivalent in any other currency) of the Issuer in respect of money borrowed or raised is not paid within [20] Business Days of: (i) its due date; or (ii) the end of any applicable period of grace, whichever is the later; or
- d) Enforcement Proceedings: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the Secured Assets or any substantial part thereof, assets or

## 9. TERMS AND CONDITIONS OF THE BONDS

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revenues of the Issuer or the Guarantor and is not discharged or stayed within 60 days thereof;  
or

- e) Insolvency: an Insolvency Event occurs in respect of the Issuer; or
- f) Obligations Unenforceable: any of the Bonds, the Trust Deed, and/or the Final Terms is or becomes wholly or partly void, voidable or unenforceable.

PROVIDED that the Bond shall not be declared immediately payable unless: (I) on the occurrence of any event specified in sub-clauses 11 (b) (c) and (d), the Bond Trustee shall have first served on the Issuer a preliminary notice requiring the Issuer as the case may be to pay the principal or interest in arrears or to remove, discharge or pay out to the satisfaction of the Bond Trustee such distress, execution or process or to perform and observe the covenant or provisions the breach whereof has been committed or threatened and the Issuer shall have failed or neglected for a period of ten Business Days (10) to comply with such notice; and (II) in the case of any event specified in sub-clauses 11 (e) and (f), the Bond Trustee shall have certified in writing to the Issuer that the Event of Default is, in its opinion, materially prejudicial to the interests of the Bondholders.

### 12. Enforcement

Only the Bond Trustee may enforce the provisions of the Trust Deed. No Bondholder shall be entitled to proceed directly against the Issuer to enforce the performance of any of the provisions of the Trust Deed unless the Bond Trustee having become bound as aforesaid to take proceedings fails to do so within forty-five (45) days and such failure is continuing.

### 13. Meetings of Bondholders, Modification and Waiver of Breach

#### 13.1. Convening Meeting of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the modification by Extraordinary Resolution of the Conditions or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Bond Trustee and shall be convened by the Issuer or the Bond Trustee at anytime upon request in writing of holders of at least 10% (10 percent) of the aggregate principal amount of the outstanding Bonds.

#### 13.2. Quorum

The quorum at any meeting of the Bondholders convened for passing an Extraordinary Resolution will be two or more Persons holding or representing by proxy not less than three-fourths of the nominal amount of the Bonds for the time being outstanding; or, at any adjourned such meeting, two or more Persons being or representing the Bondholders, whatever the amount of the Bonds held by them shall be a quorum for all purposes including the passing of Extraordinary Resolutions and to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place. An Extraordinary Resolution passed at any meeting of the Bondholders will be binding on all Bondholders, whether or not they were present at such meeting.

#### 13.3. Resolution in Writing

A resolution in writing duly signed by the holders of all the Bonds for the time being outstanding, shall be as effective for all purposes as a Special Resolution duly passed at a meeting of the Bondholders. Such Resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders.

## **9. TERMS AND CONDITIONS OF THE BONDS**

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### **13.4. Modifications and Waiver**

The Bond Trustee may agree: (i) upon the giving of prior written notification by the Issuer to the Rating Agency which has assigned a credit rating to the Bonds; and (ii) upon prior notification of the Bondholders, to:

- 13.4.1.** Any modification of any of the provisions of the Trust Deed or the Conditions that is of a formal, minor or technical nature or is made to correct a manifest error; and
- 13.4.2.** any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach of any of the Conditions or any of the provisions of the Trust Deed which, in the opinion of the Bond Trustee, is not materially prejudicial to the interests of the Bondholders.

Any such modification shall be binding on the Bondholders and shall be notified by the Issuer to the Bondholders prior to such modification, but subject to prior approval from SEC, and the Stock Exchange as soon as practicable thereafter.

### **14. Rights Against Predecessors-in-Title**

Except as required by law the Issuer will recognise the registered holder of any Bonds as the absolute owner thereof and shall not be bound to take notice or see to the execution of any trust whether express, implied or constructive to which any Bonds may be subject, and the receipt by such registered holder, or in the case of joint registered holders the receipt by any of them, of the interest from time to time accruing due for any other moneys available in respect thereof shall be a good discharge to the Issuer notwithstanding any notice it may have whether express or otherwise of the right, title, interest or claim of any other Person to or in such Bonds interest or moneys. Notice of any trust express or constructive shall not be entered on the Register in respect of any Bonds.

### **15. Substitution**

The Trust Deed contains provisions permitting the Bond Trustee to agree: (a) with the consent of the Majority Bondholders; (b) written confirmation and/or affirmation from the Rating Agency that the credit rating of such Bonds will not be adversely affected: and (c) upon notification to the SEC and the Stock Exchange, to the substitution of the Issuer as principal debtor under the Trust Deed, with any other company.

### **16. Further Issues**

The Issuer may from time to time create and issue further bonds either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other Bonds issued pursuant to this Condition and forming a single series with the Bonds.

### **17. Prescription**

Claims in respect of Bonds will become prescribed unless presented for payment as required by Condition 8 (*Payments*) within ten years (in the case of principal) and five years (in the case of interest), from the due date for payment thereof.

## **9. TERMS AND CONDITIONS OF THE BONDS**

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### **18. Notices**

- 18.1.** Any notice may be given by the Issuer or by the Bond Trustee to any Bondholder by sending the same through the post in a prepaid letter addressed to such Bondholder at its address appearing on the Register of Bondholders.
- 18.2.** Any notice, or other communication may be given to the Bond Trustee hereunder by sending the same through the post in a prepaid letter addressed to the Bond Trustee at their registered offices in Nigeria.
- 18.3.** Any notice, or other communication may be given to the Issuer by sending the same through the post in a prepaid letter addressed to:

The Managing Director  
Fidson Healthcare Plc  
268 Ikorodu Road, Obanikoro, Lagos

- 18.4.** Provided that in each case, any notice given to any Bondholder, the Bond Trustee or the Issuer by way of publication in two Nigerian National Dailies will suffice as sufficient notice.

### **19. Governing Law and Jurisdiction**

#### **19.1. Governing Law**

The Bonds and all matters arising from or connected with the Bonds are governed by, and shall be construed in accordance with, Nigerian law.

#### **19.2. Jurisdiction**

Nigerian Courts shall have exclusive jurisdiction to settle any dispute arising out of or in connection with the Bonds.



## 10. CLEARING AND SETTLEMENT OF THE BONDS

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*Words used in this section shall bear the same meanings as used in the section headed "Definitions except to the extent that they are separately defined in this section or the meaning if applied, would be clearly inappropriate for the context.*

### **The Clearing System**

The Bonds shall be registered with a separate securities identification code with the CSCS. All transactions in the Bonds shall be cleared and settled electronically in accordance with the rules and operating procedures of CSCS. Subject as aforesaid, the Bonds will be issued, cleared and transferred in accordance with the Terms and Conditions and will be settled through authorised participants who will follow the electronic settlement procedures prescribed by CSCS. CSCS authorised participants include banks (including the CBN), securities brokers and dealers and other professional financial intermediaries.

The Issuer will have no responsibility for the proper performance by the CSCS or the CSCS authorised participants of their obligations under their respective rules and operating procedures.

### **Secondary Market Transactions and Settlement**

Secondary market transactions will be done on the relevant day as per CBN guidelines, with four parties (buyer, seller, CSCS, and CBN) involved in the settlement of every trade. The steps involved in the settlement process are outlined below.

#### **The Settlement Process:**

**Transaction Day ("Day T"):** Two different trading houses close a deal and exchange reference details. The reference detail is a unique identifier used for each particular trade for easy reference, and is alpha numeric. It starts with the reference of the selling party, followed by that of the buying party and the month/year of trade and the deal number.

All the deals executed by the participants are noted on a schedule/settlement blotter which is forwarded to CSCS before 10a.m. on the relevant Settlement Date as per CBN guidelines.

CSCS will then review the blotters received from the participants and match the trades. For all matched trades, CSCS crosses the bonds from seller to buyer, and sends a schedule showing the details of the deals to the Registrar. In cases where trades are not matched off, CSCS will notify both counterparties and ask them to rectify the fault.

#### **Transfer of Bonds**

Title to beneficial interest in the Bonds will pass on transfer thereof by electronic book entry in the securities accounts maintained by CSCS and may be transferred only in accordance with rules and operating procedures of CSCS.

#### **Cash Settlement**

Transaction Parties will be responsible for effecting the payment transfers either via Real-Time Gross Settlement ("RTGS"), National Electronic Funds Transfer ("NEFT") or any other transfer mode agreed by the Transaction Parties and recognised by the CBN.

## 11. RISK FACTORS AND MITIGATION

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*The following section does not describe all the risks of an investment in the Bond Issue. Before making any investment decision, prospective investors should carefully read this Prospectus in its entirety, including the risk factors set out below.*

### RISK FACTORS RELATING TO THE ISSUER

#### a) Industrial Risks

The pharmaceutical industry is faced with a number of challenges, chiefly being the issue of fake drugs, dearth of raw materials, poor distribution networks, smuggling and brain drain of trained professionals. Also the drug supply chain in Nigeria is not adequately regulated which allows for indiscriminate purchase by marketers and end users.

**Mitigants:** A major step that has been taken in curtailing counterfeiting in the pharmaceutical industry is the banning of imports of pharmaceutical products through land borders. Thus, pharmaceutical products can only be imported through approved channels or ports into the country. NAFDAC has also alluded to the use of text message-based technology to complement its new approach, which is aimed at making consumers more vigilant against the use or sale of illegal or counterfeit medicines. In order to improve the distribution of medicines, stakeholders agreed on a Mega Distribution model in 2009, which will be private sector owned and managed as an independent corporate entity once implemented.

#### Political Risks

Future changes in the political environment in Nigeria may have material adverse effect on the economy as successive governments may discontinue existing economic policies. Nigeria's earnings are mainly derived from exported crude oil proceeds hence, an unprecedented fall in the price of crude oil and unrest in the Niger-Delta as well as the Northern and Middle Belt region, could significantly affect the stability of the economic environment in which Fidson and its customers operate.

**Mitigants:** In the last fourteen (14) years, Nigeria has experienced uninterrupted democratic rule and the current President's political party, the People's Democratic Party (PDP), is expected to remain in office at least until the next election in 2015. The current government has also continued the economic reforms initiated by its predecessor which indicates the likelihood of continuity in future. Also, the Government is in ongoing discussions with the various security agents in restoring normalcy to the Niger-Delta, Northern and Middle Belt regions.

#### b) Competition Risk

Fidson faces a high level of competition from low-cost generic drug producers in emerging Asian markets, with imports making up for 60% of consumed medicines in Nigeria. There is also competition due to the proliferation of small players, who also account for approximately 68% of total market share. The sheer number of these smaller players spread across the country has a severe dampening effect on the growth of large players in the industry. Larger multinational companies, due to their greater brand perception are also a source of competition for the Company.

**Mitigants:** Fidson is currently in the process of expanding its capacity and operations by entering into the manufacture of intravenous fluids with the ongoing construction of a new World Health Organisation certified factory; currently, only Five (5) companies including Fidson have been selected for a WHO prequalification. The new plant, which is on course to be completed in 2014, is expected to more than double Fidson's current operations. Upon completion, the project is expected to create an entry barrier which will be too high for the small players to compete. The Nigerian Government has also taken initiative to combat competition from low-cost imports by banning the importation of eighteen essential medicines, encouraging increased capacity utilisation of local drug manufacturers.

## 11. RISK FACTORS AND MITIGATION

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### c) Personnel Risks

There is a general perception of significant shortage of skilled pharmaceutical personnel in Nigeria, and as a result, there is stiff competition among the major pharmaceutical firms in Nigeria for the employment of the few good available staff.

Also, certain business relationships or members of management, responsible for the implementation of strategy and daily operation of Fidson, may be important to the conduct of the Company's business.

As such, there always remains the possibility that experienced personnel might leave the Company, or such business relationships may cease to exist.

**Mitigants:** Fidson manages staff turnover by ensuring that they create a conducive and healthy working environment while their pay package is competitive. Fidson's management in conjunction with its human resource department has continuously reviewed its staff pay package and benefits in accordance with the trend in the pharmaceutical industry. Also, the creation of a conducive, healthy, and safe working environment by management has undoubtedly over the years ensured that staff turnover is at the barest minimum.

### d) Operational Risks

Operational risk is the potential for financial and reputational loss arising from a breakdown in internal controls, operational processes or the various systems that support them. This risk ranges from human errors, criminal acts to natural disasters etc and could arise from internal or external factors.

**Mitigants:** Internal risk factors are managed through the establishment of effective segregation of responsibilities, infrastructures and controls within Fidson. External risk factors are managed by anticipating the occurrence of adverse effects, preparing contingency plans and implementing sound back-up systems.

## RISKS RELATING TO THE BONDS

### a) The Bonds may not be a suitable investment for all investor types

Each potential investor in the Bonds must determine the suitability of this investment in light of its own circumstances. In particular, each potential investor should;

- i). Have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in it.
- ii). Understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets.
- iii). Be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in securities which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the securities will perform under changing conditions, the resulting effects on the value of the securities and the impact this investment will have on the potential investor's overall investment portfolio.

## 11. RISK FACTORS AND MITIGATION

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### b) Liquidity Risk

The transferability of the Bonds may be limited by the absence of an active trading market and restrictions on transfer under applicable securities laws in Nigeria. Although an application has been made to list the Bonds on the NSE, there can be no assurance that any active trading market will develop for the Bonds.

There can also be no assurance in respect of the future prices at which the Bonds could be sold. If a market for the Bonds were to develop, the instrument could trade at prices that may be higher or lower than the initial issue price as a result of numerous factors, including but not limited to factors beyond the Issuer's control such as general economic and market conditions.

**Mitigants:** The Bonds will be traded over-the-counter and settled through CSCS, prior to commencement of active trading on the NSE platform. Via the OTC platform, the Bonds can trade at prices that are either higher or lower than the issue price depending on factors such as prevailing interest rates, ratings assigned to the Notes and the Issuer and the yields on similar debt securities issued by other corporate entities.

Furthermore, there are ongoing efforts by the regulators and capital market operators to create a viable secondary market trading platform for corporate bonds. This should improve liquidity in the bonds and reduce price volatility.

### c) Regulatory Environment

The regulatory environment is subject to change and the policies that have created an enabling environment for the issuance of the Bonds will be amended with new laws which may not be as favourable for interests.

**Mitigants:** The Federal Government and the respective regulators are committed to creating and sustaining an investment-friendly environment governed by stable policies.

### d) Interest Rate Risk

Investment in Fixed Rate Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Bonds.

**Mitigants:** The prevailing interest rate regime is likely to be maintained for the foreseeable future as the Central Bank of Nigeria continues to pursue and encourage single digit interest rates. Furthermore, investors may also choose to hedge against interest rate risks through interest rate swaps.

### e) Credit ratings may not reflect all risks

The credit ratings assigned to this Bond Issue may not reflect the potential impact of all risks discussed relating to this Bond Issue and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

### f) Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent:

- i). Bonds are legal investments for it

## 11. RISK FACTORS AND MITIGATION

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- ii). Bonds can be used as collateral for various types of borrowing
- iii). Other restrictions apply to its purchase or pledge of any Bonds

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

## 12. NIGERIA: AN OVERVIEW

*The information in this section has been extracted from documents and publications publicly available and released by various public and private organisations such as the CBN, the Economic Intelligence Unit (EIU), the World Bank, IMF, Nigerian Bureau of Statistics, other financial magazines and journals. Neither the Issuer nor its advisers are able to ascertain if facts have been omitted that would render the reproduced information inaccurate or misleading. The Issuer and its advisers have relied on the accuracy of this information without independent verification and make no representation as to its accuracy.*

### Introduction

The Federal Republic of Nigeria is located in West Africa and shares land borders with the Republic of Benin in the west, Chad and Cameroon in the east, and Niger in the north. Its coast lies on the Gulf of Guinea, a part of the Atlantic Ocean, in the south. It consists of thirty-six States and the Federal Capital Territory. Nigeria operates a federal system of government comprised of three tiers, namely the federal government, state governments, and local governments. At both federal and state levels, there is separation of powers among the executive, legislative and judicial arms of government.

With a population of over 160 million, Nigeria is Africa's most populous nation with urban population estimated at 49.6% of the total population. The Federal Capital Territory, Abuja is the nation's capital and seat of government, while Lagos, the largest city and the national capital until 1991, remains the economic and commercial nerve centre of the country. Other major economically active cities include Port Harcourt, Kaduna and Kano. Nigeria is divided into six geopolitical zones: North-central, North-east, North-west, South-east, South-west and South-south, with over 250 ethnic groups spread across these geopolitical zones. Of Nigeria's largest ethnic groups, The Hausa are concentrated in the three northern zones, the Yoruba in the South-west and the Igbo in the South-east.

Figure 1: Map of Nigeria



### Political Structure

After several years of military rule, Nigeria returned to democratic rule in 1999 following the successful transition to civilian rule with the election of Chief Olusegun Obasanjo, as the President of the Federal Republic of Nigeria, who served two terms of 4 (four) years each. Following the elections of April 2011, Goodluck Jonathan emerged as the president and was sworn in on May 29, 2011, under the umbrella of the Peoples Democratic Party, marking fifteen years of uninterrupted democratic government.

The present administration launched the 'Transformation Agenda' in 2011. The agenda is a summary of how the Federal Government hopes to deliver projects, programmes and key priority policies during the term of the presidency, from 2011 to 2015 and is being coordinated by the National Planning Commission (NPC).

Nigeria's democracy is based on a federal form of government comprising the executive, legislature and judiciary as defined by the Constitution of the Federal republic of Nigeria 1999. Executive powers are vested in the President who is the Head of State and presides over the Federal Executive Council, while legislative powers are vested in the National Assembly comprising a Senate and House of Representatives. Judicial powers rest with the courts, the highest of which is the Supreme Court of Nigeria.

State governments are governed by an elected Governor and Deputy Governor, and an elected State House of Assembly. The President appoints a minister to head the Federal Capital Territory.

## 12. NIGERIA: AN OVERVIEW

Local governments are the third tier of government and are responsible for local issues primarily involving the maintenance of community facilities. There are 774 local governments in Nigeria.

### The Economy

The Nigerian economy is the largest economy in Sub-Saharan Africa (“SSA”) accounting for 32% of the region’s Gross Domestic Product (“GDP”) in 2013, with a real GDP of ₦80.1 trillion. Though, Nigeria’s economy is traditionally agrarian, its export earnings have been dominated by crude oil which accounted for 60% of total exports and 32% of government revenues in 2013. This is a result of Nigeria’s position as a major oil producing country.

The economy can be broadly classified into two output groups: oil and non-oil sectors. Supply disruptions continue to hamper output in the oil sector. Nigeria’s economic CAGR over the past 5 years stands at about 9.6% annually, with real GDP growth remaining robust in 2013 at 7.0%, driven by growth in the non-oil sector. The non-oil sector growth was driven by growth in activities recorded in the agriculture, hotels & restaurants, building & construction and telecommunications sectors.

The Federal Government’s ‘Nigeria Vision 20:2020’ concept plans to ensure that Nigeria is one the twenty largest economies in the world by 2020. To achieve this, the FGN plans to reinforce economic growth in future periods by encouraging non-oil private sector growth.

**Table 1: Nigeria’s Macroeconomic indicators**

Description	2010	2011	2012	2013
Real GDP growth <sup>1</sup>	7.9%	5.3%	4.2%	5.5%
Real GDP per capita growth <sup>2</sup>	4.1%	1.8%	3.8%	4.4%
Av. Inflation Rate <sup>1</sup>	13.7%	10.8%	12.2%	8.8%
Budget balance % GDP	-10.4%	-7.7%	-0.2%	0.3%
Current account % GDP <sup>1</sup>	33.1%	6.2%	11.6%	10.8%
1 USD to NGN Exchange Rate <sup>3</sup>	148.67	156.20	155.20	155.27

Sources: <sup>1</sup>National Bureau of Statistics; <sup>2</sup>World Bank; <sup>3</sup>Central bank of Nigeria

Inflation rate dropped to single digits level at 8.8% in 2013. The decline in headline inflation rate recorded in 2013 was as a result of base effects as the broad economy recorded higher price levels in the corresponding period of the previous fiscal year (following partial removal of fuel subsidy). In addition, CBN’s sustained tightening of the monetary environment also kept liquidity and money supply under control, thus limiting the impact of core inflation. The official USD to NGN rates as at December 31 2013 stood at ₦155.20 to \$1 indicating stability compared to ₦155.27 to \$1 as at December 31 2012.

About two-thirds of the Nigerian population live on less than 1 US dollar (USD) per day while the unemployment rate stood at 23.9% in 2011, up from 21.1% in 2010. Unemployment in the 15-24 age group was 37.7%, and for 25-44 years, 22.4% in 2011. In order to address the high levels of youth unemployment in the country, the FGN has introduced youth job creation initiatives such as the Youth Enterprise with Innovation in Nigeria Programme (YouWin!), and the Subsidy Reinvestment and Empowerment Programme (SURE-P).

## 12. NIGERIA: AN OVERVIEW

Table 2: GDP by Sector, 2013, Q1 2014

Description	2013 ₦ millions	%	Q1 2014 ₦ millions	%
Agriculture	16,816,553.02	21.00%	3,479,964.46	17.25%
Trade	13,702,835.13	17.11%	3,663,744.38	18.16%
Mining & Quarrying	10,380,971.61	12.96%	2,636,133.81	13.07%
Information & Communication	8,359,406.86	10.44%	2,142,094.18	10.62%
Manufacturing	7,233,322.45	9.03%	2,114,527.44	10.48%
Real Estate	6,677,097.01	8.34%	1,483,915.00	7.36%
Professional, Scientific & Tech	2,953,818.88	3.69%	735,902.96	3.65%
Construction	2,676,284.47	3.34%	765,664.63	3.80%
Financial & Insurance	2,391,167.00	2.99%	708,217.31	3.51%
Public Administration	2,384,903.58	2.98%	609,222.99	3.02%
Education	1,549,933.94	1.94%	387,189.28	1.92%
Transportation & Storage	1,051,221.53	1.31%	238,226.20	1.18%
Accommodation & Food Services	648,392.24	0.81%	195,084.36	0.97%
Human Health & Social Services	518,735.90	0.65%	137,752.94	0.68%
Electricity, Gas, Steam & Air	492,675.21	0.62%	122,532.12	0.61%
Arts, Entertainment & Recreation	143,491.32	0.18%	43,653.15	0.22%
Water Supply, Sewerage, Waste Management & Remediation	70,591.52	0.09%	18,757.32	0.09%
Administrative & Support Services	17,891.85	0.02%	4,300.27	0.02%
Other Services	2,023,269.81	2.53%	682,895.25	3.39%
<b>Total</b>	<b>80,092,563.33</b>	<b>100.00%</b>	<b>20,169,778.05</b>	<b>100.00%</b>

Source: National Bureau of Statistics

### a) Monetary Policy

In line with the CBN Amendment Act, 2007, one of the principal functions of the Central Bank of Nigeria is to “ensure monetary policy and price stability”. In order to facilitate the attainment of the objective of price stability and to support the economic policy of the Federal Government, the Act provides for the constitution of a twelve (12) man Monetary Policy Committee (MPC) with the Governor of the CBN as the Chairman. The CBN recognises that achieving stable prices would require continuous assessment and evaluation of its monetary policy implementation framework to enable it respond to the ever-changing economic and financial environment.

In response to the global economic crises, the CBN pursued measures in 2009 and 2010 to promote growth and financial stability. However, in 2011, the central bank tightened monetary policy to mop-up excess liquidity in the banking system and ward off inflationary pressures stemming from high fiscal



## 12. NIGERIA: AN OVERVIEW

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spending, the implementation of a new minimum wage, and the injection of funds into the banking system through the purchase of non-performing loans via bonds issued by the Asset Management Corporation of Nigeria (AMCON). As such, the MPR, which was 6.25% in September 2010, increased six times in 2011, to reach 12.0% by December 2011.

The CBN's MPC kept the monetary policy rate unchanged at 12% throughout 2013, but continued with its tightening stance on monetary policy by adopting other innovative policy tools. One of such was the introduction of the 50% cash reserve requirement on public sector deposit from the erstwhile 12% in a bid to manage excess systemic liquidity and keep inflation under control.

