

**NEIMETH INTERNATIONAL PHARMACEUTICALS PLC**

**UNAUDITED FINANCIAL STATEMENTS  
31 DECEMBER 2018**



# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## FINANCIAL STATEMENTS

AS AT QUARTER ENDED 31 DECEMBER 2018

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# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## STATEMENT OF FINANCIAL POSITION AS AT QUARTER ENDED 31 DECEMBER 2018

	Notes	Year ended 31-Dec-18 N'000	Year ended 30-Sep-18 N'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	737,920	714,377
Intangible Asset	8.1	-	-
		<u>737,920</u>	<u>714,377</u>
<b>Current assets</b>			
Inventories	11	859,032	683,560
Trade and other receivables	12	171,436	590,002
Other assets	13	285,166	274,956
Cash and cash equivalents	14.1	163,223	45,425
		<u>1,478,856</u>	<u>1,593,943</u>
<b>Total assets</b>		<u>2,216,776</u>	<u>2,308,320</u>
<b>Current liabilities</b>			
Trade and other payables	16	393,208	363,956
Current borrowing	17	90,836	64,367
Current portion of long term borrowings	15.1.1	524,516	525,418
Current tax payable	20	61,370	61,370
Finance lease liabilities	23.1	24,482	32,753
Define contribution plan	18.	20,389	19,320
		<u>1,114,801</u>	<u>1,067,184</u>
<b>Non-current liabilities</b>			
Non-Current portion of long term borrowings	15.1.2	183,060	183,060
Finance lease liabilities	23.1	17,721	17,721
Deferred tax liability	21	54,849	54,849
		<u>255,630</u>	<u>255,630</u>
<b>Total liabilities</b>		<u>1,370,431</u>	<u>1,322,814</u>
<b>Net assets</b>		<u>846,346</u>	<u>985,506</u>
<b>Equity</b>			
Share capital	24.2	863,254	863,254
Share premium		1,113,889	1,113,889
Other reserve		-	-
Accumulated loss	25	(1,130,798)	(991,637)
<b>Total equity</b>		<u>846,346</u>	<u>985,506</u>

  
**C.U. Mmeje**  
 Ag. Managing Director / CEO  
 FRC/2014/CIBN/00000006114

  
**F. I. Onyenekwe (Mrs.)**  
 General Manager Finance  
 FRC/2014/ICAN/00000010082

Dated: 25 January, 2019

Dated: 25 January, 2019

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

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2018

	Note	Quarter 1 Ended 31-Dec-18 N'000	YTD Ended 31-Dec-18 N'000	Quarter 1 Ended 31-Dec-17 N'000	YTD Ended 31-Dec-17 N'000
Turnover	26.	227,068	227,068	394,298	394,298
Cost of sales	27.	173,553	173,553	198,684	198,684
<b>Gross profit</b>		<b>53,515</b>	<b>53,515</b>	<b>195,614</b>	<b>195,614</b>
Other income	31.	151	151	59	59
Marketing and distribution expenses	28.	(79,515)	(79,515)	(62,522)	(62,522)
Administrative expenses	29.	(93,452)	(93,452)	(103,194)	(103,194)
Net exchange loss	30.	-	-	-	-
<b>Operating (Loss)/Profit</b>		<b>(119,301)</b>	<b>(119,301)</b>	<b>29,957</b>	<b>29,957</b>
Diminution of investment		-	-	-	-
Finance costs	32.	(19,860)	(19,860)	(16,404)	(16,404)
(Loss)/Profit before taxation		(139,161)	(139,161)	13,553	13,553
Current income tax expense	22.	-	-	-	-
Deferred income tax expense	22.	-	-	-	-
<b>(Loss)/Profit for the year from continued operation</b>		<b>(139,161)</b>	<b>(139,161)</b>	<b>13,553</b>	<b>13,553</b>
<b>Other comprehensive income</b>					
Gain on available for sale assets		-	-	-	-
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive (loss)/Income</b>		<b>(139,161)</b>	<b>(139,161)</b>	<b>13,553</b>	<b>13,553</b>
(loss)/Profit per share (Kobo)	36.	(8)	(8)	1	1