### b) Fiscal Policy

The government budgets for 2011 and 2012 were aligned to the long-term policy priorities defined in the Vision 20:2020 and the Government's Transformation Agenda. Government spending up to 2015 will be focused on priority sectors, including security, infrastructure, agriculture, manufacturing, housing and construction, entertainment, education, health, and information technology. The government is also targeting private sector growth.

The government's medium-term expenditure strategy is to keep the fiscal deficit below 3% of GDP, reduce recurrent expenditure from 74.4% in 2011 to 70% in 2015, and increase capital expenditure from 25.6% in 2011 to 30% in 2015.

Nigeria has a very narrow tax base, with oil and gas sector tax receipts accounting for 75%-80% of total tax receipts, which forms 23%-25% of GDP. Non-oil sector tax receipts account for 20%-25% of total tax receipts and 5%-7% of GDP. Such a heavy reliance on oil and gas revenues could make planning and development difficult because of the volatility of oil revenues. In January 2011, the government approved a National Tax Policy with a shift in focus from direct to indirect taxation. It has also introduced reforms to improve the efficiency of tax collection.

In formulating the 2013 budget, the government had sustained its policy of rebalancing its expenditure in favour of capital investment over the medium-term. As such, capital spending as a share of total expenditure had increased to 32.5% in 2013. The total collectible revenue for the Federal Government was forecasted at ₦4.1 trillion (15% increase over 2012 levels). Aggregate expenditure for 2013 was projected at ₦4.9 trillion, representing a modest increase of 6.2% over the ₦4.7 trillion appropriated for 2013. The fiscal deficit was projected at 1.85% of Gross Domestic Product. Gross receipts as at half year amounted to ₦2.6 trillion, depicting a shortfall of 21%, below the half year estimates of ₦3.3 trillion. This was due to incessant crude oil theft, illegal bunkering and pipeline vandalising which negatively impacted oil receipts.

### c) Foreign Direct Investment ("FDI")

Nigeria is the highest recipient of FDI inflows in Africa, despite the high level of insecurity in its Northern region, pulling in over \$20 billion in the last three years. Sectors with major FDI inflows over the years have been the oil and gas, manufacturing, infrastructure development, services and consumer goods sectors.

### d) Credit Rating

Standard & Poor's ("S&P") in November 2012 upgraded Nigeria's long-term and local currency sovereign credit rating to BB- with a stable outlook, citing improved financial stability and optimism over reforms to the banking and electricity sectors.

Fitch Ratings in October 2013 maintained its BB- sovereign rating on Nigeria and stable outlook for the economy. According to Fitch, Nigeria's stable economic outlook is due to a very strong macroeconomic index, as GDP growth rate has remained in the region of 6% and 7%, with single digit inflation rates. This keeps Fitch ratings view in line with S&P's rating.

## 13. OVERVIEW OF THE PHARMACEUTICALS INDUSTRY

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### HISTORY

The formal pharmaceutical industry in Nigeria began in 1957 with the establishment of the first pharmacy in Lagos. At the time, the pharmaceuticals business primarily involved the distribution of drugs by representatives of different multinational drug manufacturing companies present in Nigeria such as Beecham, May & Baker, Pfizer and GlaxoSmithKline Nigeria. This was followed by the establishment of manufacturing plants by some of these multinationals who thereafter scaled up their operations following the end of the Nigeria-Biafra civil war and the onset of the oil boom in the early 1970's. These companies were completely owned and controlled by foreigners, with no indigenous participation. The indigenization policy of 1978 ushered in the next phase of development in the industry, forcing the multinational companies into selling a minimum 60.0% equity stake to Nigerians. This was followed by the establishment of indigenous pharmaceutical manufacturing companies both by individuals and the government.

The chronic dependence on importation of finished goods following the oil boom had a catastrophic effect on the economy and ultimately the pharmaceutical industry. The introduction of notorious import licenses (which covered drug imports) also impacted the industry negatively as these licenses were not issued based on merit or technical competence. This resulted in the sidelining of genuine manufacturers, importers and pharmacists who then had to repurchase these licenses (often at a premium). As a result, the Nigerian market was flooded with fake, counterfeit and substandard drugs. During this period however, there was an increase in the number of indigenous manufacturers though local capacity for the production of the most basic of raw materials for manufacturing pharmaceuticals remained grossly underdeveloped.

In 1993, the FGN established NAFDAC as a means to combat the production of counterfeit pharmaceutical products manufactured, or imported into Nigeria and ensuring that available medications remain safe and effective. As part of its responsibilities, NAFDAC was charged with regulating and controlling the manufacture, importation, exportation, advertisement, distribution, sale and use of food, drugs, cosmetics, medical devices, chemicals and packaged water. Since its establishment, NAFDAC has been widely commended for its unrelenting efforts in the war against counterfeit and substandard drugs, which in turn has positively impacted on the Nigerian pharmaceuticals industry.

In more recent times, there has been a measure of respite in the industry due to; the amendment of the Essential Drugs List (EDL) Decree, the abolition of the import licensing system, the removal of Value Added Tax (VAT) on pharmaceutical products, in addition to the reduction of tariffs on raw materials.

### OVERVIEW

In 2012, over-the-counter (OTC) medicines made up the largest part of the ₦167.6bn pharmaceutical market - at 46.0% of the total expenditure - followed by generic drugs with a 37.6% share, and finally patented drugs, at 16.4% of the market. Nigeria is very much in the high stages of essential medicine demand, a key reason for the OTC market forming a generous proportion of all medicine expenditure. Analgesic OTCs feature heavily in terms of sales volumes, and Business Monitor International (BMI) research forecasts spending in this segment to continue to comprise just less than one-fifth of total pharmaceutical spending in Nigeria over the medium-term.

Domestic pharmaceutical production capacity utilisation is estimated to be 50%, with manufacturing largely undertaken by multinational groups. Local industry strategy is expected to continue to centre almost exclusively on the production of generic drugs, some of which are illegal copies of patented drugs, as low costs remain integral to success in a market dominated by low income earners. Generic drugs

### 13. OVERVIEW OF THE PHARMACEUTICALS INDUSTRY

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continue to grow in market share at the expense of branded drugs and OTC drugs. However, the market has suffered from an abundance of counterfeited medicine, with little or no medicinal benefit. Nigerians are aware of the importance of getting real drugs, which will drive some brand loyalty to European patented drugs for those who can afford them.

Patented drug producers and large multinational companies are often discouraged from investing in the Nigerian pharmaceutical market because of the poor regulatory environment, which has little respect for intellectual property laws. The government has introduced protectionist measures and has set a target for Nigeria to be produce 70% of its own medical products. However as at today the country remains import-dependent for high-value pharmaceuticals.

#### SUPPLY AND DISTRIBUTION OF PHARMACEUTICALS

Distribution of medicines in Nigeria is largely cumbersome involving various stakeholders at different points of the value chain. Generally, local drug manufacturers sell either directly to government hospitals (through central medical stores - either under states or federal ministry of health) or to mega distributors who then sell to wholesalers. Some manufacturers contract private sector logistics organisations whilst some international development partners engage courier companies for delivery. Generally, manufacturers and importers have their own distributors who then sell to wholesalers, retailers and hospitals. As a result however, medical supplies are sometimes sold in unregistered and unlicensed premises.

Distribution of medicines in the public sector is usually done through the Central Medical Stores, Federal Medical Stores and the State Medical Stores. Given the bottlenecks around distribution, especially in the public sector, stakeholders agreed on a Mega Distribution model in 2009. The proposed mega distribution institution will be private-sector owned and managed as an independent corporate entity, and is meant to restrict the distribution of medicines to pharmacists, promote the rational drug use and strengthen the inspectorate and monitoring units of NAFDAC.

#### SUMMARY OF THE SWOT ANALYSIS

An overall assessment of the pharmaceutical sector in Nigeria using Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis is indicated below.

##### Strengths

- 60 percent of pharmaceutical production in ECOWAS countries is domiciled in Nigeria (although current capacity utilisation is only about 50 percent)
- There is abundant under-utilised manufacturing capacity that can be applied to manufacture new products upon demand
- The increasingly visible and active NAFDAC and, in particular, its aggressive campaign against substandard health products have shown a positive impact on reducing the counterfeit drugs trade
- Technical skills, trained manpower and basic manufacturing infrastructure already exist, with about 120 local drug manufacturing companies. Nigeria thus has the potential to become a leading manufacturer and distributor of essential medicines in Sub-Saharan Africa

##### Weaknesses

- Poor infrastructure (power, water, transportation) which increases the cost of local medicine manufacture and distribution and constrains growth
- No Nigerian medicine manufacturer has yet attained WHO cGMP or WHO prequalification status. Consequently, local firms cannot participate in international tenders for pharmaceutical supplies and their ability to participate in the international pharmaceutical trade is limited

### 13. OVERVIEW OF THE PHARMACEUTICALS INDUSTRY

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- Access to affordable funding for local manufacturers is hampered by high bank interest rates. Consequently, funds required for working capital and upgrading of facilities are limited

#### Opportunities

- The large market size, strong demand and the need for improved management of infectious diseases (especially HIV/AIDS, malaria, TB, and “neglected childhood diseases”)
- Increased research and development efforts at the National Institute for Pharmaceutical Research and Development and national universities can lead to the emergence of new therapeutic agents, nutraceuticals and phytomedicines from Nigeria’s abundant indigenous biodiversity and traditional medicines
- The attainment of WHO cGMP and prequalification status by some companies (currently in progress) will enable them to participate in international tenders for supplies of anti-retrovirals, anti-malarias’ and anti-TB medicines and will thus represent a very large expansion of potential demand
- Positive economic growth in recent years and macroeconomic stability are helping to reduce poverty and increase purchasing power
- Regional regulatory harmonisation (in progress) through the West African Drug Regulatory Authorities Network (WADRAN) to promote trade within the West African sub-region
- Trade incentives introduced by ECOWAS for pharmaceuticals within West Africa are helping to promote movement of pharmaceuticals within the sub-region, opening up a larger market
- The establishment of the West African Pharmaceutical Manufacturers Association (WAPMA) which aims to strengthen local medicine production
- National Drug Policy (2004) aiming to achieve local production of 70% of essential medicines through various drug management, procurement and quality assurance measures
- Government ban on imports of some essential medicines for which there is adequate domestic capacity and technical skills
- Establishment of the National Health Insurance Scheme (NHIS) to provide universal healthcare coverage by 2015 will provide funds for the required essential medicines

#### Threats

- The high level of poverty and consequently very weak purchasing power threatens the scope for marketing health products and encourages the proliferation of informal open markets. This informal market for medicines exists throughout Nigeria and in villages and rural communities; it is the only means of access to medicines. The cost of medicines sold in the informal market is significantly lower than that of those sold at registered pharmacy stores
- Failure to remedy the dysfunctional distribution system; a combination of political will, capacity building and technical/logistics support is needed if the distribution system for health products is to be improved
- The stigma of substandard health products affects the international marketing of medicines produced in Nigeria. However, the activities of WADRAN and WAPMA will promote marketing of health products manufactured by members of the PMG-MAN within the sub-region

### 13. OVERVIEW OF THE PHARMACEUTICALS INDUSTRY

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- The Federal Government has not yet articulated drug price control policy. The current prices of health products in the market are high and most Nigerians cannot afford them

In spite of the weaknesses and threats identified in the SWOT analysis, according to PMG-MAN the pharmaceutical industry sector grew by 15% between 2005 and 2010.

The SWOT analysis of the individual companies undertaken through interviews revealed that most of them are strong in their specific brands. On the other hand, there are evident challenges of access to funds at reasonable interest rates for factory improvement and WHO prequalification requirements.

#### REGULATORY CONTROL

The pharmaceutical industry in Nigeria is regulated essentially by two agencies, Pharmacists' Council of Nigeria (PCN) and NAFDAC, both of which are overseen by the Federal Ministry of Health. PCN regulates the practice of pharmacy and training of pharmacists, including the development of basic pharmacy curricula for degree programmes and mandatory continuing education programmes. PCN also regulates all premises where pharmacists practice their profession, including manufacturing facilities, retail outlets, and drug warehouses. Thus, PCN inspects the premises to ensure compliance with cGMP and approves the premises for pharmaceutical manufacturing.

NAFDAC regulates all drug products and substances, chemicals, bottled water and packaged food. As NAFDAC also inspects the manufacturing premises to ensure that the facilities are satisfactory for production of the specific products, there is a need for the harmonisation of cGMP inspections of manufacturing facilities as well as of human resource development planning by both PCN and NAFDAC.

In 2006, the West African Drug Regulatory Authorities Network (WADRAN) was established with the broad objective of harmonising food and drug regulations within the ECOWAS sub-region. WADRAN headquarters are currently based at NAFDAC in Abuja.

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

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### HISTORY AND NATURE OF BUSINESS

Fidson Healthcare Plc has evolved into a major player in the pharmaceutical industry from its early days as a local distributor. The Company began operations on the 1st of March, 1995 as a distributor for independent marketers and manufacturers and subsequently ventured into the distribution of its own brands in 1996. In 1998, Fidson's took the first step to commence local manufacturing, by purchasing a local plant; the process of equipping the plant as well as personnel training took three years and thus in 2002, the Company's first locally manufactured brand was launched.

Fidson's current manufacturing facility, located in Sango-Ota, Ogun was set up in 2007. The plant is equipped to produce five (5) distinct lines of products, namely tablets, capsules, cream & gel (semi-solids), dry powder and oral liquids.

Since Fidson was established, it has successfully adhered to World Health Organization (WHO) regulations in the production and exportation of pharmaceutical products. The Company has grown considerably over the past 18 years, into one of the top three companies in the Nigerian pharmaceuticals industry, and is currently the highest employer of pharmacists in Nigeria outside the government.

Fidson's affiliates include Indian company Tablets India Ltd and Ecomed Pharma Limited. The former is engaged in the manufacture of various pharmaceuticals and nutraceuticals, including probiotics. The latter is a joint venture between Fidson Healthcare Plc and V. S. International, which is focused on healthcare sector solutions.

Fidson's business activities come under four major categories, as follows;

- Manufacturing of pharmaceuticals
- Marketing and Sales of pharmaceuticals
- Sales of laboratory and medical equipment
- Sales of medical devices and hospital consumables

Major milestones achieved by the Company include the following:

1. In 2001, Fidson pioneered the use of Proton Pump Inhibitors (PPI) in the treatment and management of gastric ulcer diseases by the introduction of Meprasil, its brand of Omeprazole. Meprasil has today become the leading brand in this therapeutic segment.
2. In 2002, Fidson's efforts in the use of Amino-acids as nutritional supplements set a new standard in the multivitamin segment. Astymin and Astyfer have become the prime products in this segment.
3. In March 2005, Fidson became the first company in Sub-Saharan Africa to manufacture Anti-retroviral (ARVs) drugs.
4. In 2011, the Company received the NIS:ISO 9001:2008 quality certificate in recognition of its quality management practices
5. In 2011, Fidson commenced the construction of a new manufacturing plant which is also situated in Sango-Ota, Ogun State. The plant, which is at an advanced construction stage with commissioning expected by the last quarter in 2014, would be about three times the size of its existing plant. In addition to Fidson's existing product lines, this new manufacturing plant would be used for the production of medical supplies like intravenous fluids, and small and large volume parenterals, which are higher demand, higher margin products.

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

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### BOARD AND MANAGEMENT PROFILE



**Mr. Felix Ohiwerei**  
Chairman

Mr. Felix Omoikhoje Aizobeoje Ohiwerei was born in 1937 in Uzebba in Owan Local Government of Edo State. He graduated from the University of Ibadan in June 1961 with a BA(Hons) in Geography. He is a veteran in corporate governance and practical management. Mr. Ohiwerei worked in various capacities including brand management, rising to the position of Marketing Director before becoming Chairman/Managing Director of Nigerian Breweries in 1989. He is currently the chairman of several companies including Fidson Healthcare Plc. Mr. Ohiwerei holds an Honorary LLD from the University of Ibadan. He is a recipient of national honour of the Officer of the Federal Republic (OFR), and the Order of Orange Nassau by the Queen of Netherlands.



**Dr. Fidelis Ayebae**  
Managing Director / CEO

Dr. Fidelis Ayebae graduated from the Mainland Institute of Technology in 1976 with a Diploma in Civil Engineering. He obtained Advanced Diploma in Business Administration from the University of Lagos in 1999. He is a Fellow of the Chartered Institute of Administration and also a member of the Nigerian Institute of Management. After working in various capacities in a number of organisations, including Citibank Limited, he started Fidson Healthcare Limited in 1995 as the founder and pioneering Chief Executive Officer.

He is also the Chairman and Director of many other companies. He has attended several management and leadership courses both locally and internationally, including banking operations, organisation development skills, selling skills amongst others.



**Chief (Mrs) Aisha Sadauki,**  
**OON**  
Director

Chief (Mrs.)Sadauki holds a BSc. in Home Economics with a major in Community Nutrition from Iowa State University, Iowa USA in 1968. She has attended several courses and seminars on board development evaluation within and outside the country. Chief (Mrs.)Sadauki was an accomplished civil servant who rose to the position of Chief Agricultural Officer (State Home Economist) in 1986. She was appointed Kaduna State Commissioner, Social Development, Youth and Sports in 1988, Commissioner of Education in 1989 and Deputy Governor, Kaduna State from 1990 to 1992. Chief Mrs Sadauki is a Director of many companies including MTN Foundation, Zazzau Ginnery Limited, D.A. Sadauki Investments Limited and Hillside Company Limited among others. She was conferred with Merit Award by Nigerian Veterinary Medical Association of Farmers in 1999 and National Honour of Officer of the Order of the Federal Republic of Nigeria (OON) in 2000.

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

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**Mrs Olufunmilola Ayebae**  
Director

Mrs. O. O. Ayebae completed her Professional Secretaries Diploma from the London College of Secretaries in the United Kingdom after which she worked in many organisations in various capacities for a number of years before establishing her own business – Goodness Supermarket in 1995 and served as the Managing Director/CEO for 3 years. She is also the MD/CEO of Townhouse Limited and became a Director of Fidson Healthcare Plc in 2001. She has attended several management courses locally and abroad.



**Mr. Emmanuel Imoagene**  
Director

Mr. Imoagene holds a B.Sc. Degree in Business Administration from the University of Benin and Masters in Industrial and Labour Relations (MILR), University of Ibadan. He has attended several management development programmes both locally and abroad including Harvard Business School, USA 2000, Wharton Business School, USA, 2002 and Erasmus University, Netherlands, 2008.

He worked with Shell Petroleum Development Company Limited as Personnel Officer between 1981 and 1985. He joined Nigerian Breweries in 1985 as Brewery Personnel Manager and rose to the position of Personnel Director in 1995. He became Logistic Director in 1999 and Human Resources Director between 2004 and 2008. Mr. Imoagene is currently the Human Resources Director (West Africa) for Cadbury Nigeria Plc.

He is a seasoned and professional corporate leader with diverse and private sector experience. An astute administrator and human resource expert, Mr. Imoagene is a fellow of Chartered Institute of Personnel Management of Nigeria. He is a member, advisory board of the Lagos Business School.



## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

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**Mr. Olatunde Olanipekun**  
Director , Finance

Mr Olanipekun is a 1978 graduate of Economics, specializing in Accounting of the University of Ife (now Obafemi Awolowo University). He became an Associate Member of the Institute of Chartered Accountants of Nigeria (ICAN) in November 1981 and a Fellow of the Institute in July 1992. He is also an Associate member of the Chartered Institute of taxation of Nigeria. He honed his professional accounting skills in the firm of Peat Marwick, Ani, Ogunde and Co. After which he held several accounting, finance and managerial positions in various companies including Evans Medical Plc where he occupied the position of Finance and Administration Director. He joined Fidson Healthcare Plc in 2005 as Finance Director. He is an alumnus of the Lagos Business School (AMP 7) and Irish Management Institute, Dublin, Ireland.



**Mr. Olugbenga Olayeye**  
Director, Sales & Marketing

Mr Olayeye was educated as a Pharmacist at Nigeria's premier University – the University of Ibadan and the Stanford Graduate School of Business. He has pursued a career in the pharmaceutical industry since graduation with Fidson Healthcare Plc. He has worked across diverse functions (Sales & Marketing, Business development, Manufacturing, Research and Development and Operations) in the Company since inception and has been pivotal in determining her policy direction, strategy execution and has managed organisational change and transformation over the period.

In his present role, he leads a team of over 200 salesmen and has the responsibility to formulate and implement the Company's sales and marketing strategies. An exciting person to have on a team, he is committed to team building and development of leadership skills and ability which he believes are the critical requirements for organisational growth and corporate success. As a community leader, he managed change in its neighbourhood association with attendant positive results and commendation. He also plays leadership role in his local church and he is committed to the propagation of his Christian faith.

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

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**Mr. Abiola Adebayo**  
Director, Operations

Mr Adebayo graduated from the School of Pharmacy, University of Lagos in 1988. He also has a Diploma in Advanced Computer Techniques and Applications (1998) from the University of Ibadan (Consultancy Unit). He worked with the Federal Ministry of Health in Lagos as an intern Pharmacist. He began his career with Glaxo Nigeria Plc in April 1991 as a medical representative. He later joined the pharmaceutical division of CAP PLC in July 1994 where he developed his skills and competencies in the sales and marketing of healthcare products and FMCGs

He started his career with Fidson Healthcare Plc in 1996 and held various positions in the sales and marketing division and rose through the ranks to become the Sales and Marketing Manager in April 2001. In 2004, he became the Sales and Marketing Director, the position he occupied till July 2009. He is currently the Operations Director in the Company.

He is a member of the institute of Directors (IOD). He also completed a top executive leadership programme jointly organised by Nigeria Institute of management (NIM) and Manchester Business School in Manchester, England, United Kingdom in 2007. He is an alumnus of the Administrative Staff College of India, Bella-Vista Hyderabad, India; Lagos Business School (CEP19), and IESE Business School, University of Navarra, Barcelona, Spain.