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

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 DECEMBER 2018

	Issued share capital N'000	Share premium N'000	Bonus issue reserve N'000	Fair value reserve N'000	Retained earnings N'000	Total equity N'000
<b>At 1 October 2017</b>	863,254	1,113,889	-	-	(1,171,775)	805,368
<b>Changes in equity for 2017</b>						
Profit for the year	-	-	-	-	184,035	184,035
Impact of IFRS 9	-	-	-	-	(3,897)	(3,897)
<b>Other comprehensive income</b>						
Fair value changes on available for sale assets	-	-	-	-	-	-
Exchange gain or loss on foreign operations	-	-	-	-	-	-
<b>Total comprehensive profit for the year</b>	-	-	-	-	180,138	180,138
Issue of share capital	-	-	-	-	-	-
Transfer between share capital/ premium	-	-	-	-	-	-
Transaction costs for equity issue	-	-	-	-	-	-
Deposit for future subscription of stocks	-	-	-	-	-	-
<b>At 30 September 2018</b>	863,254	1,113,889	-	-	(991,637)	985,506
	<b>Issued share capital N'000</b>	<b>Share premium N'000</b>	<b>Bonus issue reserve N'000</b>	<b>Fair value reserve N'000</b>	<b>Retained earnings N'000</b>	<b>Total equity N'000</b>
<b>At 1 October 2018</b>	863,254	1,113,889	-	-	(991,637)	985,506
<b>Changes in equity for 2018</b>						
Loss for the quarter	-	-	-	-	(139,161)	(139,161)
Transfer to income statement	-	-	-	-	-	-
<b>Other comprehensive income</b>						
Fair value changes on available for sale assets	-	-	-	-	-	-
Exchange gain or loss on foreign operations	-	-	-	-	-	-
<b>Total comprehensive profit for the quarter</b>	-	-	-	-	(139,161)	(139,161)
Issue of share capital	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Transfer between share capital/ premium	-	-	-	-	-	-
Transaction costs for equity issue	-	-	-	-	-	-
Deposit for future subscription of stocks	-	-	-	-	-	-
<b>At 31 December 2018</b>	863,254	1,113,889	-	-	(1,130,798)	846,346

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## STATEMENT OF CASH FLOWS

FOR THE QUARTER ENDED 31 DECEMBER 2018

	Notes	Year ended 31-Dec-18 N'000	Year ended 31-Sep-2018 N'000
<b>Cash flows from operating activities</b>			
Cash flow (used in)/generated from operations	35.	(78,303)	
Cash receipts from customers		634,326	2,238,198
Cash payments to suppliers and employees		(380,738)	(1,875,811)
Payment for employee benefit obligations	18	(12,744)	
Current income tax paid	20.	-	
<b>Net cash (used in)/generated from operating activities</b>		<b>162,542</b>	<b>362,387</b>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment	8.1	-	(216,903)
Purchase of intangible asset		-	(4,575)
Additions to Assets under finance lease		-	
Acquisition of capital work in progress	8.1	(48,375)	(1,542)
Proceed on disposal of property, plant and equipment	31	-	4,520
<b>Net cash (used in)/from investing activities</b>		<b>(48,375)</b>	<b>(218,500)</b>
<b>Cash flows from financing activities</b>			
Finance costs paid	32.	(19,860)	(76,429)
Repayments of finance lease obligations	23.	(8,270)	(38,646)
Proceeds from finance lease obligations	23.	-	-
Repayments of term loans	15.1	(6,127)	(97,202)
Proceeds of term loans received	15.1	11,419	
Repayments of import finance facilities		(84,959)	(424,801)
Proceeds of term loans received		111,428	415,055
Proceeds from other loans	21	-	8,640
<b>Net cash used in financing activities</b>		<b>3,631</b>	<b>(213,383)</b>
Increase in cash and cash equivalents		117,798	(69,496)
Cash and cash equivalent at the beginning of the year		45,425	114,921
<b>Cash and cash equivalent as at 31 December 2018</b>	14.2	<b>163,223</b>	<b>45,425</b>

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

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

### 1. The Company

#### 1.1 Legal form

Neimeth International Pharmaceuticals Plc, a Company quoted on the Nigerian Stock Exchange was incorporated on 30 August 1957 as a limited liability company and commenced operation in January 1958. On 14 May 1997, Pfizer Inc NY divested from the Company through a management buyout.

#### 1.2 Principal activities

The principal activities of the Company are manufacturing and marketing of pharmaceuticals and animal health products.

### 2. Basis of preparation

#### 2.1 Statement of compliance

These financial statements have been prepared for the third quarter ended 30 June, 2018 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011. Additional information required by local regulators has been included where appropriate.

#### 2.2 Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for financial instruments and land and buildings measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, it also requires management to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the financial statements in the year the assumptions changed. Management believes that the underlying assumptions are appropriate and therefore the financial statements present the financial position and results fairly.

#### 2.3 Going concern assessment

The financial statements have been prepared on a going concern basis, which assumes that the entity will be able to meet its financial obligations as at when they fall due. There are no significant financial obligations that will impact on the entity's resources which will affect the going concern of the entity. Management is satisfied that the entity has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

#### 2.4 Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for financial assets (liabilities) which were measured at fair value.

The financial statements are presented in the Nigerian Naira (NGN), which is the company's chosen currency for presentation.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, it also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and therefore the Company's financial statements present the financial position and results fairly.

#### 2.5 Functional and presentation currency

These financial statements are presented in Naira, which is the company's presentational currency. The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency).