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

### Detailed Director Resumes

Name / Position	Education	Qualifications	Employment / Appointments
<b>Felix Ohiwerei</b> <i>Chairman</i>  Number of years post-secondary school = 59	<ul style="list-style-type: none"> <li>University College, Ibadan (1958 – 1961)</li> <li>Nigerian College of Arts, Science &amp; Technology (1956 – 1958)</li> <li>Government Secondary School, Owerri (1951 – 1955)</li> </ul>	<ul style="list-style-type: none"> <li>BA (Hons) Geography, 1961</li> <li>GCE A Levels, 1958</li> <li>West African School Certificate, 1955</li> </ul>	<ul style="list-style-type: none"> <li>Director, Unity Bank Plc (2007 – 2010)</li> <li>Chairman, Virgin Nigeria Airways (2005 – 2010)</li> <li>Director, Shell Nigeria Closed PFA (2005 – 2010)</li> <li>Chairman, Board of Trustees, Redeemer's University (2004 – 2011)</li> <li>Chairman, Nigeria Investment Promotion Council (2003 – 2007)</li> <li>Chairman, New Nigeria Bank Plc (2000 – 2005)</li> <li>Pro-Chancellor, University of Ibadan (2000 – 2004)</li> <li>Chairman, Unilever Nigeria Plc (1998 – 2007)</li> <li>Chairman/Chief Executive, Nigerian Breweries Plc (1997 – 1999)</li> <li>Chairman/ Deputy Managing Director, Nigerian Breweries Plc (1989 – 1997)</li> <li>Deputy Chairman/ Managing Director/ Nigerian Breweries Plc (1987 – 1989)</li> <li>Asst. Regional Operations Manager, UAC Int'l London, 1988 -</li> <li>Joined Nigerian Breweries Plc. as Manager-in-Training (1962 – 1988)</li> <li>Teacher, Methodist Boys High School, Ibadan, 1962 -</li> <li>Teacher, Remo Secondary School, Sagamu (1961 – 1962)</li> </ul>
<b>Dr Fidelis Ayebae</b> <i>MD/CEO</i>  Number of years post-secondary school = 40	<ul style="list-style-type: none"> <li>University of Lagos (1997 – 1999)</li> <li>Mainland Institute of Technology, Lagos (1974 – 1976)</li> <li>St. Bernard's Trade School, Oleh, Delta (1970 – 1974)</li> </ul>	<ul style="list-style-type: none"> <li>Honorary Fellowship Award from Auchi Polytechnic, 2010</li> <li>Honorary Doctorate in Science from Igbinedion University, 2008</li> <li>Advanced Diploma in Business Admin, 1999</li> <li>Diploma in Civil Engineering, 1976</li> <li>WASC O Level, 1974</li> </ul>	<ul style="list-style-type: none"> <li>MD/ CEO, Fidson Healthcare Plc, 1995 -</li> <li>Chairman/MD, Ayebae Investments Limited (1992 – 1995)</li> <li>Assistant Vice President, Operations, Citibank (Nigeria) Ltd (1985 – 1991)</li> <li>Project Manager, Metalum Ltd (1976 – 1985)</li> <li>Site Supervisor, Pedrocchi Construction Limited (1973 – 1975)</li> </ul>

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

Name / Position	Education	Qualifications	Employment / Appointments
<b>Aisha Sadauki</b> <i>Non-Executive Director</i>  Number of years post-secondary school = 51	<ul style="list-style-type: none"> <li>Iowa State University, USA (1964-1968)</li> <li>School of Agriculture, Zaria (1964)</li> <li>St. Louis College, Kano State (1958-1963)</li> </ul>	<ul style="list-style-type: none"> <li>BSc (Hons) in Home Economics and Community Nutrition, 1968</li> <li>West African School Certificate, 1963</li> </ul>	<ul style="list-style-type: none"> <li>Deputy Governor, Kaduna State (1990 – 1992)</li> <li>Commissioner of Education, Kaduna State (1989 – 1990)</li> <li>Commissioner of Social Development, Youth &amp; Sports, Kaduna State (1988 – 1989)</li> <li>Chief Agricultural Officer (State Home Economics), Kaduna State (1986)</li> <li>Deputy Chief Agricultural Officer, Kaduna State (1980 – 1986)</li> <li>Acting Chief Agricultural Officer, Kaduna State (1978 – 1980)</li> <li>Principal Agricultural Officer (1976 – 1978)</li> <li>Senior Agricultural Officer (1974)</li> <li>Agricultural Officer I (1972 – 1974)</li> <li>Agricultural Officer (1968 – 1972)</li> <li>Agricultural Officer in Training (1964 – 1968)</li> <li>Agricultural Assistant Home Economics (1964)</li> </ul>
<b>Olufunmilola Ayebae</b> <i>Non-Executive Director</i>  Number of years post-secondary school = 39	<ul style="list-style-type: none"> <li>London College of Secretaries, UK (1977-1979)</li> <li>Olivet Baptist High School, Oyo (1972-1976)</li> </ul>	<ul style="list-style-type: none"> <li>Professional Secretaries Diploma, 1979</li> <li>West African School Certificate, 1975</li> </ul>	<ul style="list-style-type: none"> <li>MD/CEO, Townhouse Interiors Limited (2010 – date)</li> <li>MD/CEO, Goodness Supermarket Ltd (1995 – 2000)</li> <li>MD/CEO, Bunfa Enterprises Ltd (1990 – 1995)</li> <li>Confidential Secretary, Personnel Department, Metalum Limited (1980 – 1989)</li> </ul>
<b>Emmanuel Imoagene</b> <i>Non-Executive Director</i>  Number of years post-secondary school = 41	<ul style="list-style-type: none"> <li>University of Benin (1975 – 1979)</li> <li>St. Peters College, Agenebode (1969 – 1973)</li> </ul>	<ul style="list-style-type: none"> <li>BSc Business Administration, 1979</li> <li>West African School Certificate, 1973</li> </ul>	<ul style="list-style-type: none"> <li>CEO, QSV Professional Services (May – Sep 2008)</li> <li>HR Director, Nigerian Breweries Plc. (2004 – 2008)</li> <li>Logistics Director, Nigerian Breweries Plc. (1999 – 2004)</li> <li>Personnel Director, Nigerian Breweries Plc. (1995 – 1999)</li> <li>Personnel Adviser, Unilever Ghana Limited (1993 – 1995)</li> <li>Africa Regional Management, Unilever London (1993 – 1995)</li> <li>Manpower Dev &amp; Training Manager, Nigerian Breweries Plc. (1990 – 1992)</li> <li>Brewery Personnel Manager, Nigerian Breweries Plc. (1985 – 1990)</li> <li>Personnel Officer, Shell Petroleum Dev Company Limited (1981 – 1985)</li> <li>Lecturer, Auchu Polytechnic (1980 – 1981)</li> </ul>

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

Name / Position	Education	Qualifications	Employment / Appointments
<b>Olatunde Olanipekun</b> Director, Finance  Number of years post-secondary school = 42	<ul style="list-style-type: none"> <li>University of Ife (1975 – 1978)</li> <li>Victory College, Ikare (1970 – 1974)</li> </ul>	<ul style="list-style-type: none"> <li>BSc Economics, 1978</li> <li>Higher School Certificate, 1974</li> <li>WASCE, 1972</li> </ul>	<ul style="list-style-type: none"> <li>Finance Director, Fidson Healthcare Plc, 2005 -</li> <li>Financial Controller, Associated Match Ind. Nigeria Ltd (2003 – 2005)</li> <li>CEO, Xtie Edwards Ltd/Tunde Olanipekun &amp; Co (2000 – 2003)</li> <li>Finance &amp; Administration Director, Evans Medical Plc (1998 – 2000)</li> <li>Finance Director, Evans Medical Plc (1994 – 1998)</li> <li>Chief Accountant, Dunlop Nigeria Plc (1991 – 1994)</li> <li>Controller, Corporate Planning, Dunlop Nigeria Plc (1990 – 1991)</li> <li>Controller, Consumer &amp; Industrial Dunlop Nigeria Plc (1987 – 1990)</li> <li>Accountant, Consumer &amp; Industrial Division, Dunlop Nigeria Plc (1985 – 1987)</li> <li>Manager, Financial Accounts, Dunlop Nigeria Plc (1983 – 1985)</li> <li>Audit Senior, Peat, Marwick, Ani, Ogunde &amp; Co (1981 – 1983)</li> <li>Trainee Accountant, Peat, Marwick, Ani, Ogunde &amp; Co (1979 – 1981)</li> </ul>
<b>Olugbenga Olayeye</b> Director, Sales & Marketing  Number of years post-secondary school = 30	<ul style="list-style-type: none"> <li>University of Ibadan (1987 – 1993)</li> <li>Ibadan Polytechnic (1984 – 1986)</li> <li>Federal Government College, Minna (1979 – 1984)</li> </ul>	<ul style="list-style-type: none"> <li>B Pharm, 1993</li> <li>WASC A Level, 1986</li> <li>WASC O Level, 1984</li> </ul>	<ul style="list-style-type: none"> <li>Sales &amp; Marketing Director, Fidson Healthcare Plc, 1996 –</li> <li>Marketing Pharmacist, BSK Limited (1995 – 1996)</li> <li>Pharmacist, Mopson Pharmaceutical Industries Ltd (1994 – 1995)</li> </ul>

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

Name / Position	Education	Qualifications	Employment / Appointments
<b>Abiola Adebayo</b> Director, Operations  Number of years post-secondary school = 32	<ul style="list-style-type: none"> <li>University of Lagos (1985 – 1988)</li> <li>Lagos State College of Science &amp; Tech (1982 – 1984)</li> <li>Baptist Grammar School, Lagos (1981 – 1982)</li> <li>Okeno/Kanna Grammar School, Oyo (1976 – 1981)</li> </ul>	<ul style="list-style-type: none"> <li>B Pharm, 1988</li> <li>WASC A Level, 1984</li> <li>WASC O Level, 1982</li> <li>WASC O Level, 1981</li> </ul>	<ul style="list-style-type: none"> <li>Operations Director, Fidson Healthcare Plc, 1996 -</li> <li>Medical Representative, CAPL Lagos (1994 – 1996)</li> <li>Medical Representative, Glaxo Nigeria Limited (1991 – 1992)</li> </ul>

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

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### CORPORATE GOVERNANCE PLATFORM

The Company has Corporate Governance strategies and initiatives that are geared towards complying with SEC's Corporate Governance Code, adhering to doctrines of good governance to engender sustainability of Fidson's operations as well as maintaining an amicable relationship with the Company's various stakeholders

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

In line with Section 32 of the Corporate Governance Code, a standard procedure for reporting any form of misdemeanour either by staff or any of the Company's key/strategic business associates is put in place to ensure the stability of the Company's operations and enhance reliance on key operational supports. This is considered important in order to ensure overall sustainability of the Company's business.

The day-to-day affairs of the Company are run by the Executive Management Committees. An executive director, who reports to the Board of Directors on the activities of their respective committee, heads each executive committee.

The framework for the Company's corporate governance is hinged on:

1. Code of Corporate Governance issued by SEC in 2011;
2. Various Standard Operations manual and ISO compliance requirements;
3. Provisions of the Companies and Allied Matters Act (CAMA), 2004;
4. Provisions of the International Financial Reporting Standards;
5. Rules and Regulations of the Standards Organization of Nigeria;
6. The listing rules of the Nigerian Stock Exchange as well as Securities and Exchange Commission's rules; and
7. Good Manufacturing Practice.

### Responsibilities of the Board of Directors

It is the responsibility of the Board of Directors to:

1. Ensure that the Company's operations are conducted in a fair and transparent manner that conforms with high ethical standards;
2. Ensure the integrity of the Company's financial and internal control policies;
3. Ensure the accuracy, adequacy and timely rendition of the statutory returns and financial reports to the regulatory authorities namely, The Nigerian Stock Exchange (NSE), Securities and Exchange Commission (SEC), Corporate Affairs Commission (CAC), National Agency for Food and Drug Administration and Control (NAFDAC) and shareholders through the Company Secretary;
4. Ensure value creation for the shareholders, employees and other stakeholders;
5. Review and approve corporate policies, strategies, annual budgets and business plans;
6. Monitor implementation of policies and strategic direction of the Company;
7. Set performance objectives, monitor implementation and corporate performance;
8. Review and approve all major capital expenditure of the Company;
9. Ensure that the statutory rights of all stakeholders are protected at all times;

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

10. Institute appropriate mechanism for measuring adherence by management to all regulations.

### Board Committees

In line with the requirements of Corporate Governance code, the following committees, in addition to the statutory audit committee are in place. The committees meet as the need arises to discharge their functions. Members of each committee have been carefully selected by the Chairman in a way that ensures objectivity and independence. The committees are as follows:

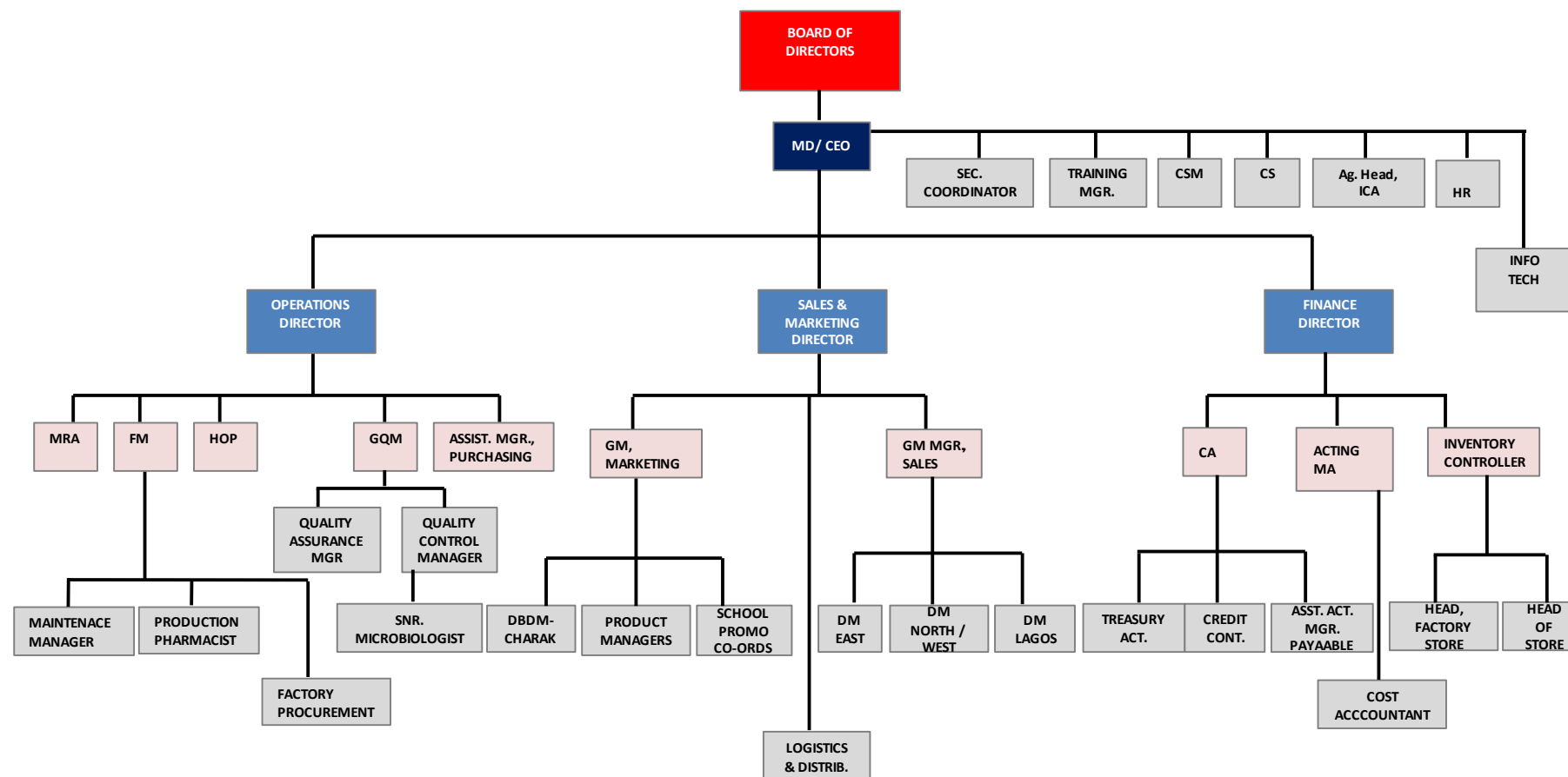
Name of Committee	Members	Responsibility
<b>Nomination Committee</b>	<ul style="list-style-type: none"> <li>▪ Mrs O.O. Ayebae (Chairman)</li> <li>▪ Mrs A.P. Sadauki</li> <li>▪ Mr E.E. Imoagene</li> </ul>	<ul style="list-style-type: none"> <li>▪ Assists the Board in developing policies to fill any vacancy on the Board however occasioned</li> <li>▪ Ensures at all times that competence gaps are closed so that the Company is not short of the required skills</li> </ul>
<b>Remuneration Committee</b>	<ul style="list-style-type: none"> <li>▪ Mrs A.P. Sadauki (Chairman)</li> <li>▪ Mr E.E. Imoagene</li> <li>▪ Mrs O.O. Ayebae</li> <li>▪ Mr O.B. Olanipekun</li> </ul>	<ul style="list-style-type: none"> <li>▪ Recommends a competitive remuneration package for the executive management and the Board</li> <li>▪ Ensures that remunerations paid to employees are adequate and commensurate to performance</li> </ul>
<b>Finance and General Purpose/Risk Management Committee</b>	<ul style="list-style-type: none"> <li>▪ Mr E.E. Imoagene (Chairman)</li> <li>▪ Dr F.A. Ayebae</li> <li>▪ Mr O.O. Olayeye</li> <li>▪ Mr A.A. Adebayo</li> <li>▪ Mr O.B. Olanipekun</li> <li>▪</li> </ul>	<ul style="list-style-type: none"> <li>▪ Assists the Board in ensuring that the Company's strategic initiatives and objectives are translated into actions and processes</li> </ul>
<b>Credit Control Committee</b>	<ul style="list-style-type: none"> <li>▪ Mr O.B. Olanipekun (Chairman)</li> <li>▪ Mr A.A. Adebayo</li> <li>▪ Mr O.O. Olayeye</li> <li>▪ Mr Abayomi Alli-Balogun</li> <li>▪ Mr Oludare Adanri</li> <li>▪ Mr Kunle Ajayi</li> </ul>	<ul style="list-style-type: none"> <li>▪ Assists the Board in the monitoring, reviewing and the administration of the credit policy</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>▪ Alhaji A.B. Sarumi (Chairman)</li> <li>▪ Mr. S.S. Akinsanya (Shareholder)</li> <li>▪ Mr F. Oduyemi (Shareholder)</li> <li>▪ Mrs A.P. Sadauki</li> <li>▪ Mrs O.O. Ayebae</li> <li>▪ Mr O.O. Olayeye</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review and implementation of audit / examination reports prepared by the Company's independent auditors.</li> <li>▪ Periodic examinations carried out on the Company's operations include current Good Manufacturing Practice (cGMP), and NAFDAC</li> </ul>



## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

### ORGANISATIONAL STRUCTURE

Figure 2: Fidson's Organisational Structure



#### Key:

MD/CEO	Managing Director/CEO	ICA	Internal Control and Audit	GQM	Group Quality Manager
SEC CORD	Security Coordinator	CA	Chief Accountant	DBDM	Deputy Business Development Manager
CSM	Corporate Services Manager	MRA	Manager, Regulatory Affairs	DM	Divisional Manager
CS	Company Secretary	HOP	Head of Operations	MA	Management Accountant
HR	Human Resources Manager	FM	Factory Manager		

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

### KEY PRODUCTS

Fidson plays a dominant role in the major therapeutic market segments. These include Analgesia/Anti-inflammatory, Anti-bacterials, Multivitamins/Haematinics/Food supplements, Anti-Osteoarthritis, Anti-Ulcers, Anti-Diabetics, Anti-Hypertensives, Anti-Retrovirals, and Anti-Malaria chemotherapy; and also various niche therapeutic market segments of importance such as Neuro-psychiatry, Obstetrics, Anti-Cancer, and Anti-TB.

The Company has an enviably wide range of products covering these segments, many of which are among the market leaders in their product segment. A brief description of the Company's most notable products is as follows:



**Arthemed** is a product that combines artemether and lumefantrine for the treatment of acute malaria. It is an Artemisinin-based combination therapy (ACT) which is the international standard of care recommended by WHO for the treatment of uncomplicated malaria.



**Arthocare** is an anti-arthritic used in the management of mild to moderate osteoarthritis.



**Astymin** is one of Fidson's most notable products, accounting for a 30% share of the Nigerian nutritionals market. It is a unique combination of essential amino-acids and multivitamins formulated with nutrients that improve energy metabolism, accelerate physical and mental growth, improve the body's immune systems and quicken recovery from sickness. Astymin is available in liquid presentation, capsules, drops, and infusion for the critically ill.



**Biosulin** is a highly purified recombinant DNA-derived human insulin injection used in the management of diabetes mellitus.



**Cestra** is a range of premium nutritional and probiotic supplements that provide health benefits including the prevention and treatment of diseases.

Cestra comes in product ranges including the 50Plus Once a Day multi-nutrient, Omega 3 & 6 (GLA, EPA & DHA), Once a Day multi-nutrient, Pre Natal Once a Day and ProBiotix.



**Ciprotab** is a brand of Ciprofloxacin, a broad spectrum antibiotic, available as tablets and infusion. It has in vitro activity against a wide range of gram negative and gram positive organisms.

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC



**Ferobin** is a complete everyday blood builder, which is used for the treatment and prevention of anaemia in pregnancy, folic acid deficiency, poor nutritional status and other conditions where there is a need for rapid restoration of haemoglobin level.



**Gascol** is a range of pleasantly flavoured antacid liquid with a gel-like consistency, currently available in 4 flavours; classic, strawberry, banana and sugar-free (launched in Q1 2014). It is administered for quick and effective relief of Heartburn, Indigestion, Dyspepsia, Flatulence and other acid-related disorders. The tablet formulation of this product is to be launched in the first quarter of 2014.



**Meprasil** capsules are a brand of Omeprazole, a proton pump inhibitor used for the management of peptic and duodenal ulcer diseases and other acid-related disorders. Meprasil's unique features include its quick onset, reliable acid control and convenient dosage regimen.



**Tribotan** is a dermatological preparation with very potent antifungal, antibacterial and anti-inflammatory activity used for the treatment of a wide range of skin diseases.



**Tuxil** is a range of cough syrups for adults and children. It is an effective remedy for symptoms of cough and congestion, runny nose and sneezing associated with hay fever and allergies. The ingredients quickly dry up secretions in the nose and chest, relieving congestion and making breathing easier. The herbal range has recently been launched. Fidson's Tuxil range currently commands a 9% share of the cough expectorant market.

### MARKET POSITION AND INDUSTRY PLAYERS

Fidson remains a market leader in key product lines. The Company's key brands in the multivitamin and antibiotic segments - Astymin, Astyfer and Ciprotab are household names; Fidson particularly has a dominant market share in the multivitamins segment. The Company's estimated market share per product segment is summarised in Table 3 below:

Table 3: Fidson's estimated market share by product segment

Segments	Key products	Market Share
Multivitamins	Astymin range	30.0%
Antibiotics	Ciprotab, Peflotab, Sparflox, Clavamox	14.0%
Anti-Ulcer	Gascol, Meprasil	11.0%
Blood Tonics	Astyfer range, Ferobin	9.0%
Cough expectorant	Tuxil range	9.0%
Osteoarthritis	Arthrocare, Arthrocare Forte	7.0%
Anti-Malarial	Arthemed, Emal	3.0%
HIV	Virex range	1.0%
Diarrhoea	Motitec	0.5%

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

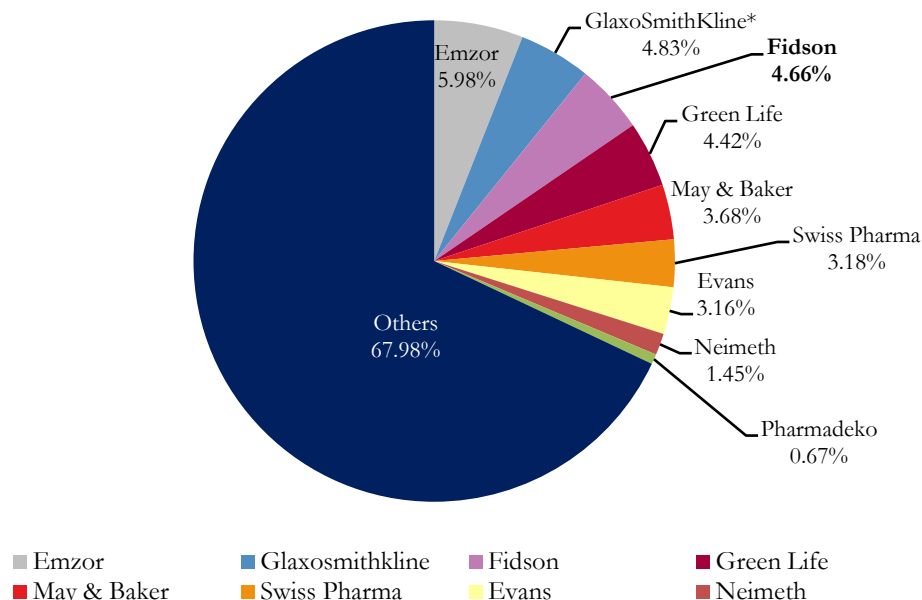
Analgesics

Paracetamol

0.5%

Fidson unarguably ranks as one the top three pharmaceutical companies in Nigeria by revenue. As such, the Company accounts for 4.66% of the overall pharmaceuticals market. A breakdown of market share by company is shown in Figure 3 below:

Figure 3: Market Share of Pharmaceuticals Sector<sup>1</sup>



\*Market share represents GlaxoSmithKline's pharmaceutical sales only

### COMPETITIVE STRENGTHS

The Company's principal competitive strengths include the following:

#### a) Experienced & Professional Management and Sales Team

The Company is run by a seasoned core management team made up of the Managing Director, Sales and Marketing Director, Finance Director and Operations Director with combined experience of over 100 years in areas such as Finance, Sales and Marketing, Business Development, Research and Development and Operations.

Fidson also has a strong mid-level management team supported by a large, well trained and very professional sales force (over 150 professionals) and operations team that make Fidson one of the largest employers in the pharmaceutical industry.

#### b) Strong Manufacturing Platform to Capture Significant Market Share

All of Fidson's current manufacturing operation takes place in its current facility located in Sango-Ota, Ogun State. However, with the construction of a new manufacturing plant that includes an infusion plant (on course to be completed by the last quarter in 2014), the Company is expected to more than double its current operations.

Both the current facility and the new manufacturing plant are equipped to produce five (5) distinct lines of products, namely tablets, capsules, cream & gel (semi-solids), dry powder and oral liquids with the addition of the production of intravenous fluids at the new manufacturing plant. The new facility has

<sup>1</sup> Market share information based on Companies' 2012 Annual Revenues

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

been designed and built to conform to the latest WHO-Good Manufacturing Practice (WHO-GMP) standards.

Highlighted below are snapshots of Fidson's facilities:

Figure 4: Images of Factory Area



### c) Innovative Brands with Diverse Product Portfolio

The Company's focus on brand building, in line with its vision to become the preferred healthcare provider in the West African sub-region has led it to become one of the leading healthcare companies in Nigeria in terms of innovative products.

Some of the Company's major achievements in providing a wide range of innovative pharmaceutical products that meet the needs of various classes of consumers across several geographical and social classifications include:

- Pioneering the use of Proton Pump Inhibitors (PPI) in the treatment and management of gastric ulcer diseases
- The Company's use of Amino-acids as nutritional supplements set a new standard in the Multivitamin market
- Becoming the first company in Sub-Saharan Africa to manufacture Anti-retroviral (ARVs) drugs

Fidson also has considerable presence in key therapeutic areas including – antibiotics, nutritionals, cardiovascular, diabetes, cough, anti-malarial and analgesics.

## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

### d) Strong Pharmaceutical Marketing Base

The Company has developed a strong marketing base with nationwide presence. Its marketing unit is led by young and versatile professionals that have insightful knowledge of the dynamics of, and proven track record in, pharmaceutical marketing and sales of both locally manufactured and imported brands. This has enabled the Company to develop into market leaders in several therapeutic areas, with brands spread nationwide.

The Company's presence is driven through the following channels: Hospitals/Clinics, Registered Distributors, Pharmacy Shops, Medical Laboratories, Government Parastatals, Non-Governmental Organizations, which are grouped as Institutions and Trade Customers. Institutions i.e. Government parastatals and hospitals account for approximately 23% of the Company's sales, while trade customers account for the balance.

A list of the Company's major distributors and the region of the country they operate include:

Lagos	Eastern Nigeria
Admonds Nigeria Limited	Bez Pharmacy
Bicon Pharmacy	Canez Healthcare Limited
Everdestiny Pharmacy	Grams Pharmacy
Moddy Drugs Company Limited	Ogbuagu Pharmacy
Western Nigeria	Northern Nigeria
Bunmi Pharmaceuticals Limited	Tony Pharmacy
Fiolu Pharmacy	G.U. Pharmacy
MassEldo Pharmacy	Newhealth Pharmacy
Tanimola Pharmacy	Amzu Pharmacy
	Simple Pharmacy

### e) Research and Development

Over the years, Fidson has conducted its business with the intention of improving its products, processes and techniques. This has been demonstrated by its creation of alliances with local academic research institutions and collaboration with technical partners abroad in a wide range of research areas such as drug delivery systems, drugs for neglected diseases and nutraceuticals.

Some specific research and development activities that the Company has been involved in include:

- Discovery of new molecular chemical entities as forerunners to developing innovator drugs;
- Development of brands commonly imported by Government and NGOs to meet the healthcare needs of Nigerians thus bridging the gap in the sector and helping the economy to thrive;
- Synthesis of drugs from botanical (herbal) and other origins;
- Development of new analytical methods for drugs and drug component testing;
- Development of brands on the platform of WHO required medicines to meet global essential medicine distribution requirement;
- Study of drug component interactions and impact on quality, efficacy and safety of new drug formulations; and
- Research into best closures and packaging materials for drug products to improve shelf presence and product safety.



## 14. DESCRIPTION OF FIDSON HEALTHCARE PLC

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### f) Strong International Partnerships

Fidson has existing international partnerships with various overseas manufacturers, where the Company exchanges technical know-how and ideas on best practices. These technical partnerships are critical in developing nations as they provide increased opportunity for expanding the pool of products available for improving the health status of the most deprived populations.

The Company's international partnerships also serve to improve healthcare based on improved manufacturing capacity, the transfer of technology and knowledge, and providing research support to Fidson's already highly qualified In-House research team.

Below are some of the Company's key partners:

1. TIL Healthcare Pvt Limited India – TIL, a leading manufacturer of various pharmaceutical formulations, is a member of the Jhaver Group of Companies. The Jhaver Group is an Indian conglomerate, which has been doing business in India for over 100 years. The Company's brand Astymin, which has won the 'most trusted brand' award in the nutritional supplements category for the last three years is manufactured by TIL.
2. V. S. International India ("V.S.") – Involved in the manufacture and export of pharmaceutical products, medical and laboratory devices. V.S. has executed several turn-key projects and has strategic joint ventures in Africa (Nigeria and South Africa) and Asia. Fidson has enjoyed a long standing and successful relationship with V. S. which spans over 17 years.
3. Quest Vitamins Limited, UK & Middle East – Quest Vitamins is a leading manufacturer and supplier of vitamins and other supplements. Quest is the only company to exclusively use amino acid chelated minerals and pioneered in-house laboratory methods to ensure standardised active herbal ingredients. Quest is also an industry leader in sensitive "2-piece" oil encapsulation technology.

## SALES, DISTRIBUTION AND MARKETING

### Sales and Marketing

Fidson uses a broad range of marketing tools to promote its brands and products. In line with the Company's focus, Fidson has made significant investments in brand building measures which include:

- Developing a large group of product managers, who oversee the overall marketing plans for specific products. They are responsible for successfully launching new products into the market, as well as playing crucial roles in marketing strategy formulation and execution leading to brand building and consolidation;
- Creating a strong media presence in order to raise awareness and promote products through radio and television advertising campaigns. The Company is also active on various social media platforms, helping to increase accessibility, engage and receive feedback from customers;
- Making substantial effort to raise awareness through active participation at various healthcare conferences in Nigeria

The Company also strives to maintain a good working relationship with healthcare professionals, health institutions and government agencies.

## **14. DESCRIPTION OF FIDSON HEALTHCARE PLC**

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### **Supply chain and distribution**

Fidson has adopted an effective supply chain arrangement by outsourcing the importation of raw materials to third party suppliers. Apart from improving the Company's efficiency, this arrangement ensures that the Company is exposed to negligible exchange rate risks since the local third party importers are paid in Naira.

In line with the Company's expansion and production volume growth, the Company has systematically expanded its coverage of the Nigerian market. At present, Fidson has been able to amass a very extensive distribution network with presence in all states and key cities in the country. Given the bottlenecks around payments from government institutions and the high risk of bad debts arising, the Company deliberately has lower exposure to government, as distributors sales account for 70% - 80% of sales.

### **REGULATION, QUALITY AND CERTIFICATION**

The Company is 100% compliant with the National Agency for Food and Drug Administration Control (NAFDAC).

In recognition of its pursuit for excellence, in 2011 Fidson was awarded an NIS:ISO 9001:2008 quality certificate by the Standards Organisation of Nigeria (SON). The long standing certification held by the Company confirms its position among the lofty class of Quality Management System (QMS) certified companies in Nigeria, and further buttresses Fidson's high standards of quality, processing and operations.

Fidson Healthcare Plc's current factory located in Otta, Ogun State is also GMP compliant

### **RECENT DEVELOPMENTS**

Recent events and developments being undertaken by Fidson Healthcare Plc include the following:

- The ongoing development of a new manufacturing facility in Sango-Ota
- The Company is constantly building partnerships and increasing its product portfolio, which includes the recent addition of nutraceuticals into its product range
- The Company intends to strengthen its presence in key therapeutic areas of psychiatry, gastroenterology, cardiovascular system and antibiotics with new products launched



## 15. HISTORICAL FINANCIAL INFORMATION

### LETTER FROM THE REPORTING ACCOUNTANTS

PKF Professional Services



27 August 2014

**The Managing Director**

Fidson Healthcare Plc  
268 Ikorodu Road  
Obanikoro, Lagos

and

**The Managing Director**

CardinalStone Partners Limited  
5 Okotie Eboh Street  
Ikoyi, Lagos

Gentlemen,

**PROPOSED N2 BILLION SECURED FIXED RATE BOND ISSUE ("THE ISSUE")**

**Accountants' Report on the audited financial statements of Fidson Healthcare Plc for five years ended 31 December 2013.**

We have reviewed the audited Financial Statements of Fidson Healthcare Plc ("the Company") for the five (5) years ended 31 December 2009, 2010, 2011, 2012 and 2013. The Financial Statements were prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment. Messrs Ernst & Young, Chartered Accountants were the auditors of the Company for the years ended 31 December 2009, 2010, 2011, 2012 and 2013.

Each of their audit reports on the Financial Statements for those periods was unqualified.

The Financial information is based on the audited Financial Statements for the five (5) years ended 31 December 2009, 2010, 2011, 2012 and 2013 after making such adjustments, as we considered necessary. The Financial Statements on which the financial information is based are the responsibility of the Directors of the Company, who approved their issue. The Directors of the Company are responsible for the contents of the prospectus in which this report is included.

In our opinion, the accompanying Financial information gives, for the purpose of inclusion in the proposed Issue Document, a true and fair view of the state of affairs of the Company as at five (5) years ended 31 December 2009, 2010, 2011, 2012 and 2013 and of its operating results and cash flows for each of the years then ended and have been prepared on the same accounting policies normally adopted by the Company.

Yours faithfully,

**Najeeb A. Abdus-salaam**, FCA, FRC/2013/ICAN/00753

For: **PKF Professional Services**

**Chartered Accountants**

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Partners: Isa Yusufu, Geoffrey C. Orah, Omede P.S. Adaji, Tajudeen A. Akande, Samuel I. Ochimara, Najeeb A. Abdus-salaam, Olatunji O. Ogundeyin, Benson O. Adejayan.  
Offices in: Abuja, Bauchi, Jos, Kaduna, Kano.

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## 15. HISTORICAL FINANCIAL INFORMATION

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### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following are a summary of the significant accounting policies applied by the Company in the preparation of the financial statements.

#### 1. Foreign Currency Translation

Foreign currency transactions are converted into the functional currency, Nigerian Naira at the rate of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date in accordance with Central Bank of Nigeria guidelines. Any exchange gains and losses arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Exchange component of the gain or loss arising on fair valuation of non monetary items, if any, is recognised in line with the gain or loss of the item that gave rise to such exchange difference.

#### 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. The following specific recognition criteria must also be met before revenue is recognised:

##### Sales of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods to its customers. The customers are classified as institutional customers and trade customers. Goods sold by the Company are pharmaceutical products manufactured by Fidson Healthcare under various licensing agreements.

##### Rental Income

Rental income arising from operating leases on investment properties is accounted for on a straight- line basis over the lease terms, and is included in revenue in profit or loss due to its operational nature.

##### Interest Income

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

##### Dividends

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

#### 3. Taxes

##### 3.1. Current income tax

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

## 15. HISTORICAL FINANCIAL INFORMATION

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

### 3.2. Deferred tax

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

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

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

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

- i). When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii). In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

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

## 15. HISTORICAL FINANCIAL INFORMATION

### 3.3. Value Added Tax

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

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

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

### 4. Property, Plant & Equipment

Property, plant and equipment are stated at cost of purchase or construction, net of accumulated depreciation and/or accumulated impairment loss, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long term projects if the recognition criteria are met, see note 14 for borrowing costs capitalised during the period. When significant parts of property, plant and equipment are required to be replaced at intervals, such parts are recognised as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

The normal expected useful life for the major categories of property, plant and equipment are:

Assets	Years
Building	50
Plant and Machinery – Head Office	4
Plant and Machinery – Factory	5 to 10
Office Equipment	4 to 10
Furniture and Fittings	8
Motor Vehicles	4 to 6

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

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

Impairment reviews are performed when there are indicators that the carrying amounts may not be recoverable. Impairment losses and reversals of impairment losses are recognised in profit or loss.

## 15. HISTORICAL FINANCIAL INFORMATION

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### 5. Borrowing Costs

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

### 6. Financial Instruments

#### 7.1. Financial Assets

##### Initial Recognition

All financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Company's financial assets include Held-to-maturity investments, Available-for-sale financial investments, and loans and other receivables.

##### Subsequent Measurement

The subsequent measurement of financial assets within the scope of IAS 39 depends on their classification as follows:

##### I. Loans and Other Receivables

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 method (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 in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss as finance costs. Included in this classification are trade and other receivables.

##### II. Held-to- Maturity Instruments

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 effective interest 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 profit or loss. The losses arising from impairment are recognised in profit or loss as finance costs. Included in this classification is investment in IBTC investment bank. The held to maturity investment is recognised as a non-current financial asset in the statement of financial position.

##### III. Available-for-Sale Financial Instruments

Available-for-sale financial investments are equity investments. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised in OCI and credited in the available for sale 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 profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method. This is based on the presumption that the transaction to sell the asset takes place in the primary market for the asset.

## 15. HISTORICAL FINANCIAL INFORMATION

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### IV. Trade and other receivables

Trade receivables are carried at original invoice amount less any allowance for impairment. When a trade receivable is determined to be uncollectable, it is written off, firstly against any provision available and then to profit or loss.

The allowance for doubtful accounts involves management judgment and review of individual receivable balances based on an individual customer's prior payment record, current economic trends and analysis of historical bad debts of a similar type.

Subsequent recoveries of amounts previously provided for are credited to profit or loss in the year of recovery.

### 7.2. Impairment of Financial Assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and 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.

#### Assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

In the case of trade receivables, allowance for impairment is made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions.

#### Impairment on available-for-sale financial investments

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

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is reclassified from equity and to profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

## 15. HISTORICAL FINANCIAL INFORMATION

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### 7.3. De-Recognition of Financial Assets

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### 7.4. Financial Liabilities

#### Initial Recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss and loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company financial liabilities include trade and other payables, interest bearing loans and borrowings, other financial liabilities, and bank overdraft.

#### Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

#### I. Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (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 in finance costs in the income statement. In the case of trade and other payables, the amortised cost equals the nominal value.

#### II. De-Recognition

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

## 15. HISTORICAL FINANCIAL INFORMATION

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modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### 7.5. Offsetting of Financial Instruments

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

### 7. 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 groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

### 8. Inventories

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

- i). Raw materials are stated at purchase cost on the basis of weighted average
- ii). Finished goods and work in progress: Cost in this case consists of direct purchase cost, conversion cost (materials, labour and overhead) and other costs incurred to bring inventory to its present condition and location
- iii). Goods in transit are valued at the invoiced price
- iv). Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell



## 15. HISTORICAL FINANCIAL INFORMATION

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### 9. Employee Benefits

The Company operates a gratuity scheme and a pension fund scheme for the benefit of its employees.

#### I. Gratuity scheme

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

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

#### II. Pension fund scheme

The Company operates a defined contribution plan in line with the provisions of the Pension Reform Act 2004. This plan is in proportion to the services rendered to the Company by the employees with no further obligation on the part of the Company. The Company and its employees each contribute 7.5% of employees' current salaries and designated allowances to the scheme. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recorded as personnel expenses in profit or loss.

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

- i). The date of the plan amendment or curtailment, and
- ii). The date that the Company recognises restructuring-related costs
- iii). Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in statement of profit or loss (by function):
- iv). Service costs comprising current service costs, past-service costs and gains and losses on curtailments
- v). Net interest expense or income

#### III. Short Term Benefits

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

#### IV. Termination Benefits

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

### 10. Provision

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. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract,

## 15. HISTORICAL FINANCIAL INFORMATION

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the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

### 11. Dividend

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

### 12. Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### The Company as a Lessee

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

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

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

As of the date of this Prospectus, the Company has no leased assets.

#### The Company as a Lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Rental income is recognised as revenue on a straight line basis over the lease term.

### 13. Segment Reporting

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

- i). The over the counter segment, which represent the products that may be sold directly to the consumer without a prescription
- ii). Ethical products segment, which are drugs which would be sold to the consumer only on the possession of a valid prescription

## 15. HISTORICAL FINANCIAL INFORMATION

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

### 14. Cash and Cash Equivalents

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

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

### 15. Intangible Assets

Software and product licenses are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The company makes upfront payments to purchase product licences. The product licenses are held on various pharmaceutical products sold by the company and have licence periods that range from 2 to 5 years. The licences may be renewed by the Company at the expiration of the license period.

Intangible assets with finite lives are amortised over the useful economic lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds and the carrying amount of the intangible asset and recognised in profit or loss when the asset is derecognised. Gains are to be classified as revenue.

### 16. Investment Properties

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

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of de-recognition.

## 15. HISTORICAL FINANCIAL INFORMATION

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

## 15. HISTORICAL FINANCIAL INFORMATION

### STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Note	31 December 2013 ₦'000	31 December 2012 ₦'000	(18 months) 2011 ₦'000
Revenue	2	9,247,056	7,168,939	7,127,853
Cost of Sales	3	(4,133,123)	(3,094,946)	(3,074,415)
Gross Profit		5,113,933	4,073,993	4,053,438
Other Operating Income	4	41,690	54,825	81,842
Other Operating Expenses	5	(113,816)	(212,821)	(299,932)
Administrative expenses	6	(2,405,523)	(2,053,632)	(2,632,497)
Selling and Distribution expenses	7	(1,268,269)	(1,007,908)	(641,924)
Operating Profit		1,368,015	854,457	560,927
Finance Costs	8	(407,697)	(317,548)	(353,729)
Finance Income	9	4,963	3,171	7,066
Share of loss of associate	15	(715,690)	-	-
Profit before Tax		249,591	540,080	214,264
Income tax expense	10	(94,611)	(333,191)	(158,674)
Profit for the year		154,980	206,889	55,590
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent years:				
Net gain/(loss) on available for sale Financial instruments	30	1,582	1,462	-
Income tax effect	24	(475)	(438)	-
Net comprehensive income to be reclassified to profit or loss		1,107	1,024	-
Items not to be reclassified to profit or loss in subsequent years:				
Remeasurement gain/(loss) on defined benefit plans	22	58,303	(28,362)	(48,483)
Income tax effect	24	(17,491)	8,508	14,828
Net comprehensive income to be reclassified to profit or loss		40,812	(19,854)	(33,655)
Other comprehensive income, net of tax		41,919	(18,830)	-
Total comprehensive income for the year net of tax		196,899	188,059	21,935
Earnings / (Loss) Per Share (Naira)	31	0.10	0.14	0.04

## 15. HISTORICAL FINANCIAL INFORMATION

### STATEMENT OF FINANCIAL POSITION

	Note	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
<b><u>Non-current assets</u></b>				
Property, plant & equipment	11	7,043,474	4,679,359	3,447,601
Investment property	12	39,019	39,936	40,854
Intangible asset	13	3,245	2,192	5,417
Available for sale investment	14a	102,480	1,260,965	2,058,746
Held to maturity investment	14b	31,904	27,986	25,484
Investment in associate	15	253,268	-	-
		7,473,390	6,010,438	5,578,102
<b><u>Current assets</u></b>				
Inventories	16	1,497,332	1,090,030	886,902
Trade and Other Receivables	17	2,344,387	1,986,197	1,957,533
Prepayments	18	790,952	1,450,839	971,303
Cash and Bank balances	19	137,027	243,432	21,224
		4,769,698	4,770,498	3,836,962
Total Assets		12,243,088	10,780,936	9,415,064
<b><u>Current Liabilities</u></b>				
Trade and Other Payables	25	1,692,585	1,196,045	830,808
Interest-Bearing Loans and Short Term Borrowings	20b	1,244,618	715,302	179,424
Bank Overdraft	29	608,464	497,283	372,755
Income Tax Payable	24	176,556	307,519	252,251
Other Current Liabilities	21,26	348,669	162,537	162,413
<b><u>Non-Current Liabilities</u></b>				
Interest-Bearing Loans and Long Term Borrowings	20a	1,408,079	1,534,764	1,436,480
Other Non-Current Liabilities	21,22,23,24	1,518,781	1,139,050	990,556
Total Liabilities		6,997,752	5,552,500	4,224,687
<b><u>Equity</u></b>				
Ordinary Share Capital	28	750,000	750,000	750,000
Share Premium		2,973,043	2,973,043	2,973,043
Retained earnings		1,521,257	1,505,465	1,468,429
Available for Sale Reserves		1,035	(72)	(1,095)
Total Shareholder's Funds		5,245,335	5,228,436	5,190,377
<b>Liabilities and Equity</b>		12,243,088	10,780,936	9,415,064

## 15. HISTORICAL FINANCIAL INFORMATION

### STATEMENT OF CHANGES IN EQUITY

	Share capital N'000	Share premium N'000	Retained earnings N'000	Available for sale equity reserve N'000	Total equity N'000
<b>Balance as of 1 January 2013</b>	750,000	2,973,043	1,505,465	(72)	5,228,436
Profit for the year	-	-	154,980	-	154,980
Other comprehensive income for the year	-	-	40,812	1,107	41,919
Total comprehensive income for the year	-	-	195,792	1,107	196,899
Dividend paid (Note 27)	-	-	(180,000)	-	(180,000)
<b>Balance as of 31 December 2013</b>	<b>750,000</b>	<b>2,973,043</b>	<b>1,521,257</b>	<b>1,035</b>	<b>5,245,335</b>
<b>Balance as of 1 January 2012</b>	750,000	2,973,043	1,468,429	(1,095)	5,190,377
Profit for the year	-	-	206,889	-	206,889
Other comprehensive income for the year	-	-	(19,853)	1,023	(18,830)
Total comprehensive income for the year	-	-	187,036	1,023	188,059
Dividend paid (Note 27)	-	-	(150,000)	-	(150,000)
<b>Balance as of 31 December 2012</b>	<b>750,000</b>	<b>2,973,043</b>	<b>1,505,465</b>	<b>(72)</b>	<b>5,228,436</b>

## 15. HISTORICAL FINANCIAL INFORMATION

### STATEMENT OF CASH FLOW

	Note	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
<b><u>Cash flows from Operating activities</u></b>				
Cash flows from operations		2,109,147	1,141,052	69,614
Income Tax paid		(154,620)	(263,057)	(269,758)
Net Cash flow from operations		1,954,527	877,995	(200,144)
<b><u>Cash flows from Investing activities</u></b>				
Purchase of Property Plant and Equipment (PPE)		(2,015,546)	(1,425,927)	(1,456,844)
Liquidation of available for sale financial assets		231,109	679,064	729,703
Interest Income Received	9	4,963	3,171	7,066
Investment in Associate		(40,000)	-	-
Proceeds from Sale of PPE		12,486	8,978	28,130
Additional t intangible Assets		(2,905)	-	-
Net Cash Flow from Investing Activities		(1,809,893)	(734,714)	(691,945)
<b><u>Cash flows from Financing activities</u></b>				
Increase / (Decrease) in Obligation under Finance Lease		(119,430)	17,520	121,635
Interest Paid on Loans and Borrowings	8	(407,697)	(317,548)	(353,728)
Dividend Paid		(180,000)	(150,000)	(150,000)
Long term loans & Borrowings		344,907	404,427	1,139,614
Net Cash Flow from Financing Activities		(362,220)	(45,601)	757,521
Net Increase (decrease) in Cash		(217,586)	97,680	(134,568)
Cash at the Beginning of the Year	29	(253,851)	(351,531)	(216,963)
Cash at the End of the Year	29	(471,437)	(253,851)	(351,531)



## 15. HISTORICAL FINANCIAL INFORMATION

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. Corporate Information

The Company became a private limited liability company incorporated on 13 March 1995 and commenced business activities on 15 March 1995. The principal activities of the Company include manufacturing and distribution of pharmaceutical products. The Company's shares were quoted on the NSE on 5 June, 2008. The issued share capital is held as to 39.32% directly by the directors, 5.74% indirectly by the directors and 54.94% by the Nigerian Public. The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 30 April 2014.

#### 2. Revenue

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Over-The-Counter (OTC)	6,022,089	4,924,472	5,090,609
Ethical	3,212,967	2,232,467	2,019,244
Rental Income	12,000	12,000	18,000
	9,247,056	7,168,939	7,127,853

#### 3. Cost of Sales

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Over-The-Counter (OTC)	2,710,168	2,217,685	2,374,133
Ethical	1,422,955	877,261	700,282
	4,133,123	3,094,946	3,074,415

#### 4. Other Operating Income

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Gain / (Loss) on disposal of Fixed Assets	(1,462)	16	6,405
Toll Manufacturing Fee	-	-	28,632
Exchange Gain / (Loss)	(4,038)	2,830	17,175
Amortisation of Government Grant	43,253	48,633	25,480
Others	3,937	3,346	4,150
	41,690	54,825	81,842

## 15. HISTORICAL FINANCIAL INFORMATION

### 5. Other Operating Expenses

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Corporate Social Responsibility	108,629	53,845	83,159
Impairment Loss (Note 17)	-	118,717	-
Inventory write-off	-	32,812	189,039
Other Operating Expenses	5,187	7,447	27,734
	113,816	212,821	299,932

The impairment loss represents the impairment of available-for-sale financial assets carried at cost.

### 6. Administrative Expenses

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Salaries	682,389	622,343	998,894
Depreciation & Amortisation	213,060	189,350	203,300
Audit Fee	10,500	7,500	7,500
Travelling	555,065	384,117	303,868
Bad Debt (6a)	279,736	290,383	594,323
Diesel & Fuel	110,485	132,065	142,774
Consultancy Fee	72,387	115,133	64,578
Repairs & Maintenance	187,935	125,505	119,784
Others	293,966	187,236	197,476
	2,405,523	2,053,632	2,632,497

#### 6a. Bad Debt

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Bad Debts written off	-	446,858	491,860
(Write back) / impairment (17b)	-	(156,475)	102,463
Charge for the year	279,736	-	-
	279,736	290,383	594,323

The bad debts written off relate to trade receivables that the entity considers permanently lost.

### 7. Selling and Distribution Expenses

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Promotion and Advertisement	312,603	253,014	337,217
Institutional promotion	242,859	250,733	47,318
Sales expenses	712,807	504,161	257,389
	1,268,269	1,007,908	641,924

## 15. HISTORICAL FINANCIAL INFORMATION

### 8. Finance Costs

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Interest on Bank Loan (Note 20)	407,697	317,548	353,729

### 9. Finance Income

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Interest earned on Held-to-Maturity Financial Assets	4,963	3,171	7,066

### 10. Income Tax Expense

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
<b>Current Income Tax:</b>			
Current year income tax charge	14,135	143,474	41,951
Additional tax assessment in respect of prior years	-	160,346	-
Current education tax charge	9,522	14,505	11,773
Total Current Tax	23,657	318,325	53,724
<b>Deferred Tax:</b>			
Relating to origination of temporary differences	70,954	14,866	104,950
Total income tax expense reported on Income statement	94,611	333,191	158,674
<b>Current Tax payable:</b>			
At the beginning of the year	307,519	252,251	-
Charge for the year	23,657	318,325	-
Payments made on-account during the year	(154,620)	(263,057)	-
	176,556	307,519	-
<b>Reconciliation of tax charge:</b>			
Profit before tax	249,591	540,080	214,264
Tax at 30% Nigerian statutory income tax rate	74,877	162,024	64,279
Tax effect on change in accounting year end	-	-	(88,296)
Disallowable expenses	10,212	562	47,807
Income exempted from tax	-	(849)	(100)
Capital allowance differential	-	(3,397)	47,273
Education tax @ 2% of assessable profit	9,522	14,505	11,773
Tax effect of IFRS adjustment	-	-	77,455
Additional tax assessment from FIRS audit	-	160,346	-
	94,611	333,191	158,674

## 15. HISTORICAL FINANCIAL INFORMATION

### 11. Property, Plant & Equipment

	Land & Buildings N'000	Plant & Machinery N'000	Office Equipment N'000	Furniture & Fittings N'000	Motor Vehicles N'000	Construction in progress N'000	Total N'000
<b>Cost:</b>							
<b>At 1 January 2013</b>	1,271,074	348,806	208,102	111,664	610,124	2,910,663	5,460,433
Additions	-	6,800	28,800	3,697	324,827	2,224,227	2,588,351
Disposals	-	-	-	-	(40,518)	-	(40,518)
<b>At 31 December 2013</b>	1,271,074	355,606	236,902	115,361	894,433	5,134,890	8,008,266
<b>Accumulated depreciation:</b>							
<b>At 1 January 2013</b>	66,114	184,299	148,311	31,277	351,073	-	781,074
Depreciation for the year	23,098	33,695	24,459	7,640	121,398	-	210,290
Disposals	-	-	-	-	(26,570)	-	(26,570)
<b>At 31 December 2013</b>	89,212	217,994	172,770	38,917	445,901	-	964,794
<b>Net carrying amount:</b>							
<b>At 1 December 2013</b>	1,181,862	137,612	64,132	76,444	448,532	5,134,890	7,043,472
<b>At 1 January 2012</b>	1,284,012	331,666	196,987	108,823	625,866	1,548,914	4,096,268
Reclassification	-	-	-	-	-	-	-
Additions	12,972	17,140	11,115	2,841	46,020	1,335,839	1,425,927
Disposals	-	-	-	-	(61,762)	-	(61,762)
Transfer	(25,910)	-	-	-	-	25,910	-
<b>At 31 December 2012</b>	1,271,074	348,806	208,102	111,664	610,124	2,910,663	5,460,433

## 15. HISTORICAL FINANCIAL INFORMATION

### Property, Plant & Equipment (cont'd)

	Land & Buildings N'000	Plant & Machinery N'000	Office Equipment N'000	Furniture & Fittings N'000	Motor Vehicles N'000	Construction in progress N'000	Total N'000
<b>Accumulated depreciation:</b>							
<b>At 1 January 2012</b>	42,098	145,478	124,659	24,019	311,495	-	647,749
Reclassification	-	-	-	-	-	-	-
Depreciation for the period	24,016	38,821	23,652	7,258	92,378	-	186,125
Disposals	-	-	-	-	(52,800)	-	(52,800)
<b>At 31 December 2012</b>	66,114	184,299	148,311	31,277	351,073	-	781,074
<b>Net carrying amount:</b>							
<b>At 31, December 2012</b>	1,204,961	164,506	59,791	80,387	259,051	2,910,663	4,679,359
<b>At 31 December, 2011</b>	1,240,996	186,188	72,328	84,804	314,371	1,548,914	3,447,601
<b>At 1 July, 2010</b>	712,293	190,679	60,406	94,808	164,987	984,361	2,207,534

Construction in progress - Relates to a new manufacturing plant for infusion production

Borrowing cost - The Company started the construction of a new plant for infusion production in May 2010 and is expected to be completed in December 2014. The infusion plant is financed by loans from Bank of Industry. The amount of borrowing cost capitalised during the period ended 31 December 2013 is ₦316.238million. The rate used to determine the amount of borrowing cost was 10% -19.5% which is the effective interest rate of the specific borrowing.

Finance Lease – The carrying value of property, plant and equipment held under finance lease at 31 December 2013 was ₦232.245million (31 December 2012: ₦187million) additions during the year include ₦572million (31 December 2012: ₦82million).

The assets of the company are pledged as security under all asset debenture used to obtained facilities.

## 15. HISTORICAL FINANCIAL INFORMATION

### 12. Investment Property

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Cost at beginning	48,301	48,301	48,301
Additions	-	-	-
Cost at end of year	48,301	48,301	48,301
Accumulated depreciation at beginning	(8,365)	(7,447)	(6,390)
Depreciation	(918)	(918)	(1,057)
Carrying amount	39,019	39,936	40,854

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

The fair value of the investment property at the end of 31 December 2013 was fifty million naira (2012: ₦50,000,000) based on valuation performed by Stephen Ologun & Associates – Estate Surveyor and Valuer. The valuation was done in November 2012 and the basis of valuation was the open market. Under the open market method, fair value is estimated using a property of similar nature in similar area.

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Rental income derived from investment properties Direct operating expenses (including repair and maintenance) generating rental income	12,000	12,000	18,000
Direct operating expenses (including repair and maintenance) that did not generate rental income (included in cost of sales)	-	-	-
Net profit arising from investment properties carried at cost	12,000	12,000	18,000

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

Future minimum lease rentals receivable under non-cancellable contracts as 31 December are as follows:

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Within one year	12,000	12,000	12,000
After one year but not more than 5 years	36,000	48,000	47,932
More than 5 years	-	-	50,000
	48,000	60,000	109,932

In the general terms & conditions in the leasing agreement monthly rental is ₦1 million and there are no escalation clauses. The lease is for a period of 5 years.

## 15. HISTORICAL FINANCIAL INFORMATION

### 13. Intangible Assets

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Cost at beginning of the year	26,691	26,691	28,618
Additions	2,905	-	-
De-recognition of licenses no longer in use	-	-	(1,927)
Cost at end of year	29,596	26,691	26,691
Amortisation at beginning of year	24,499	21,274	16,009
Charge for the year	1,852	3,225	7,192
De-recognition of licenses no longer in use	-	-	(1,927)
Amortisation at end of year	26,351	24,499	21,274
Carrying amount	3,245	2,192	5,417

The product licenses are intangible assets with finite life and are amortised in line with the provisions of IAS 38. The intangible assets are tested for impairment when there are indicators of impairment in line with the provisions of IAS36, by comparing the recoverable amount with the carrying amount at the end of the reporting period. There were no indicators of impairment during the periods.

### 14. Financial Assets

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

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Available-for-sale financial assets (a)	102,480	1,260,965	2,058,746
Held-to-Maturity	31,904	27,986	25,484
More than 5 years	134,384	1,288,951	2,084,230

The following table compares the fair values of the financial instruments to their carrying values:

	Fair Value 31 December 2013 N'000	Fair Value 31 December 2012 N'000	Fair Value 31 December 2011 N'000
<b>a) Available-for-sale financial assets</b>			
Quoted Equity:			
Spring Bank Plc	-	-	-
Zenith Bank Plc	5,480	3,898	2,436
Total available-for-sale financial assets	5,480	3,898	2,436
Unquoted Equity at cost:			
Investment in Jubilee Life	97,000	97,000	117,000
Investment in Ecomed	-	-	190,526

## 15. HISTORICAL FINANCIAL INFORMATION

Meristem Securities Nigeria Limited	-	231,109	671,109
Fil Pharmaceutical Ltd	-	-	118,717
Widenet Impex	-	-	30,000
Fidson Products Ltd	-	928,958	928,958
	97,000	1,257,067	2,056,310
Total	102,480	1,260,965	2,058,746

31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
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### b) Held-to-Maturity

Investment in CardinalStone Partners	31,904	27,986	25,484
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The fair value of the investment in CardinalStone Partners approximates the carrying amount. The investment is a fixed deposit with one year maturity at 14%.

## 15. Investment in Associate

The Company increased its stake in the equity instrument of Fidson Product Limited during the year to 25% by investing additional amount to achieve significant influence over the company. Thus, the Company accounted for its interest in Fidson Product Limited using the equity method from the date it achieved significant influence. Fidson Product Limited is involved in the sale of toiletries product in Nigeria. Summarised financial information of the associate, based on IFRS financial statements, and reconciliation with the carrying amount of the investment in the financial statements are set below:

Reconciliation of investment in Associate:

	31 December 2013 N'000
Opening Balance	928,958
Additional investment	40,000
Share of profit of associate	7,463
Cost of associate	976,421
Impairment loss	(723,153)
Carrying value of investment in Associate	253,268

The Company performed its annual impairment test in December 2013. The Company considers the significant reduction in net asset of investment in associate, among other factors with reviewing indicators of impairment. As at 31 December 2013, the Associate has suffered accumulated losses of ₦386,927,000. This was due to the reversal of Government policy on the importation of diapers one of the major products of the associate which was previously prohibited by the Government, the ban was lifted and this impacted on the company revenue.



## 15. HISTORICAL FINANCIAL INFORMATION

The recoverable amount of the investment in the associate, ₦253,268,000 as at 31 December 2013, has been determined based on a value in use calculation using cash flow projections from the eventual disposal of investment on the associate. The cash flow projections from the eventual disposal of investment are based on the agreement with prospective investors. The pre-tax discount rate applied to cash flow projections is 21%. As a result of this analysis, management has recognised an impairment charge of ₦723,13,000 against the carrying value of investment in associate as at 31 December 2013. The impairment charge is recorded within share of profit of associate in profit or loss.

	31 December 2013 ₦'000
Revenue	414,411
Cost of sales	(171,368)
Admin expenses	(174,370)
Finance cost	(41,088)
Other income	2,265
Profit for the year	29,850
Share of profit for the year	7,463
Impairment of associate	(723,153)
Loss from associate	(715,690)
Current asset	355,859
Non-current assets	2,141,246
Current liabilities	(1,482,432)
Non-current liabilities	(1,600)
	1,013,073
Proportion of the Company's ownership	25%
Carrying amount of investment	253,268

The Company has an agreement with its associate that the profit of the associate will not be distributed until it obtains the consent of the Directors. The Directors do not foresee giving such consent at the reporting date

## 16. Inventories

	31 December 2013 ₦'000	31 December 2012 ₦'000	31 December 2011 ₦'000
Raw materials	192,002	192,704	301,507
Work in progress	16,606	11,552	3,918
Finished goods	1,257,794	885,814	523,649
Goods in transit	30,930	32,772	246,867
Inventory write off (Note 7)	-	(32,812)	(189,039)
	1,497,332	1,090,030	886,902

The amount of inventory written off during the year is nil (2013: ₦32,812)

## 15. HISTORICAL FINANCIAL INFORMATION

### 17. Trade and other receivables

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Receivables from related parties	725,165	713,810	850,609
Trade receivables (a)	1,400,653	1,015,309	856,661
Other receivables	218,569	257,078	250,263
	<u>2,344,387</u>	<u>1,986,197</u>	<u>1,957,533</u>

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

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

**17 (a)** As at December 31 2013, the ageing analysis of trade receivables is as follows:

	Neither past due or impaired				Past due but not impaired		
	Total	< 30 days	30-60 days	61-90 days	91-180 days	81-360 days	>360 days
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
<b>2013</b>	1,400,653	29,113	551,079	213,537	315,031	243,185	48,706
<b>2012</b>	1,015,309	362,719	255,324	72,605	189,648	79,580	55,433

**17 (b)** As at 31 December 2013, trade receivables of an initial value of ₦ 198,057 (2012: ₦ 99,542) were impaired and provided for. See below for the movements in the provision for impairment of receivables.

	Individually Impaired N'000	Total N'000
<b>At 1 January 2013</b>	99,542	99,542
Charge for the year	279,736	279,736
Write Off	(181,221)	(181,221)
<b>At 31 December 2013</b>	<u>198,057</u>	<u>198,057</u>
<b>At 31 January 2012</b>	256,017	256,017
Write Off	(156,475)	(156,475)
<b>At 31 December 2012</b>	<u>99,542</u>	<u>99,542</u>

### 18. Prepayment

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Advance to suppliers	790,952	1,450,839	971,303

This represents advances made to suppliers for the purchase of factory equipment.

## 15. HISTORICAL FINANCIAL INFORMATION

### 19. Cash and cash equivalents

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Cash at hand	250	2	39
Bank	131,589	234,423	20,171
Short-term deposits (including demand and time deposits)	5,188	9,007	1,014
Total cash and cash equivalents	137,027	243,432	21,224

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company and weighted average interest rate is at 2.5%.

The fair value of cash and cash equivalents approximate their fair value. Cash and cash equivalents are convertible to cash within 3 months.

### 20. Interest-Bearing Loans and borrowings

#### 20 (a) Non-Current

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Access Bank (CBN Intervention Loan) (A)	184,251	214,035	342,242
Guaranty Trust Bank ("GTBank") (B)	108,756	-	-
First City Monument Bank ("FCMB") (C)	379,566	304,627	282,869
Bank of Industry ("BOI") (D)	735,506	1,016,102	811,369
	1,408,079	1,534,764	1,436,480

- A.** Access Bank loan is a ~~N~~525million CBN intervention loan granted to Fidson Healthcare Plc at 7% for 180 months. A fair value of the loan was obtained using estimated market rate of 18%. The difference between the loan rate and market rate accounted for a grant element of ~~N~~161m which has been recognised as deferred income and will be recognised over the duration of the loan. The loan was granted in 2010 for the production of drugs and pharmaceutical products and the condition is that the company must be a member of the manufacturing association of Nigeria, also there is periodic visit by the bank officers.
- B.** GTBank loan is a ~~N~~277million loan granted at 20% p.a. for 48 months to part-finance the acquisition of factory equipment. The loan was granted in April 2013.
- C.** The FCMB loan is ~~N~~400 million loan granted at 17% for 60 months to part-refinance the completion of Fidson Biotech factory at Otta, Ogun State. The loan was granted in Nov 2011 with a moratorium of 2 years. During the year an additional ~~N~~200 million was granted at 19.5% for 24 months to enable the Company repay LC's due over the period.
- D.** The BOI loan is a ~~N~~1.337billion loan granted at 10% for 72 months for the establishment of an intravenous fluid and Small Volume Parentals (SVP) plant and the condition is that the company must be a member of the manufacturing association of Nigeria. A fair value of the loan was obtained using estimated market rate of 18%. The loan was granted in 2011 with a moratorium of 2 years. The difference between the loan rate and market rate accounted for a grant element of ~~N~~299m which has been recognised as deferred income and will be recognised in profit or loss over the duration of the loan.

## 15. HISTORICAL FINANCIAL INFORMATION

20 (b) Current Fair Value	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Short-term borrowings	435,813	409,159	179,424
Access Bank (CBN Intervention Loan) (A)	97,423	113,922	-
Guaranty Trust Bank ("GTBank") (B)	112,672	-	-
First City Monument Bank ("FCMB") (C)	187,293	94,363	-
Bank of Industry ("BOI") (D)	411,417	97,858	-
	1,244,618	715,302	179,424

All borrowings above are current and are expected to be settled within 12 months of the reporting date. The loan is from GTBank & Access Bank. Interest rate is at 20%. Security is tripartite legal mortgage over the property.

All current interest bearing loans and borrowings are stated at amortised cost. The current value of short term borrowings approximates their fair value due to the short term nature and the fact that there were no material movement in market rates since the inception of the loans.

### 21 . Obligation under finance lease due after 1 year

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

	2013		2012	
	Minimum Lease Payment N'000	Present Value of Payments N'000	Minimum Lease Payment N'000	Present Value of Payments N'000
Due within one year	315,944	283,669	148,116	97,537
Later than 1 year and not later than 5 years	575,289	371,036	296,232	103,793
Less amounts representing finance charges	(236,528)	-	(243,018)	-
	654,705	654,705	201,330	201,330

### 22 . Retirement benefit obligations

The Company has a defined benefit gratuity scheme, which is non-contributory and is classified as other employment benefits in line with IAS 19. The obligation, service cost and actuarial gain / (loss) are based on actuarial valuation performed by HR Nigeria Limited, in February 2014.

Net benefit expense (recognised in administrative expenses)	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Current service cost	66,703	58,789	43,016
Interest cost on benefit obligation	66,673	54,409	33,316
Past service cost	-	-	-
Net benefit expense	133,376	113,198	76,332

## 15. HISTORICAL FINANCIAL INFORMATION

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
<b>Benefit asset / (liability)</b>			
<b>As at July 2010</b>			
Defined benefit obligation	582,830	516,009	390,320
Unrecognised past service cost	-	-	-
<b>Benefit Liability</b>	<b>582,830</b>	<b>516,009</b>	<b>390,320</b>

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

	N'000
Defined benefit obligation as at January 2013	516,009
Interest cost	66,703
Current service cost	66,673
Benefit paid	(8,252)
Actuarial loss / (gain) on obligation	(58,303)
Defined benefit obligation as at 31 December 2013	582,830
Defined benefit obligation as at 1 January 2012	390,320
Interest cost	54,409
Current service cost	58,790
Benefit paid	(15,872)
Actuarial loss / (gain) on obligation	28,362
Defined benefit obligation as at 31 December 2012	516,009

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

	31 December 2013 %	31 December 2012 %	31 December 2011 %
<b>Financial Assumptions</b>			
<b>(Long-Term Average)</b>			
Discount rate (p.a.)	14	13	14
Average Pay Increase (p.a.)	11	11	13
Average Rate of Inflation (p.a.)	9	10	10

### Demographic Assumptions

Mortality in Service

Number of deaths in the year out of 10,000 lives

Number of deaths in the year out of 10,000 lives

25	7	11	11
30	7	12	12
35	9	13	13
40	14	19	19
45	26	33	33

## 15. HISTORICAL FINANCIAL INFORMATION

### Withdrawal from Service

(Age Band)

Less than or equal to 30	2.5	2.0	2.0
31 – 39	1.5	1.5	1.5
40 – 49	1.0	1.0	1.0
50 - 60	0.0	0.0	0.0

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

The Company has a medium-term strategy of increasing salaries to reflect inflation, the actuaries prudently allowed for 1% margin for 2013.

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

### 23 . Deferred Revenue

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
At January 1	298,083	299,594	-
Received during the year	-	47,122	325,074
Released to the income statement(Note 4)	(43,253)	(48,633)	(25,480)
At 31 December	254,830	298,083	299,594

The deferred revenue represents the grant elements of CBN and BOI loans, after the loans were re-measured using the effective interest rate. The government grants have been recognised as deferred income in the statement of financial position that is recognised in the profit or loss on a systematic basis over the tenure of the loan with government grant embedded in it.

### 24 . Taxation

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
<b>(a) Current tax payable</b>			
At the beginning of the year	307,519	252,251	468,285
Charge for the year (Note 10)	23,657	318,325	53,724
Payments made on-account during the year	(154,620)	(263,057)	(269,758)
	176,556	307,519	252,251
<b>(b) Deferred tax liability</b>			
Statement of Financial Position	221,165	214,369	124,247
Amounts recorded in the income statement	70,954	14,866	104,950
Amounts recorded in other comprehensive income	17,966	(8,070)	(14,828)
Deferred tax liability	310,085	221,165	214,369

## 15. HISTORICAL FINANCIAL INFORMATION

### Deferred tax recognised in OCI

Fair value gain / (loss) on available-for-sale	475	438	(283)
Actuarial loss on defined benefit plan	17,491	(8,508)	(14,545)
Total deferred tax recognised in OCI	17,966	(8,070)	(14,828)

### Deferred tax relates to the following:

Statement of financial position:

Accelerated depreciation for tax purposes	322,503	251,549	236,683
Fair value gain / (loss) on available-for-sale	(15,802)	(16,277)	(7,769)
Actuarial loss on defined benefit plan	3,384	(14,107)	(14,545)
Net deferred tax (liabilities)	310,085	221,165	214,369

### 25 . Trade and other payables

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Trade payables	1,415,285	704,044	275,214
Other creditors	-	-	303,132
Accrued expenses	187,221	423,697	204,813
Pension	-	887	6,588
Other payable	90,079	67,418	41,061
	1,692,585	1,196,045	830,808

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms
- Other payables are non-interest bearing and have an average term of 6 months. This includes withholding tax and staff taxes deducted yet to be remitted

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

### 26 . Other current financial liabilities

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Commercial Paper	65,000	65,000	65,000

The ₦65 million commercial paper is unsecured short-term debt obtained from a non-bank financial institution for working capital support. It has a maturity of 90 days and interest rate of 17%

The fair value of the commercial paper is as stated.

## 15. HISTORICAL FINANCIAL INFORMATION

### 27 . Dividend

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Dividends paid and proposed			
Declared	180,000	150,000	
Paid during year	(180,000)	(150,000)	
Balance Unpaid	-	-	
Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December)			
Dividends on ordinary shares:			
Final dividend for 2013: -10k per share (2012:12k per share, 2011: 10k per share)	150,000	180,000	150,000

### 28 . Issued Share Capital

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
<b>Authorised and issued share capital:</b>			
Authorised share capital			
1,5000,000,000 Ordinary shares			
Of ₦ 0.50k each			
Pension	750,000	750,000	750,000
<b>Ordinary shares issued and fully paid:</b>			
At 1 July	750,000	750,000	750,000
Issued during the year	-	-	-
	750,000	750,000	750,000
Share Premium	2,973,043	2,973,043	2,973,043
Retained Earnings	1,521,257	1,505,465	1,468,429

### 29 . Cash & cash equivalent per Statement of Cash flow

	31 December 2013 N'000	31 December 2012 N'000	31 December 2011 N'000
Cash & cash equivalent per Statement of financial position	137,027	243,432	21,224
Bank overdraft	(608,464)	(497,283)	(372,755)
	(471,437)	(253,851)	(351,531)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.



## 15. HISTORICAL FINANCIAL INFORMATION

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Bank overdraft represents the outstanding commitment on short-term borrowings for working capital management. The bank overdrafts are secured against mortgage debenture held by a trustee. The lenders are Access Bank (Dec 2013: ₦118,454,000), Guaranty Trust bank (Dec 2013: ₦350,787,000) and FCMB (Dec 2013: ₦139,654,000). The interest on the overdraft ranges from 18 – 21%.

### 30 . Available for sale reserve

The reserve records fair value changes in available for sale investment

### 31 . Earnings per share

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

	31 December 2013	31 December 2012
Basic:		
Net profit attributable to ordinary shareholders (N' 000)	154,980	206,889
Weighted average number of ordinary shares	1,500,000,000	1,500,000,000
Basic earnings per ordinary share	0.10k	0.14k

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

## 16. FINANCIAL FORECASTS

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### LETTER FROM THE REPORTING ACCOUNTANTS

The following is a copy of the letter from the Reporting Accountant on the Financial Projections:

PKF Professional Services



Accountants &  
business advisers

27 August 2014

The Managing Director  
Fidson Healthcare Plc  
268 Ikorodu Road  
Obanikoro, Lagos

and

The Managing Director  
CardinalStone Partners Limited  
5 Okotie Eboh Street  
Ikoyi, Lagos

Gentlemen,

**PROPOSED N2 BILLION SECURED FIXED RATE BOND ISSUE BY  
FIDSON HEALTHCARE PLC ("THE ISSUE")  
Profit forecast for five years ending 31 December 2018**

We have reviewed the accounting policies and calculations for the profit forecast of Fidson Healthcare Plc (for which the Directors of Fidson Healthcare Plc are solely responsible) for the five years ending 31 December 2018.

In our opinion, the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled based on the footing of the assumptions made by the Directors and are presented in accordance with generally accepted accounting principles and policies normally adopted by the Company. However, there will usually be difference between forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Yours faithfully,

**Najeed a. Abdus-salaam, FCA, FRC(2013)/CAN/00753**  
For: PKF Professional Services  
Chartered Accountants  
Lagos, Nigeria.

Tel: +234(01) 7734940 / 7748386  
Web: [www.pkf-ng.com](http://www.pkf-ng.com)  
Email: [lagos@pkf-ng.com](mailto:lagos@pkf-ng.com) / [info@pkf-ng.com](mailto:info@pkf-ng.com)  
PKF House / 205A Ikorodu Road / Obanikoro / Lagos / G.P.O. Box 2047 / Marina / Lagos, Nigeria

Partners: Ito Yasuji, Geoffrey C. Onih, Omide F.S. Adaji, Tajudeen A. Akande, Samuel I. Oshinola, Najeed A. Abdus-salaam, Olatunji O. Ogundeyin, Benson O. Adejumo.  
Offices in: Abuja, Bayelsa, Jos, Kaduna, Kano.  
PKF Professional Services is a member of PKF International Limited, a network of legally independent firms. PKF International does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

## 16. FINANCIAL FORECASTS

### LETTER FROM THE BOOKRUNNER/ISSUING HOUSE

The following is a copy of the letter from the Issuing House on the Financial Projections:



April 8, 2014

**The Managing Director**  
Fidson Healthcare Plc  
268 Ikorodu Road  
Obanikoro, Lagos

Dear Sir,

**RE: FIDSON HEALTHCARE PLC – ISSUANCE OF 2,000,000 MILLION UNITS OF SECURED FIXED RATE BOND AT ₦1,000 PER UNIT**

We have discussed with the Management of Fidson Healthcare Plc and have reviewed the bases and assumptions upon which the profit forecast (for which the Directors are solely responsible) for each of the five years ending December 31, 2018 have been made, as well as the accounting bases and calculations upon which the forecast was compiled.

In our opinion, the profit forecast, so far as the accounting bases and calculations are concerned, have been properly compiled, on the footing of the assumptions made by the Directors, and are presented on the bases consistent with the significant accounting policies normally adopted by the Company.

However, there will usually be differences between forecasts and actual results, because events and circumstances do not occur as expected and those differences may be material.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Yours faithfully,  
**FOR: CARDINALSTONE PARTNERS LIMITED**

A handwritten signature in black ink, appearing to read "Femi Ogunjimi".

**Femi Ogunjimi**  
Managing Director

Directors: Fola Adeola Asue Ighodalo Mairo Bashir  
Femi Ogunjimi Michael Nzewi  
Mohammed Garuba Yomi Jemibewon

5 Okotie Eboh Street Ikoyi Lagos Nigeria  
Tel: +234 1 710 0433  
Fax: +234 1 710 0444  
RC 739441

## 16. FINANCIAL FORECASTS

### PROFIT AND LOSS FORECAST

	31-Dec 2014 N'000	31-Dec 2015 N'000	31-Dec 2016 N'000	31-Dec 2017 N'000	31-Dec 2018 N'000
Revenue	11,082,067	13,298,481	15,958,177	19,149,812	21,064,793
Cost of Sales	(4,986,930)	(5,984,316)	(7,181,180)	(8,617,415)	(9,479,157)
Gross Profit	6,095,137	7,314,164	8,776,997	10,532,397	11,585,636
Selling and Distribution Expenses	(1,942,050)	(2,239,059)	(2,447,498)	(2,649,750)	(2,598,754)
Administrative Expenses	(2,475,495)	(2,992,456)	(3,589,351)	(4,305,306)	(4,733,730)
EBIT	1,246,027	1,646,178	2,298,278	3,129,532	3,966,348
Profit before Tax	718,454	1,194,573	1,941,019	2,898,584	3,881,162
Earnings per share	33k	54k	88k	131k	176k

## 16. FINANCIAL FORECASTS

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### **BASES AND ASSUMPTIONS FOR THE PROFIT FORECAST**

The forecast has been arrived at on the following bases and assumptions:

#### **Bases**

1. The profit forecast for the years ending December 31, 2014, 2015, 2016, 2017 and 2018 have been prepared under the historical cost convention and on a basis consistent with the current accounting policies of the Issuer.
2. The respective preceding years' actual performances have been reviewed against budget for years ended 2010 to 2012 as the basis for measuring the reasonableness of the forecast for the years ending December 31, 2014 to 2018.

#### **Assumptions**

The following underlying assumptions were applied in preparing the profit forecast:

1. **Macro-Economic and Political Indicators:**
  - Stable political and economic environment are expected to prevail during the forecast period
  - There will be no significant changes in the Federal Government's monetary and fiscal policies that will adversely affect the operations of the Company
  - GDP growth is expected to hover between 7.0% and 8.6% during the period
  - Inflation is expected to range between 8.8% and 13.7% during the period
2. Revenue is expected to grow by 20% in years 2015, 2016, 2017 and by 10% in 2018.
3. Operating Expenses to grow by an average of 16% during the period.
4. Interest income on Cash and Bank balances is expected to be maintained at an average of 3%.
5. Effective corporate tax rate is estimated at 32% throughout the forecast period.
6. The Company will issue a bond in 2014 in line with this funding programme. The revenues accruing from this, as well as associated costs are reflected in the forecast.
7. Dividend (per share) payout is projected at 12k for 2014 is assumed to grow by 12% for each year until 2018.
8. There will be no litigation with material adverse effect on the Company.
9. The quality of management will be sustained over the forecast period.

## 17. EXTRACT FROM ISSUER'S RATINGS REPORT



GLOBAL CREDIT RATING CO.  
Local Expertise • Global Presence

### Fidson Healthcare Plc

Nigeria Corporate Analysis

September 2014

Security class	Rating scale	Rating	Rating outlook	Expiry date
Long term	National	BBB <sub>(NG)</sub>	Stable	09/2015
Short term	National	A3 <sub>(NG)</sub>	Stable	09/2015

#### Financial data:

(US\$m Comparative)

	31/12/12	31/12/13
N/US\$ (avg.)	158.8	159.3
N/US\$ (close)	156.4	161.1
Total assets	68.9	78.3
Total debt	19.3	25.5
Total capital	33.4	33.5
Cash & equiv.	1.6	0.9
Turnover	45.1	58.2
EBITDA	6.6	10.0
NPAT	1.3	1.0
Op. cash flow	6.4	5.2
Market share*	5%	
Market cap *	US\$30.8m	

\* As at 25/08/2014, @ N162.1/US\$.

\* Management's estimate of overall domestic market share

#### Rating history:

##### Initial rating (01/2014)

Issuer Long term: BBB<sub>(NG)</sub>

Issuer Short term: A3<sub>(NG)</sub>

Rating outlook: Stable

##### Last rating (01/2014)

Issuer Long term: BBB<sub>(NG)</sub>

Issuer Short term: A3<sub>(NG)</sub>

Rating outlook: Stable

#### Related methodologies/research:

[Criteria for rating Corporate entities, \(updated August 2014\)](#)

Fidson Healthcare Plc ("Fidson" or the Company") rating report January 2014  
N2bn secured bond indicative rating report, September 2014  
Glossary of terms/ratings, February 2014

#### GCR contacts:

##### Primary Analyst:

Adekemi Adebambo  
adekemi@globalratings.net  
Tel: +23 41 462-2545

##### Committee Chairperson:

Dave King  
king@globalratings.net

Analyst location: Lagos, Nigeria

Website: <http://www.globalratings.net>

#### Summary rating rationale

The rating is based on the following key factors:

- Fidson Healthcare Plc is a leading player in the Nigerian pharmaceutical industry. Underpinned by an extensive product range covering key pharmacological classes and disease treatments, the Company stands to benefit from the strong growth forecast for the sector in Nigeria. Close synergies with overseas and local suppliers have supported operations.
- Underpinned by higher demand and increased capacity utilisation, revenue increased by 29% to N9.2bn in F13. Combined with the firmer operating margin, this saw operating profit peak at N1.4bn in F13. Strong revenue and operating profit growth is forecast once the expansion project is complete.
- While Fidson has reported an average gross margin of 56% over the review period, there has been a steady decline since F11 to a low 54% at 1H F14. This resulted from increased raw material prices and import duties that have inflated production costs. Nevertheless, cost containment initiatives curtailed the impact, with high operating margins of 14.8% and 14% in F13 and 1H F14 respectively.
- Fidson reported moderate working capital absorption in F13 due to the higher inventory and receivable balances at FYE13. Nevertheless, operating cashflows were sufficient to meet ongoing maintenance capex and dividend payments.
- Development of the Biotech factory project has seen debt rise significantly to N4bn at FYE13 (FYE12: N3bn), well ahead of forecast. Coupled with the impact of low levels of retained earnings, net gearing increased to 73% (FYE12: 53%), while net debt to EBITDA remained elevated at 243% (forecast: 155%). Nevertheless, firmer earnings saw net interest cover improved to 3.4x in F13 (F12 2.7x), although if the capitalised interest portion was included, coverage would have reduced to 1.9x.
- Total debt is budgeted to register at N3.8bn at FYE14, following an anticipated Bond Issue. However, as at 1H F14, debt was around N4.5bn and forecast gearing metrics had already been exceeded. Were credit protection metrics to deteriorate, this could lead to negative rating action.
- Given the challenges/risks associated with expansion projects, earnings underperformance may ensue, if the commissioning of the new capacity is delayed further. Consequently, gearing metrics would be higher than anticipated, if the forecast robust earnings are not achieved.
- The unsecured corporate rating is constrained by the fact that almost all assets are encumbered.

#### Factors that could trigger a rating action may include

**Positive change:** Attainment of revenue and operating profit growth budgets over the medium term will strengthen Fidson's financial position and enhance credit protection metrics. Enhanced capacity from the Biotech factory, amidst strong demand, should support greater market share over the medium term.

**Negative change:** Further delays in the Biotech factory project could lead to earnings underperformance and constrain liquidity metrics. A rise in debt or elevated gearing metrics beyond what has been forecast would result in a rating downgrade.

NigeriaCorporate Analysis | Public Rating



## 18. EXTRACT FROM ISSUE RATINGS REPORT



GLOBAL CREDIT RATING CO.  
Local Expertise • Global Presence

### Fidson Healthcare Plc

#### Nigeria Corporate Bond Analysis

September 2014

Security class	Rating scale	Rating	Rating outlook	Expiry date
Issuer - Long term	National	BBB <sub>(NG)</sub>	Stable	September 2015
Issuer - Short term	National	A3 <sub>(NG)</sub>	Stable	September 2015
N2bn Secured Bond - Indicative	National	A- <sub>(NG)</sub>	Evolving	March 2015

#### Key Transaction counterparties:

**Issuer:** "Fidson", "the Company" or "the Issuer"  
**Auditors:** Ernst & Young  
**Reporting Accountants:** PKF Professional Services  
**Bond Trustee:** ALM Consulting Limited  
**Solicitors to the Trustees:** Templars  
**Issuing House/Book Runner:** CardinalStone Partners Limited  
**Registrar:** City Securities Registrars Limited ("CSRL")  
**Account Bank:** First City Monument Bank Plc ("FCMB")  
**Receiving Banks:** First City Monument Bank Plc, Access Bank Plc ("Access Bank")  
**Key Documentation:** Draft Trust Deed, Draft Supplemental Mortgage Trust Deed and Draft Account Bank and Paying Agent Agreement

#### Summary of Transaction:

Asset class	Senior secured
Offer size	₦2bn
Proposed Security	All Asset Debenture
Method of Distribution	Book building
Interest Rate	
Interest Basis	Fixed: To be determined by way of a book build and paid semi-annually

#### Principal payment frequency

N2bn Bond	semi-annual amortisation commencing after expiration of 12 month principal moratorium
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#### Issuer rating (09/2014)

Issuer Long term: BBB<sub>(NG)</sub>  
 Issuer Short term: A3<sub>(NG)</sub>  
 Rating outlook: Stable

#### Related methodologies/research:

[Criteria for rating Corporate entities, August 2014](#)

Global Structurally Enhanced Corporate Bonds Criteria

Fidson Healthcare Plc Issuer Reports, Jan, Sept 2014.

#### GCR contacts:

**Primary Analyst:**  
 Adekemi Adebambo  
 Credit Analyst  
[adekemi@globalratings.net](mailto:adekemi@globalratings.net)

**Committee Chairperson**  
 Dave King  
[king@globalratings.net](mailto:king@globalratings.net)

Analyst location: Lagos, Nigeria  
 +23 41 462-2545

**Website:** <http://www.globalratings.net>

#### Transaction summary

Fidson Healthcare Plc is initiating a N2bn bond Issue to part-refinance existing debt and fund working capital, via a single Public Issue. The bonds are direct, unsubordinated and secured obligations, ranking pari-passu with all senior obligations of the Issuer. Security is by way of an all asset debenture over Fidson's assets. Maturity of the bonds will be 5 years from issue date, with a 12-month moratorium on principal repayment. Principal will be redeemed by 8 equal semi-annual instalments, following the expiration of the moratorium period. Pricing will be at a fixed interest rate determined by way of a book build. Interest is payable semi-annually in arrears. No redemption option is applicable on the bond. The *indicative public* ratings accorded to the Senior Notes relate to ultimate payment of interest and principal (as opposed to timely, akin to an expected loss rating, which is a function of probability of default and loss severity).

#### Summary rating rationale

The rating is based on the following key factors:

- As the Bonds are issued directly from Fidson, the Bond rating is intrinsically linked to the financial performance of the Issuer, and any change in the Issuer rating will impact the Bond rating. The Issuer was affirmed at BBB<sub>(NG)</sub> in September 2014.
- Fidson has developed a strong position in the pharmaceutical industry. Underpinned by a broad product range covering key pharmacological classes and disease treatments, the Company stands to benefit from the strong growth forecast for the pharmaceutical sector in Nigeria. The new Biotech plant (commissioning by FYE14) should significantly enhance Fidson's production capacity and earnings over the medium term.
- Total debt is budgeted at N3.8bn at FYE14, following the Bond Issue. However, as at 1H F14, debt was around N4.5bn and forecast gearing metrics had already been exceeded. Were credit protection metrics to deteriorate, this could lead to negative rating action.
- Although the security package is currently pledged to secure indebtedness to existing bank lenders, a draft Supplemental Trust Deed has been prepared to admit the bondholders as beneficiaries to the Security package. A substantial portion (75%) of bond proceeds will be used for part refinancing of existing bank debt. Existing secured lenders have provided written consent letters to admit the current bondholders as beneficiaries to the security package, albeit subject to certain conditions.
- The *indicative public* rating of the Bonds is derived by applying a notching up approach, starting from the long term corporate rating. The proposed security package is an all asset debenture on the Issuer's assets. Calculations indicate superior recovery prospects even after stressing the fixed asset values, and a two (2) notch uplift is considered appropriate.
- A similar calculation was performed assuming indebtedness reaches the maximum level permitted. In such a case, up-notching would be lower.

# The *indicative public rating* is premised on the security structure and recovery prospects detailed in this document. Should the final security package and recovery prospects differ, this could impact the final rating accorded. The final rating will be accorded upon receipt of satisfactorily signed and executed transaction documents and final legal opinion.

GLOBAL CREDIT RATING CO.

Nigeria Corporate Bond Analysis | Public Credit Rating

## 19. STATUTORY AND GENERAL INFORMATION

### INCORPORATION AND SHARE CAPITAL HISTORY

Fidson Healthcare Plc started its operations in March 1995 as Fidson Drugs Limited, a private limited liability company with an authorised share capital of ₦1 million comprising 1,000,000 Ordinary Shares of ₦1.00 each, and an issued and fully paid-up share capital of ₦1 million comprising 1,000,000 Ordinary Shares.

As at December 31 2013, the Company's authorised share capital was ₦750 million comprising 1,500,000,000 Ordinary Shares of 50 kobo each, of which ₦750 million comprising 1,500,000,000 Ordinary shares of 50 kobo each have been issued and fully paid up.

Movements in the Company's authorised and issued share capital since the Company commenced operations have been highlighted below;

Date	Authorised (₦)		Issued & Fully paid-up (₦)		Considerations
	Addition	Cumulative	Addition	Cumulative	
March 13, 1995	1,000,000	1,000,000	1,000,000	1,000,000	Cash
June 22, 1999	20,000,000	21,000,000	20,000,000	21,000,000	Cash
July 6, 2001	50,000,000	71,000,000	50,000,000	71,000,000	Cash
January 5, 2004	29,000,000	100,000,000	29,000,000	100,000,000	Cash
November 8, 2007	650,000,000	750,000,000	650,000,000	750,000,000	Cash

### SHAREHOLDING STRUCTURE

The following shareholders hold more than 5% of the issued share capital as of December 31, 2013:

Shareholder	Number of Shares Held	Percentage (%)
Dr. Fidelis A. Ayebae	446,534,443	29.8
Glorious Haven Limited – on behalf of Dr. Fidelis A. Ayebae	86,120,000	5.7



## 19. STATUTORY AND GENERAL INFORMATION

### DIRECTOR'S INTERESTS

The direct and indirect interests of the Directors of Fidson Healthcare Plc in the issued share capital of the Company as recorded in the Register of Members as at December 31, 2013 were as follows:

Director	Direct Interest	Indirect Interest	Percentage (%)
Mr. Felix A. O. Ohiwerei, OFR	13,464,623	30,000,000	2.90
Dr. Fidelis A. Ayebae	446,534,443	86,120,000	35.5
Chief (Mrs) Aisha Sadauki, OON	-	-	-
Mrs. Olufunmilola O. Ayebae	64,220,000	-	4.28
Mr. Emmanuel Imoagene	4,000,000	-	0.27
Mr. Olugbenga O. Olayeye	13,054,027	-	0.87
Mr. Olatunde B. Olanipekun	12,773,004	-	0.85
Mr. Abiola A. Adebayo	11,084,406	-	0.74

### SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the date of this Prospectus, the Company had no subsidiaries and associated companies

### INDEBTEDNESS

As at December 31, 2013 the Company had the following current and non-current borrowings in the ordinary course of business:

	₦'000
<b><u>Current:</u></b>	
Bank Overdraft	608,464
Short Term Notes	65,000
Finance Leases and Term Loan – Current Portion	1,092,474
<b><u>Non-Current:</u></b>	
Term Loan – Non-current Portion	1,408,079
Finance Leases	371,036

However, the Company had no outstanding debentures, mortgages, loans, charges or similar indebtedness or material contingent liabilities, other than those incurred in the ordinary course of business.

### EXTRACT FROM MEMORANDUM AND ARTICLE OF ASSOCIATION

#### Clause 29: Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and to issue debentures, stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

## 19. STATUTORY AND GENERAL INFORMATION

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### CLAIMS & LITIGATION

Neither the Issuer nor any other member of the Company is or as been involved in any government, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

### MATERIAL CONTRACT(S)

The following agreements have been entered into and are considered material to this Issue:

- A Vending Agreement dated 07, November 2014 between Fidson Healthcare Plc and CardinalStone Partners Limited under which the Issuing House has agreed to Offer for Subscription (by way of a Book Build) the ₦2,000,000,000 Fixed Rate Bond 2014/2019 on behalf of the Company;
- An Account Bank and Paying Agent Agreement dated 07, November 2014 between Fidson Healthcare Plc, ALM Consulting (Trustees) Limited, First City Monument Bank Limited and City Securities Registrars Limited under which the latter have agreed to act as Account Bank and Paying Agent respectively, in relation to the ₦2,000,000,000 Fixed Rate Bond Issuance; and
- A Trust Deed dated 07, November 2014 between Fidson Healthcare Plc and ALM Consulting (Trustees) Limited, by which the latter has agreed to act as Trustees to the Company's Debt Issuance in connection with the ₦2,000,000,000 Fixed Rate Bond Issuance. The relevant extracts of the Trust Deed are set from pages 109 to 125 of this Prospectus.
- A Mortgage Trust Deed between Fidson Healthcare Plc and Intercontinental Trustees Limited (Lagos state properties), dated 2, November 2011.
- A Mortgage Trust Deed between Fidson Healthcare Plc and Intercontinental Trustees Limited (Ogun State properties), dated 22, December 2010.
- A Supplemental Mortgage Debenture Trust Deed (for the consolidation of security for multiple banking facilities) between Fidson Healthcare Plc and ALM Consulting Limited.

Except as disclosed above, the Company has not entered into any material contract except in the ordinary course of business.

### COSTS AND EXPENSES

The costs, charges and other expenses incidental to the establishment of this Issue, including fees payable to the regulatory authorities, brokerage commission, professional parties, printing, distribution, publicity and advertising expenses, are estimated at ₦68,467,200 million representing approximately 3.423% of the Issue proceeds. In addition, these costs and expenses shall be borne by the Issuer.

## 19. STATUTORY AND GENERAL INFORMATION

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### CONSENTS

The underlisted have given and not withdrawn their written consents to the issue of this Prospectus with their names and reports included in the form and context in which they appear:

**The Directors**

Mr. Felix A. O. Ohiwerei, OFR  
Dr. Fidelis A. Ayebae  
Chief (Mrs) Aisha Sadauki, OON  
Mrs. Olufunmilola O. Ayebae  
Mr. Emmanuel Imoagene  
Mr. Olugbenga O. Olayeye  
Mr. Olatunde B. Olanipekun  
Mr. Abiola A. Adebayo

**Company Secretary**

Mr. Abayomi Adebajo

**Issuing House/Book Runner**

CardinalStone Partners Limited

**Stockbroker**

CardinalStone Securities Limited

**Trustees**

ALM Consulting Limited

**Solicitors to the Issuer**

Tokunbo Orimobi LP

**Solicitors to the Trustees**

Templars

**Solicitors to the Issue**

G. Elias & Co.

**Auditors**

Ernst & Young

**Reporting Accountants**

PKF Professional Services

**Ratings Agency**

Global Credit Rating Co.

**Registrars**

City Securities (Registrars) Limited

**Receiving Banks**

First City Monument Bank Limited  
Access Bank Plc

## **19. STATUTORY AND GENERAL INFORMATION**

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### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the documents listed below will be available for inspection at the principal offices of the Issuing House / Book Runner and the Trustee during Business Hours on every Business Day throughout the tenor of the Bond:

1. Certificate of Incorporation of the Company;
2. Memorandum and Articles of Association of the Company;
3. Certified True Copy of the Board Resolution dated October 21, 2013 approving the Bond;
4. Certified True Copy of the Shareholders Resolution dated February 11, 2010 approving the Bond;
5. The Audited Financial Statements of the Company for each of the four years ended December 31, 2013;
6. The Reporting Accountants Report on the Audited Accounts of the Company for four years ended December 31, 2013;
7. The Reporting Accountants Report on the profit forecast of the Company for the financial years ended December 31, 2014, 2015, 2016, 2017 and 2018;
8. A letter of comfort from the Solicitor to the Issue
9. The material contracts referred to on page 106 above;
10. The written consents referred to on page 107 above; and
11. SEC Approval letter.

### **RELATIONSHIP BETWEEN THE ISSUER AND ITS ADVISERS**

As at the date of this Prospectus and in compliance with SEC Rule 184(1) as amended, we hereby state that there is no shareholding relationship between Fidson Healthcare Plc and its advisers.

There is no other relationship between Fidson Healthcare Plc, its respective directors, major shareholders and principal officers and the Parties to the Offer, except in the ordinary course of business.

## 20. EXTRACTS FROM THE TRUST DEED

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*The Trust Deed contains inter alia, the following provisions:*

### 3 Declaration of Trust

#### 3.1 The Bond Trustee

The Bond Trustee hereby declares itself trustee:

- 3.1.1 for the Bondholders with effect from the date of this Deed to hold the benefit of the payment obligation and other covenants on the part of the Issuer herein contained on trust for the Bondholders subject to the terms of this Deed;

#### 3.2 Duration of Trusts

For the avoidance of doubt, the parties to this Deed agree that the common law rules against perpetuities will apply to this Deed. The trusts created by this Deed shall remain in full force and effect until:

- 3.2.1 the occurrence of the date on which the Bond Trustee unconditionally confirms in writing that there is no longer any outstanding Financial Indebtedness which is secured by this Deed nor are any of the Bondholders under an obligation to permit such Financial Indebtedness to be incurred, such confirmation to be promptly provided by the Bondholders; and
- 3.2.2 the unconditional release of the Issuer and any other Security provider from all of their respective obligations under this Deed or other security document pursuant to this Deed, if any.

### 4 The Bonds

#### 4.1 Issue and Subscription of Bonds

The Issuer shall issue and offer the Bonds in such amounts as the Issuer shall determine up to and not exceeding the Issue Amount in accordance with the terms of this Deed and the Final Terms. No Bonds may be issued:

- 4.1.1 unless it is duly registered and authorised by the SEC;
- 4.1.2 unless the Rating Agency confirms in writing to the Issuer and the Bond Trustee prior to the relevant Closing Date that such issuance would not result in a reduction or withdrawal of the then rating of the Bonds.
- 4.1.3 The Bonds will be subscribed to after satisfaction of the conditions precedent specified in the applicable subscription agreement or other agreement and upon such other terms and conditions as prescribed by the Final Terms.
- 4.1.4 Other than as provided in this Deed, there are no restrictions on the transferability of the Bonds

#### 4.2 Form of Bonds

- 4.2.1 The Bonds shall be in registered form.

## **20. EXTRACTS FROM THE TRUST DEED**

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- 4.2.2** The Bonds shall be issued in an electronic form with the Clearing System. The Bonds shall be listed on the Stock Exchange.
- 4.2.3** The Bonds shall be transferable in accordance with the Conditions and/or the Final Terms.
- 4.2.4** The Bonds shall be issued in minimum amounts of 10,000 units.
- 4.2.5** The Bonds constitute direct, unsubordinated and unconditional obligations of the Issuer. The Bonds as and when issued shall rank pari passu in all respects without any preference or priority whatsoever.
- 4.2.6** The Issuer, the Bond Trustee and any of their agents may deem and treat the holder of any Bond Certificate as the absolute owner of such Bond Certificate, free from any equity, set-off or cross-claim on the part of the Issuer against the original or any intermediate holder of such Bond Certificate. All payments made to a Bondholder which do not exceed the amount payable to the Bondholder under the Final Terms shall be valid and, to the extent of sums so paid, effective to satisfy and discharge the liability for the monies payable on the Bonds.

### **4.3 Subscription to the Bonds**

#### **4.3.1 Issuance Procedure**

Subject to the approval of SEC:

- 4.3.1.1** At least five (5) Business Days prior to the Closing Date, the Issuer will deliver to the Bond Trustee, an Issue Notice in accordance with sub clause 4.3.1.2 below.
- 4.3.1.2** The Issue Notice once delivered is irrevocable and will not be regarded as having been duly completed unless:
- 4.3.1.3** it specifies the principal amount of Bonds to be issued;
- 4.3.1.4** it specifies the tenor of the Bonds to be issued;
- 4.3.1.5** no Event of Default has occurred and is outstanding; and
- 4.3.1.6** the Representations remain true and accurate and no event having a Material Adverse Effect has occurred.

### **7 Redemption of the Bonds**

The mode and terms of redemption of the Bonds will be as stated in this Trust Deed and in accordance with Condition 6 of the FIRST SCHEDULE to this Trust Deed (Redemption, Purchase and Cancellation).

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### **7.1 Scheduled Redemption**

The Bonds shall be partially redeemed in instalments on each Payment Date at the Redemption Amount specified in the Final Terms whereupon the Principal Amount outstanding of such Bonds shall be reduced by the Redemption Amount on each Payment Date until fully redeemed at the Maturity Date.

### **7.2 Purchase**

The Issuer may at any time and from time to time purchase at any price Bonds through the Stock Exchange or by tender (available to all Bondholders alike). Any Bonds so purchased will be cancelled and will not be available for re-issue.

### **7.3 Cancellation**

All the Bonds which are redeemed in accordance with the provisions of the Trust Deed will be cancelled and may not be reissued or resold. For so long as the Bond is admitted to listing and/or trading on the Stock Exchange and the rules of such exchange so require, the Registrar shall promptly inform the Stock Exchange of the cancellation of any Bonds under Condition 6.4 of the FIRST SCHEDULE to this Trust Deed (Cancellation).

## **8 Establishment of Transaction Accounts**

### **Minimum Reserve Account**

- 8.1** The Issuer shall, on the Closing Date of the Bonds, open the Minimum Reserve Account in the name of the Issuer and to be administered by the Bond Trustee. The Minimum Reserve Account shall be initially funded on the Closing Date with the amount equal to the interest payable on the next Payment Date. This amount shall be maintained as the MRA Minimum Balance.
- 8.2** Thereafter, upon the expiration of the Moratorium Period, the Minimum Reserve Account shall be funded by the Issuer on the first Business Day of each month ("Monthly Funding Date") with an amount equal to one sixth (1/6th) of the principal payable on the next Payment Date ("Monthly Funding Payment).
- 8.3** If at any time the Issuer fails to make the required Monthly Funding Payment on or before a Monthly Funding Date, the Issuer shall be obliged to immediately fund the Minimum Reserve Account, such that the sum standing to the credit of the Minimum Reserve Account shall be equal to the aggregate semi-annual principal and interest due on the Bonds.

### **Payment Account**

- 8.4** The Issuer shall also open the Payment Account on the Closing Date in the name of the Issuer and under the control of the Bond Trustee. The Payment Account shall be funded on or before the fifth (5th) Business Day of every month with an amount equal to one sixth (1/6th) of the interest payable on the next Payment Date, for the purpose of accumulating monies to pay interest on any Payment Date.

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- 8.5** The repayment of the principal amount shall be from the money standing to the credit of the Minimum Reserve Account duly paid into the Payment Account five (5) Business Days before any Payment Date and Redemption Date.
- 8.6** In the event that there is a shortfall in the amount standing to the credit of the Payment Account, two (2) Business Days before a Payment Date, the Bond Trustee may withdraw the shortfall from the Minimum Reserve Account and the Issuer shall (upon notification from the Bond Trustee) replenish the Minimum Reserve Account to the extent that the Minimum Reserve Account contains an amount equal to the interest and principal payable on the next Payment Date Provided that where the applicable Payment Date is the Final Maturity Date, the Issuer shall not be required to replenish the Minimum Reserve Account.
- 8.7** The Bond Trustee shall at the expense of the Issuer notify the Issuer:
- 8.7.1** at least five (5) Business Days before a Funding Date of an impending Funding Date;
- 8.7.2** if it has not by close of business two (2) Business Days before the Funding Date received the full amount required for payment to the Bondholders, that it shall be withdrawing the shortfall (amount to be specified) from the Minimum Reserve Account; or
- 8.7.3** if it has received the full amount of any sum payable in respect of the Bonds.

### Perfection

- 8.8** The Issuer shall, no later than 6 months from the date of this Deed, provide to the Bond Trustee evidence in form and substance satisfactory to the Bond Trustee that:
- 8.8.1** all applicable stamp duty, registration and other regulatory fees required under the laws of the Federal Republic of Nigeria for the perfection of any Security created by or pursuant to this Deed or the Security Documents to cover forty-five percent (45%) of the value of the Bonds has been duly paid by the Issuer, and
- 8.8.2** each of the Security Documents has been perfected and registered at the Corporate Affairs Commission and at the applicable land registries, PROVIDED THAT the Issuer shall upon the occurrence or the likely occurrence of an Event of Default, at the Issuer's expense, sign, seal, deliver and complete all documents and do all acts and things which the Bond Trustee, acting reasonably, may require for creating, perfecting, protecting or improving any Security created by or pursuant to this Deed or the Security Documents, including perfection of the Security Documents to cover one hundred percent (100%) of the value of the Bonds.
- 8.9** The Issuer shall on or about the Closing Date, establish and maintain a Perfection Reserve Account with the Account Bank in the name and under the control of the Bond Trustee. The Perfection Reserve Account shall be funded from the proceeds of the issue of the Bonds. There shall be maintained at all times in the Perfection Reserve Account an amount equal to one hundred percent (100%) of the agreed cost of stamping and registration of the Security created by or pursuant to this Deed or the Security Documents including solicitors fees.



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PROVIDED THAT the Bond Trustee is hereby authorised to apply monies standing to the credit of the Perfection Reserve Account to ensure the stamping and registration of any Security created by or pursuant to this Deed or the Security Documents.

### **8.10 Deferment Of Payments Into Transaction Accounts**

**8.10.1** If at any time, the Bond Trustee is satisfied that either the MRA or the Payment Account will be sufficient without further payments to enable the Issuer fulfil its obligations on any Payment Date, it shall inform the Issuer accordingly and the Issuer shall be authorised to suspend further payments into the MRA or Payment Account, as appropriate.

**8.10.2** The payments into the MRA or Payment Account shall be recommenced if at any time the balance in the MRA or the Payment Account will be insufficient to make payment on any Payment Date.

### **8.11 Transaction Accounts**

**8.11.1** The Issuer shall maintain the Transaction Accounts in the name of the Issuer and under the control of the Bond Trustee with the Account Bank and in accordance with the terms of the Account Bank and & Paying Agent Agreement.

**8.11.2** In the operation and maintenance of the Transaction Accounts, the Issuer and the Bond Trustee shall comply with the terms of the Account Bank and Paying Agent Agreement.

### **8.12 Withdrawals**

**8.12.1** For so long as any of the Issuer's Obligations under any of the Transaction Documents remain outstanding, the Issuer shall not be entitled except in accordance with the terms of the Account Bank and Paying Agent Agreement and with the Bond Trustee's prior written consent, such consent not to be unreasonably withheld, to withdraw any of the Deposits or any part thereof standing to the credit of the Transaction Accounts.

**8.12.2** On each Payment Date, monies standing to the credit of the Transaction Accounts shall be applied by the Registrar on the instructions of and on behalf of the Bond Trustee in the following order of priority, (the "Priority of Payments") (in each case only if and to the extent that payments of a higher priority have been made in full):

- a) to pay outstanding Bond Trustees fees, Rating Agency fees and incidental expenses (if any);
- b) to pay pari passu and pro rata according to the respective amounts thereof, the interest due and payable on the Bonds on the Payment Date;
- c) to pay pari passu and pro rata according to the respective amounts thereof, the scheduled principal amounts due and payable on the Bonds on the Payment Date.

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### 12 Grant Of Security

**12.1** In consideration of the Bondholders providing the Issuer with financing under this Trust Deed, the Issuer, as beneficial owner and as continuing security for the payment, performance and discharge of all the Issuer's Obligations in relation to all of the following assets whether now or in the future belonging to the Issuer, hereby creates the following interests in favour of the Bond Trustee for the benefit of the Bondholders:

**12.1.1** a first ranking fixed charge on the Transaction Accounts;

**12.1.2** a first ranking floating charge on a pari passu basis with the Existing Encumbrance on all monies standing to the credit of, and all investments of whatever nature held in, or acquired using any monies from the Issuer's bank accounts, and all interests, dividends and other income receivable in respect of any of such accounts or accruing to the account from time to time

**12.1.3** a first ranking floating charge on a pari passu basis with the Existing Encumbrance over all the Secured Assets;

**12.1.4** All Assets Debenture to cover the properties stated in the FIFTH SCHEDULE hereto charged respectively under the Mortgage Debenture Trust Deed dated 2 November, 2011, the Supplemental Mortgage Debenture Trust Deed dated 19th February 2014 and the Mortgage Debenture Trust Deed dated 21 December 2010 and any supplemental mortgage debenture trust deed in respect thereof.

### 12.2 Automatic Crystallization of Floating Charge

The floating charges created by the Issuer in favour of the Bond Trustee shall automatically, (without notice to the Issuer), convert to fixed charges upon the occurrence of any of the following events, unless otherwise agreed by the Bond Trustee in writing:

**12.2.1** if the Issuer fails to comply with its obligations in Clause 14 below (Covenants by the Issuer);

**12.2.2** upon the appointment of a receiver or receiver/manager of the Issuer;

**12.2.3** upon the members of the Issuer resolving to apply for a winding up order to be made in relation to it or upon the presentation of a petition for a winding up order to be made in relation to the Issuer (except in the reasonable opinion of the Trustee such petition is frivolous, vexatious and an abuse of legal process);

**12.2.4** upon any Person taking any step with a view to levying distress against any part of the Secured Assets or any judgment creditor taking any step with a view to enforcing against any part of the Secured Assets a judgment obtained against it whether by a warrant of execution, writ of fieri facias, garnishee order or otherwise except the Issuer shall within 15 days of being served with formal notice of, or of otherwise becoming aware of such action, proceedings or other procedure, provide evidence satisfactory to the Bond Trustee that it has good grounds to obtain such a discharge and is taking all necessary

## 20. EXTRACTS FROM THE TRUST DEED

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steps to obtain such discharge, and that such action, proceeding or other procedure is discharged or dismissed within 90 days of the aforesaid 15 days;

- 12.2.5 if the Issuer creates or allows any Encumbrance to subsist over the Secured Assets without the prior written consent of the Bond Trustee;
- 12.2.6 upon the occurrence and continuance of an Event of Default; or
- 12.2.7 if any other floating charge created by the Issuer crystallizes for any reason.

### 12.3 No obligations

Notwithstanding any provisions to the contrary in this Trust Deed or the Transaction Documents:

- 12.3.1 the Issuer shall remain liable to perform all of the obligations assumed by it under or in respect of the Transaction Documents PROVIDED THAT the Issuer shall not be liable for its failure to perform any of its obligations in respect of the Transaction Documents due to a cause beyond its control including acts of God, war, fire, flood, earthquakes, explosions, strikes, lockouts or other industrial disturbances, laws, rules and regulations or orders of any duly constituted government, PROVIDED FURTHER THAT where any of the aforementioned events occur, the Issuer must show that it took reasonable steps to minimize the non-performance of its obligations in respect of the Transaction Documents caused by foreseeable events and that the Bond Trustee was notified within 5 Business Days of the likelihood or actual occurrence of any of the aforementioned events;
- 12.3.2 except to the extent that proceeds of enforcement of the Security effected by this Trust Deed are applied in respect of the Issuer's Obligations and such obligations are discharged in full, the exercise or non-exercise by the Bond Trustee of any of the rights, benefits, interests or claims assigned by this Deed shall not release the Issuer from any of its obligations towards the Bond Trustee or the Bondholders; and
- 12.3.3 neither the Bond Trustee nor any of the Bondholders shall, by reason of, or arising out of this Trust Deed or anything done under or in connection with it, have any obligation or liability whatsoever to any Person (including the Issuer and the Bondholders) to:
  - 12.3.3.1 perform, (as a result of the failure to perform in full or breach by the Issuer of such obligations), any of the obligations assumed by the Issuer under or in respect of the Trust Deed;
  - 12.3.3.2 enforce payment or performance of any obligations of any Person or party to any of the Security; or
  - 12.3.3.3 make any enquiry as to the nature or sufficiency of any payment received by it under or in respect of this Deed or any of the Security Documents.

PROVIDED that the Bond Trustee shall be bound to take such actions and do such things that a reasonable and prudent trustee would be expected to take or do and the Bond Trustee shall comply with the requirements of the ISA and the rules and regulations made there under.

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### 12.4 Continuing Security

The Security constituted by or pursuant to this Trust Deed shall:

- 12.4.1 be in addition to and shall be independent of the Bonds and every bill, note, guarantee, mortgage, pledge or other security which the Bond Trustee or any of the Bondholders may at any time hold in respect of any of the Issuer's Obligations; and
- 12.4.2 remain in full force and effect, as a continuing security and shall extend to the ascertained balance of the Issuer's Obligations regardless of any intermediate payment or discharge of any part of any of the Issuer's Obligations.

### 12.5 Discharge Of Security

- 12.5.1 The Bond Trustee shall be entitled to discharge the Security constituted by or pursuant to this Trust Deed on any date upon which the Issuer's Obligations have been fully and irrevocably discharged and no further Issuer's Obligations are owed by the Issuer to any Bondholder under any of the Transaction Documents.
- 12.5.2 The discharge of the Security constituted by this Deed shall be evidenced by, and shall not become effective until, the delivery by the Bond Trustee to the Issuer of an agreement under seal releasing the Issuer's Obligations from the Security hereunder.
- 12.5.3 It is agreed by the parties that the agreement referred to in sub-clause 12.5.2 shall be delivered to the Issuer within five (5) Business Days of the date upon which the Issuer's Obligations have been fully and irrevocably discharged.

### 14.7 Disposals

The Issuer undertakes with the Bond Trustee and each of the Bondholders that so long as any monies or obligations are outstanding under this Deed, it will not dispose of any of its assets with a value in excess of 5% of the total value of the Security other than a Permitted Disposal, without the prior written consent of the Bond Trustee on behalf of the Bondholders such consent not to be unreasonably withheld in so far as the Bond Trustee is of the opinion that the interests of the Bondholders would not be jeopardized in any way.

## 15 Events of Default

- 15.1 If any of the following events occurs and is continuing (without a waiver thereof by the Bond Trustee), it is an **"Event of Default"**:

- 15.1.1 the Issuer fails to pay any sums representing principal or interest on the Bonds or any fees or other sums due under the Transaction Documents including but not limited to the MRA, the Payment Account, and the Perfection Reserve Account, within five (5) Business Days of the due date or any later grace period agreed by the Trustee;
- 15.1.2 an Insolvency Event occurs in respect of the Issuer;

## 20. EXTRACTS FROM THE TRUST DEED

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- 15.1.3** the Issuer fails to perform or observe any covenant or agreement required by the Transaction Documents to which it is a party or any other document delivered in connection with the Bonds to be performed or observed by it (except where that failure is incapable of remedy, in which case no notice will be required) remains unremedied for twenty (20) Business Days after the Bond Trustee has given notice of it to the Issuer requiring the same to be remedied; and the Bond Trustee has certified that the failure to perform or observe is materially prejudicial to the interests of the Bondholders;
- 15.1.4** any representation or warranty of the Issuer in any Transaction Document to which it is a party or any other document delivered in connection with the transactions contemplated thereunder proves to have been materially incorrect at the time it was made or repeated or deemed to have been made or repeated and the Bond Trustee reasonably believes that the failure to perform or observe is materially prejudicial to the interests of the Bondholders PROVIDED THAT the Issuer shall not be liable for its failure to perform any of its obligations in respect of the Transaction Documents due to a cause beyond its control including acts of God, war, fire, flood, earthquakes, explosions, strikes, lockouts or other industrial disturbances, laws, rules and regulations or orders of any duly constituted government. PROVIDED FURTHER THAT where any of the aforementioned events occur, the Issuer must show that it took reasonable steps to minimize any non-performance of its obligations in respect of the Transaction Documents caused by foreseeable events and that the Bond Trustee was timely notified within five (5) Business Days of the likelihood or actual occurrence of any of the aforementioned events;
- 15.1.5** any Financial Indebtedness of the Issuer is not paid when due or within any originally applicable grace period and the Financial Indebtedness of the Issuer is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);
- 15.1.6** If:
- 15.1.6.1** the fair value of the assets of the Issuer is less than its liabilities (taking into account contingent and prospective liabilities);
- 15.1.6.2** any indebtedness in excess of ₦200,000,000 (or its equivalent in any other currency) of the Issuer in respect of money borrowed or raised is not paid within 20 Business Days of: (i) its due date; or (ii) the end of any applicable period of grace, whichever is the later; or
- 15.1.6.3** any authorisation necessary for the performance of any obligation of the Issuer under this Deed fails (and for a period of twenty (20) Business Days after so failing) to become or remain valid and subsisting in full force and effect;
- 15.1.7** the Issuer sells or otherwise disposes of all or a substantial part of the Secured Assets in violation of Clause 14.7 (Disposals) of this Deed or ceases to conduct all or a substantial part of its business as is now conducted or substantially changes the nature of such business or merges or consolidates with any other company without the prior written consent of the Bond Trustee on behalf of the Bondholders, such consent not to be unreasonably withheld;

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- 15.1.8** any authority takes any action that in the opinion of the Bond Trustee on behalf of the Majority Bondholders, as the case may be, is likely to have a Material Adverse Effect if that action is not rescinded on or before the tenth (10<sup>th</sup>) day after it occurs or if that rescission ceases to be in effect;
- 15.1.9** if there occurs any Material Adverse Change in the Issuer's assets, business, condition (financial or otherwise), operations or prospects and/or any act of an authority, or if there is any rating downgrade or rating withdrawal by the Rating Agency in respect of the Bonds or the Issuer which rating downgrade or rating withdrawal is as a result of the Issuer's default in meeting its debt obligations or a deterioration in the Issuer's financial performance and which in the reasonable opinion of the Bond Trustee on behalf of the Majority Bondholders is likely to have a Material Adverse Effect; or
- 15.1.10** the occurrence of any event that affects the ability of the Issuer to perform its obligations under any of the Transaction Documents which continues for a continuous period of ten (10) Business Days.
- 15.2** Upon the occurrence of an Event of Default:
- 15.2.1** the Issuer shall within five (5) Business Days of the occurrence of an Event of Default give notice to the Bond Trustee of each event that constitutes, or that with the giving of notice or lapse of time or both would constitute an Event of Default, and of each other event that has or might have a Material Adverse Effect on its ability to perform its obligations under this Deed; and
- 15.2.2** the Bond Trustee may within five (5) Business Days of becoming aware of the occurrence of an Event of Default, give notice in writing to the Issuer, (a "Notice of Event of Default"), declaring the Bonds to be immediately due and payable. When a Notice of Event of Default is given, all Bonds will become immediately due and payable at their Principal Amount Outstanding together with accrued but unpaid interest without further action or formality.

## 16 Enforcement Of Security

At any time after the occurrence of an Event of Default and after the issuance of the Notice of Event of Default, the Bond Trustee shall without notice, take such proceedings and/or other action as it may reasonably think fit against the Issuer for enforcement of the Security, in its own name and as Bond Trustee for the Bondholders, for the whole amount of principal and interest remaining unpaid, institute proceedings and/or take other action against or in relation to the Issuer or any other Person as it may think fit to enforce the Issuer's Obligations under this Trust Deed, the Bonds or any of the other Transaction Documents.

## 33. Waiver of Breach

Provided that the following is not in contravention of an express direction in a Special Resolution of the Bondholders, the Bond Trustee may, without the consent of the Bondholders (upon the giving of prior written notification by the Issuer to the Rating Agency which has assigned a credit rating to the Bonds comprised therein):

## 20. EXTRACTS FROM THE TRUST DEED

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- a. waive or authorise any breach of this Deed, the Transaction Documents or the Conditions by the Issuer; or
  - b. declare that an Event of Default, shall not be treated as such.
- Any such waiver, authorisation or declaration shall be binding on the Bondholders.

### 34. Modification of Trust Deed

The Bond Trustee may, without the consent of the Bondholders, (upon the giving of prior written notification by the Issuer to the Rating Agency which has assigned a credit rating to the Bonds comprised therein) agree to any modification of this Deed or the Transaction Documents if such modification is:

- a. not materially prejudicial to the interests of the Bondholders;
- b. of a minor or technical nature; and/or
- c. to correct a manifest error.

Any such modification shall be binding on the Bondholders and shall be notified by the Issuer to the SEC and the Bondholders as soon as practicable and if such Bonds are listed on a Securities Exchange, and such modification is material, the Securities Exchange as soon as practicable thereafter; Provided that any such modification shall be subject to the approval of the Commission.

### **SECOND SCHEDULE:- Provisions for meetings of the bondholders**

#### 1. Who may Convene Meetings

The Issuer or the Bond Trustee respectively may at any time at its discretion and the Bond Trustee shall on the requisition in writing of the Bondholders holding not less than one-tenth of the aggregate principal amount of the Bonds for the time being outstanding, and upon being indemnified to its satisfaction against all costs and expenses to be thereby incurred, convene a meeting or meetings of the Bondholders in accordance with the provisions of this Schedule to discuss and determine any matter affecting their interests. Any such meeting shall be held at such place as the Bond Trustee shall determine or approve.

#### 2. Notice of Meetings

- 2.1 A meeting of the Bondholders may be called by giving not less than fourteen (14) days' notice in writing.
- 2.2 A meeting may be called after giving shorter notice than that specified in paragraph 2.1 if consent is accorded thereto by Bondholders holding not less than 60% (sixty) per cent of the aggregate principal amount of the Bonds for the time being outstanding.

#### 3. Consent and Manner of Service of Notice

- 3.1 Every notice of a meeting shall specify the place and the day and hour of the meeting and shall contain a statement of the business to be transacted and the terms of every Special Resolution to be proposed thereto.
- 3.2 Notice of every meeting shall be given:

## **20. EXTRACTS FROM THE TRUST DEED**

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- 3.2.1** to every Bondholder in the manner specified for the service of notices in the Conditions to the Bonds;
  - 3.2.2** to the Person entitled to a Certificate in consequence of the death, insolvency, winding-up or dissolution of a Bondholder addressed by name or by the title of the representative of the deceased or assignee of the insolvent or by any like description to the address (if any) supplied for the purpose by the Person claiming to be so entitled, or until such an address has been so supplied by giving the notice in any manner in which it might have been given if the death, insolvency, winding-up or dissolution had not occurred
  - 3.2.3** to the Registrar; and
  - 3.2.4** to the Bond Trustee when the meeting is convened by the Issuer.
- 3.3** The accidental omission to give notice to or the non-receipt of notice by any Bondholder or other Person to whom it should be given shall not invalidate the proceedings of the meeting.

### **4. Quorum and Adjournment of Meeting**

The quorum at any meeting of the Bondholders convened for passing a Special Resolution will be two or more persons holding or representing by proxy not less than three-fourths of the nominal amount of the Bonds for the time being outstanding; or, at any adjourned such meeting, two or more persons being or representing Bondholders holding not less than 25%, in nominal amount of the Bonds for the time being outstanding shall be a quorum for all purposes including the passing of Special Resolution and to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place. A Special Resolution passed at any meeting of the Bondholders will be binding on all Bondholders whether or not they were present at such meeting.

- 4.1** If within half an hour from the time appointed for holding the meeting a quorum is not present the meeting if called upon the requisition of Bondholders shall stand dissolved. In any other case, the meeting shall stand adjourned to such day and time not being less than seven days thereafter and to such place as the Chairman may determine.
- 4.2** At least 7 (seven) days' notice of any adjourned meeting shall be given in the same manner as for an original meeting, but it shall not be necessary to specify in such notice the business to be transacted at the adjourned meeting. Any two or more Persons being Bondholders or holding proxies for Bondholders whatever the amount of the Bonds held by them shall be a quorum for all purposes including the passing of Special Resolutions and to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place.

### **5. Chairman of Meeting**

- 5.1** Such Person nominated by the Bond Trustee shall be entitled to take the chair at every meeting and if no such nomination is made or if at any meeting the Person nominated shall not be present within five minutes after the time appointed for holding the meeting the Bondholders personally present shall on a show of hands elect one of themselves to be the Chairman thereof.
- 5.2** if a poll is demanded on the election of the Chairman it shall be taken forthwith, the Chairman elected on a show of hands shall exercise all the powers of the Chairman until the result of such poll is declared.
- 5.3** if some other Person is elected Chairman as a result of the poll he shall be the Chairman for the



## **20. EXTRACTS FROM THE TRUST DEED**

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rest of the meeting.

### **6. Persons Entitled to Attend Meeting**

The Bond Trustee, its solicitors and any authorised officer of the Issuer and any other Person authorised in that behalf by the Bond Trustee may attend any meeting but shall not be entitled to vote thereat.

### **7. Evidence of Passing of Resolution**

At any meeting a resolution or any question put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded in the manner hereinafter mentioned, and unless a poll is so demanded a declaration by the Chairman that on a show of hands the resolution has been carried either unanimously or by a particular majority or lost or not carried either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the meeting, shall be conclusive evidence of that fact without proof of the number or proportion of the votes cast in favour of, or against such resolution.

### **8. Demand for Poll**

**8.1** Before or on the declaration of the result of the voting on any point or question on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion, and shall be ordered to be taken by him on demand made in that behalf by any Bondholder having the right to vote on the resolution and present in Person.

**8.2** The demand for a poll may be withdrawn at any time by any Person or Persons who made the demand.

### **9. Time of taking Poll**

**9.1** A poll demanded on a question of adjournment shall be taken forthwith.

**9.2** A poll demanded on any other question (not being a question relating to the election of a Chairman as provided for in Clause 5 hereof) shall be taken in such manner and at such time not being later than thirty (30) days from the time when the demand was made as the Chairman may direct.

### **10. Votes**

On a show of hands every Bondholder who (being an individual) is present in Person or by proxy or (being a body corporate) is present by its duly authorised representative shall have one vote, and on a poll every Bondholder who is present in Person or by proxy shall have one vote in respect of every Bond of which he is the holder.

### **11. Representatives of Bodies Corporate**

A body corporate which is a Bondholder may by writing under the hand of a duly authorised officer authorise such Person as it thinks fit to act as its representative at any meeting of the Bondholders and the Person so authorised shall be entitled to exercise the same powers on behalf of the body corporate

## 20. EXTRACTS FROM THE TRUST DEED

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which he represents as that body corporate could exercise if it were an individual Bondholder.

### 12. Proxies

- 12.1** The registered holder of the Bonds or in case of joint holders any one of them shall be entitled to vote in respect thereof either in Person or by proxy and in the latter case as if such joint holders were solely entitled to such Bonds. A registered holder of the Bonds shall be entitled to appoint another Person (whether a Bondholder or not) as his proxy to attend and vote instead of himself.
- 12.2** In every notice calling a meeting of the Bondholders there shall appear with reasonable prominence a statement that a Bondholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and that a proxy need not be a Bondholder.
- 12.3** The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarized copy of the power of authority, shall be deposited at such place as may be specified in the notice convening the meeting or in some document accompanying the same or if no place is so specified then at the office of the Registrar for the time being, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the Person named in the instrument proposes to vote or in the case of a poll not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
- 12.4** The instrument appointing a proxy shall:
- 12.4.1** be in writing in the usual common form or such other form as the Bond Trustee may approve; and
  - 12.4.2** be signed by the Bondholder so appointing or his attorney duly authorised in writing or if the Bondholder so appointing is a body corporate be under its seal or be signed by an officer or any attorney duly authorised by it.
- 12.5** no instrument appointing a proxy shall be valid after the expiration of twelve months from the date named in it as the date of execution. An instrument appointing a proxy shall be deemed to confer authority to demand or to join in a demand for a poll.
- 12.6** every Bondholder entitled to vote at a meeting of the Bondholders or on any resolution to be moved thereat shall be entitled during the period beginning twenty-four (24) hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting to inspect by himself or through a duly authorised Person the proxies lodged at any time during the business hours of the Registrar, provided that not less than three (3) days' notice in writing of the intention so to inspect is given to the Registrar.
- 12.7** A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Registrar at its registered office before the commencement of the meeting or adjourned meeting at which the proxy is used.

## **20. EXTRACTS FROM THE TRUST DEED**

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### **13. Entitlement of Bondholder to vote differently**

On a poll taken at a meeting of the Bondholders, a Bondholder entitled to more than one vote, or his proxy or other Person entitled to vote for him as the case may be need not, if he votes, use all his votes or cast all his votes in the same way.

### **14. Scrutineers at Poll**

14.1. Where a poll is to be taken the Chairman of the meeting shall appoint two scrutineers to scrutinize the votes given on the poll and to report thereon to him.

14.2. The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and to fill vacancies in the office of scrutineer arising from such removal or for any other cause.

14.3. Of the two scrutineers appointed under this clause, one shall be a Bondholder, (provided such Bondholder is qualified to act as a reporting accountant, not being an officer or employee of the Issuer) present at the meeting, provided that such a Bondholder is available and willing to be appointed.

### **15. Manner of Poll and result thereof**

The Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.

### **16. Voting in the case of joint holding**

In the case of joint Bondholders the vote of the senior who tenders a vote whether in Person or by proxy shall be accepted to the exclusion of the votes of other joint holder(s), and for this purpose seniority shall be determined by the order in which the names stand in the Bonds Register.

### **17. Power to adjourn meeting**

The Chairman of a meeting of the Bondholders may with the consent of (and shall if directed by any such meeting at which a quorum is present adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than business which might lawfully have been transacted at the meeting from which the adjournment took place.

### **18. Casting Vote**

In the case of equality of votes whether on a show of hands or a poll the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote in addition to the votes to which he may be entitled as or on behalf of a Bondholder.

### **19. Proceedings and Demand for Poll**

The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

## **20. EXTRACTS FROM THE TRUST DEED**

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### **20. Chairman to be sole judge**

The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting, and the Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

### **21. Meaning of Special Resolution**

A resolution shall be deemed a Special Resolution if the same shall be passed at a meeting of the Bondholders duly convened and held in accordance with the provisions contained herein by the affirmative vote of two or more holders of Bonds present in person or represented by proxy owning not less than three-fourths (3/4th) of the nominal amount of the Bonds owned by the Bondholders who are so present or represented at the meeting.

### **22. Power of General Meeting**

A meeting of the Bondholders shall inter alia have the following powers exercisable by Special Resolution:-

- a. to sanction the release of the Issuer from all or any part of the principal monies and interest owing upon the Bonds;
- b. to sanction any modification or compromise or any agreements in respect of the rights of the Bondholders against the Issuer whether such rights shall arise under this Deed or the Certificate or otherwise;
- c. to assent to any modification of the provisions contained in the Trust Deed or the Conditions proposed or agreed by the Issuer;
- d. to give any sanction, direction or request which under any of the provisions of this Deed is required to be given by Special Resolution;
- e. to authorise and empower the Bond Trustee to concur in and execute and do all such deeds, instruments, acts and things as may be necessary to carry out and give effect to any Special Resolution; and
- f. to give any release to the Bond Trustee in respect of anything done or omitted to be done by the Bond Trustee hereunder before the giving of the release.

### **23. Resolution Binding**

A resolution passed at a meeting of the Bondholders duly convened and held in accordance with this Deed shall be binding upon all the Bondholders whether present or not present at such meeting, and each of the Bondholders shall be bound to give effect thereto accordingly, and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof, the intention being that it shall rest with the meeting to determine without appeal whether or not the circumstances justify the passing of such resolution.

## **20. EXTRACTS FROM THE TRUST DEED**

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### **24. Minutes**

Minutes of all resolutions and proceedings at such meeting as aforesaid shall be made and duly entered in the books to be provided from time to time for that purpose by the Bond Trustee at the expense of the Issuer, and every such minutes as aforesaid if purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings had or by the Chairman of the next succeeding meeting of the Bondholders shall be conclusive evidence of the matters therein contained, and until the contrary is proved every such meeting in respect of the proceedings in which minutes have been signed as aforesaid shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings taken to have been duly passed and taken.

### **25. Resolution in Writing**

A Resolution in writing duly signed by the holders of all the Bonds for the time being outstanding, shall be as effective for all purposes as a Special Resolution duly passed at a meeting of the Bondholders. Such resolution in writing may be contained in one document or in several documents of like form duly signed by or on behalf of all of the Bondholders.

## 21. PROCEDURE FOR BIDDING, APPLICATION & ALLOTMENT

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### 1. Invitation for Participation

Qualified Investors are hereby invited to participate in the Issue through the Issuing House/Bookrunner.

- 1.1. The Book Building Period opens on September 30, 2014 and closes on October 14, 2014. Orders must be for a minimum of ₦10,000,000 (Ten Million Naira) and in integral multiples of ₦5,000,000 (Five Million Naira).
- 1.2. Participation Amount(s) and Bid Coupon Rate(s) should be entered in the space provided in the prescribed Commitment Form attached to this Prospectus. Photocopies or scanned copies of the Commitment Form will not be accepted.
- 1.3. By completing the Commitment Form, each Participant hereby agrees that the Order is irrevocable and, to the fullest extent permitted by law, the obligations in respect thereof shall not be capable of rescission or termination by any Participant.
- 1.4. Participants may order the Bonds at any price within the Price Range subject to the Minimum Participation Amount and the terms and conditions stated on the Commitment Form.
- 1.5. A corporate Participant should affix its official seal in the box provided and state its Incorporation (RC) Number or, in the case of a corporate foreign subscriber, its appropriate identification/incorporation number in the jurisdiction in which it is constituted.
- 1.6. Upon the completion and submission of the Commitment Form, the Participant is deemed to have authorised the Issuer and the Issuing House/Book Runner to effect the necessary changes in the Prospectus as would be required for the purposes of filing an application for the clearance and registration of the Final Prospectus with the SEC. The Commitment Form shall be considered as the Application Form for the purposes of registration of the Final Prospectus with the SEC.
- 1.7. Participants may not submit an Order on another Commitment Form after the submission of a Commitment Form. Submission of a second or more Form(s) of Commitment will be treated as multiple applications and will be rejected.
- 1.8. Participants shall have the option to make a maximum of three Orders on a Commitment Form and such options shall not be considered as multiple applications.
- 1.9. The Commitment Form presents the Participant with the choice to bid for up to three optional Bid Coupon Rates within the Price Range and to specify the Participation Amount in each option. The Bid Coupon Rates and the Participation Amounts submitted by the Participant in the Commitment Form will be treated as optional demands from the Participant and **will not be cumulated**.
- 1.10. After determination of the Coupon Rate, the maximum Participation Amount specified by a Participant at or below the Clearing Price will be considered for allocation and the rest of the order(s), irrespective of the corresponding Bid Coupon Rate(s), will become automatically invalid.

## 21. PROCEDURE FOR BIDDING, APPLICATION & ALLOTMENT

- 1.11. The Issuer in consultation with the Book Runner reserve the right not to proceed with the Issue at anytime including after the Book Building Opening Date but before the Allotment Date without assigning any reason thereof, upon informing the Commission.

### 2. Payment Instructions

Successful Participants should ensure that payment of the Participation Amounts is received by October 21, 2014 (Pricing Date + 1) via Real-Time Gross Settlement (RTGS) into the following designated Issue Proceeds Accounts domiciled with the Receiving Bank:

Account Details	First City Monument Bank Limited	Access Bank Plc
Account Name	Fidson Healthcare Plc	Fidson Healthcare Plc (Bond Proceeds A/C)
Account Number	0685683054	0689321155

### 3. Allocation/Allotment

- 3.1. On the Pricing Date, the Issuing House/Book Runner will analyse the demand generated at various price levels and, in consultation with the Issuer, finalise the Coupon Rate and the allocations to each Participant. Allocation Confirmation Notices will be sent to successful participants thereafter.
- 3.2. The Directors of Fidson Healthcare Plc and the Issuing House/Book Runner reserve the right to accept or reject any application in whole or in part for not complying with the terms and conditions of the Issue.
- 3.3. Upon clearance of the Final Prospectus by the SEC, Allotment shall be effected by means of the following:

#### a) Allotment of Bonds in Physical (Certificated) Form

Bond Certificates in respect of allotted Bonds will be dispatched by registered post to the specified addresses on the Commitment Form to the applicants who elect to receive the Bonds in physical form, not later than 15 (fifteen) Business Days from the Allotment Date.

#### b) Allotment of Bonds in Dematerialised (Uncertificated) Form

Participants who elect to receive the Bonds in dematerialised form are mandatorily required to specify their CSCS Account Number, the name of their Stockbroking Firm and the Clearing House Number (CHN) in the spaces provided on the Commitment Form.

**Participants must ensure that the name specified in the Commitment Form is exactly the same as the name in which the CSCS Account is held. In case the application is submitted in joint names, it should be ensured that the beneficiary CSCS Account is also held in the same joint names and are in the same sequence in which they appear in the Commitment Form.**

## **21. PROCEDURE FOR BIDDING, APPLICATION & ALLOTMENT**

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### **4. Bank Account Details**

- 4.1. Participants are required to indicate their bank account details in the space provided on the Commitment Form for the purposes of future payments of Coupon and the Principal Amount.
- 4.2. Participants are advised to ensure that bank account details stated on the Commitment Form are correct as these bank account details shall be used by the Registrar for all payments indicated in above in connection with the Bonds.
- 4.3. Failure to provide correct bank account details could result in delays in credit of such payments or the issuance of cheques/warrants which shall be sent by registered post to the specified addresses of the affected investors. The Issuer, the Issuing Houses, the Receiving Banks, the Trustees and the Registrar shall not have any responsibility nor will any of these specified parties undertake any liability for the same.



## 22. APPLICATION FORM

Book Building  
Opening Date  
September 30, 2014

ISSUING HOUSE / BOOK RUNNER  
**CardinalStone Partners Limited**  
RC 739441

Book Building  
Closing Date  
October 14, 2014



RC 267435  
**FIDSON HEALTHCARE PLC**

Offering of  
₦ 2,000,000,000  
**5 year 15.5% Fixed Rate Secured Bonds due November, 2019**  
**Issued at Par at ₦1,000 per unit**

Orders must be made in accordance with the instructions set out in this Prospectus. Care must be taken to follow these instructions as applications that do not comply may be rejected. If you are in any doubt, please consult your Stockbroker, Accountant, Banker, Solicitor or any professional adviser for guidance.

Please complete all relevant sections of this form USING BLOCK LETTERS WHERE APPLICABLE															
PARTICIPANT STATUS (Please Tick)		DATE (dd/mm/yyyy)								CONTROL NO. (For Registrars Use Only)					
<input type="checkbox"/>	High Net-worth Investors	<input type="checkbox"/>	<input type="checkbox"/>	/	<input type="checkbox"/>	<input type="checkbox"/>	/	2	0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	Fund Managers	<b>DECLARATION</b>													
<input type="checkbox"/>	Pension Fund Administrators	I/We hereby confirm that I am/we are Qualified persons to participate in this Bond Issue in accordance with applicable SEC Rules and Regulations.								I/We authorise the Issuer to make the necessary changes to the Prospectus or the Filing of the Final Prospectus with the SEC without intimation to me/us and use this Commitment Form as the Application Form for The purpose of the Issue.					
<input type="checkbox"/>	Insurance Companies														
<input type="checkbox"/>	Investment / Unit Trusts	I/We confirm that I/we have read the Prospectus dated September 30, 2014 and that my/our Order(s) is/are made on the terms set therein.								I/We note that the Issuer and the Issuing House Book Runner are entitled in their absolute discretion to accept or reject this Order.					
<input type="checkbox"/>	Multilateral / Bilateral Institutions														
<input type="checkbox"/>	Market Makers	I/We hereby irrevocably undertake and confirm my/our Order(s) for the Bonds equivalent to my/our Participation Amount(s) set out below at the Coupon Rate to be discovered through the Book Building process.								I/We agree to accept the Participation Amount as may be allocated to me/us subject to the terms in this Prospectus.					
<input type="checkbox"/>	Staff Schemes														
<input type="checkbox"/>	Trustees / Custodians	I/We authorise you to enter my/our name on the Register of Holders as holders of the Bonds that may be allotted to me/us and to register my/our address as given below													
<input type="checkbox"/>	Stockbroking Firms														
<input type="checkbox"/>	Resident Corporate Investors														
<input type="checkbox"/>	Non-Resident Investors														
<input type="checkbox"/>	Hedge Funds														
<input type="checkbox"/>	Banks														

**PARTICIPATION DETAILS** (The Participation Amount(s) and the Bid Coupon Rate(s) being offered must be set out in the boxes below)

Participants have the option to make a maximum of three orders on the Commitment Form and such options shall not be considered as multiple applications. All orders must be for a minimum amount of ₦10 million (Ten million Naira) and in multiples of ₦5 million (Five million Naira) after

### ORDER 1

PARTICIPATION AMOUNT (minimum amount of ₦10 million and in multiples of ₦5 million after)												BID COUPON RATE			
IN FIGURES	₦	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
IN WORDS															

### ORDER 2

PARTICIPATION AMOUNT (minimum amount of ₦10 million and in multiples of ₦5 million after)												BID COUPON RATE			
IN FIGURES	₦	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
IN WORDS															

### ORDER 3

PARTICIPATION AMOUNT (minimum amount of ₦10 million and in multiples of ₦5 million after)												BID COUPON RATE			
IN FIGURES	₦	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
IN WORDS															

**PLEASE TURN OVER TO COMPLETE THIS FORM**

## 22. APPLICATION FORM

## COMMITMENT FORM (REVERSE SIDE)

PARTICIPANT DETAILS (Individual/Corporate/Joint) (Please use one box for one alphabet leaving one box blank between first word and second)

SURNAME/CORPORATE NAME

[illegible]

FIRST NAME (For Individuals only)

[illegible]

OTHER NAMES (For Individuals only)

[illegible]

JOINT APPLICANT'S FIRST NAME (If applicable)

[illegible]

OTHER NAMES (For Joint Applicant only)

[illegible]

CONTACT PERSON (For Corporate Applicant)/NEXT OF KIN (For Individual Applicant)

[illegible]

ADDRESS IN FULL (Please do not repeat Applicant(s)' name). POST BOX NO. ALONE IS NOT SUFFICIENT

[illegible][illegible]

## ALLOTMENT PREFERENCE:

Please tick ☐ in the box to indicate allotment preference - CERTIFICATE ☐ / ELECTRONIC (Book Entry) ☐

## E-ALLOTMENT DETAILS (FOR BOOKENTRY ALLOTMENTS ONLY)

Please credit my/our CSCS Account as detailed below to the extent of the Bonds allotted:

PARTICIPANT'S CSCS  
ACCOUNT No:[illegible]

CHN (CLEARING  
HOUSE No):

--	--	--	--	--	--	--	--	--

NAME OF STOCKBROKING FIRM:

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## BANK DETAILS (FOR E-PAYMENTS)

[illegible]

## SIGNATURES

SIGNATURES	2ND SIGNATURE (Corporate/Joint)	OFFICIAL SEAL/RC. NO.
NAME OF AUTHORISED SIGNATORY (Corporate only)	NAME OF AUTHORISED SIGNATORY (Corporate/Joint)	
DESIGNATION (Corporate only)	DESIGNATION (Corporate only)	

## STAMP OF BOOK RUNNER/SELLING AGENT

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(ISSUING HOUSE/BOOKRUNNER/STOCKBROKER TO THE ISSUE ONLY)

## STAMP OF RECEIVING AGENT

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