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

- 2.6 Summary of new and amended standards issued and effective during the year**  
During the year, there were certain amendments and revisions to some of the standards. The nature and the impact of each new standard and amendments are described below. The Company intends to adopt these standards, if applicable, when they become effective.
- 2.5.1 Amendments to "IFRS 5 Non-current Assets Held for Sale and Discontinued Operations"**  
Effective for annual periods beginning on or after 1 January 2016  
The amendment clarifies cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- 2.5.2 Amendments to "IFRS 7 Financial Instruments: Disclosures"**  
The amendment adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. It also clarifies the applicability of previous amendments to IFRS 7 issued in December 2011 with regards to offsetting financial assets and financial liabilities in relation to interim financial statements prepared under IAS 34.
- 2.5.3 Amended by Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28):**  
Narrow scope amendment addresses an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. It was also recommended to amend IFRS 10 so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 to an associate or joint venture is recognised only to the extent of unrelated investors' interests in the associate or joint venture. (Previous effective for annual periods beginning on or after 1 January 2016, now deferred indefinitely).
- 2.5.4 Amendments to IFRS 11 "Joint Arrangements" Accounting for Acquisitions of Interests in Joint Operations**  
Effective for annual periods beginning on or after 1 January 2016  
Amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business which specify the appropriate accounting treatment for such acquisitions.
- 2.5.5 Amendments to "IFRS 12 Disclosure of Interests in Other Entities"**  
Effective for annual periods beginning on or after 1 January 2016  
The additional amendments clarify that the scope exclusion in paragraph 6(b) of IFRS 12 does not apply to the financial statements of a parent that is an investment entity and measures all of its subsidiaries at fair value.
- 2.5.6 "IFRS 14 Regulatory Deferral Accounts"**  
**Effective for entity's first annual IFRS financial statements for periods beginning on or after 1 January 2016**  
The Standard permits first-time adopters to continue to recognise amounts related to its rate regulated activities in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that apply IFRS and do not recognise such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the Standard.
- 2.5.7 Amendments to "IAS 1 Presentation of Financial Statements"**  
**Effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.**  
The amendments clarify that: information should not be obscured by aggregating or by providing immaterial information. It also explains that materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply. The amendments also introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.



# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

### **2.5.8 Amendments to "IAS 16 Property, Plant and Equipment"**

Effective for annual periods beginning on or after 1 January 2016

The amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits.

Further amendments issued on 30 June 2014 brings bearer plants from the scope of IAS 41 into the scope of IAS 16 and therefore enabling entities to measure them at cost subsequent to initial recognition or at revaluation.

### **2.5.9 Amendments to "IAS 19 Employee Benefits"**

Effective for annual periods beginning on or after 1 January 2016

The amendment clarifies the requirements of determining the discount rate in a regional market sharing the same currency (for example, the Eurozone).

### **2.5.10 Amendments to "IAS 27 Consolidated and Separate Financial Statements"**

Effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

### **2.5.11 Amendments to "IAS 34 Interim Financial Reporting"**

Effective for annual periods beginning on or after 1 January 2016

The Amendment discusses clarification of the meaning of disclosure of information 'elsewhere in the interim financial report.

### **2.5.12 Amendments to "IAS 38 Intangible Assets"**

Effective for annual periods beginning on or after 1 January 2016

Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset.

Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.

### **2.5.13 Amendments to "IAS 41 Agriculture: Bearer Plants"**

Effective for annual periods beginning on or after 1 January 2016

Amendments to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 Property, plant and Equipment, rather than IAS 41 allowing such assets to be accounted for after initial recognition in accordance with IAS 16.

## **2.6 New standards, amendments and interpretations issued but not yet effective**

At the date of authorisation of these financial statements the following standards, amendments to existing standards and interpretations were in issue, but not yet effective: This includes:

### **2.6.1 IFRS 9 'Financial Instruments'**

(IFRS 9 (2014) supersedes any previous versions of IFRS 9, but earlier versions of IFRS 9 remain available for application if the relevant date of application is before 1 February 2015).

A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:

- a) IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

- b) The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets.
- c) IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

### 2.6.2 IFRS 15 'Revenue from Contracts from Customers'

Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2017

- New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.
- The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.
- The new standard supersedes:
  - a) IAS 11 Construction Contracts;
  - b) IAS 18 Revenue;
  - c) IFRIC 13 Customer Loyalty Programmes;
  - d) IFRIC 15 Agreements for the Construction of Real Estate;
  - e) IFRIC 18 Transfers of Assets from Customers; and
  - f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.

### 2.6.3 IFRS 16 'Leases'

**Effective for annual periods beginning on or after 1 January 2019:**

'New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.

'IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

'IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

'IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

IFRS 16 supersedes the following Standards and Interpretations:

- a) IAS 17 Leases;
- b) IFRIC 4 Determining whether an Arrangement contains a Lease;
- c) SIC-15 Operating Leases—Incentives; and
- d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

### 3. Summary of significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in the financial statements unless otherwise indicated.

#### 3.1 Intangible assets

##### 3.1.1 Intangible assets acquired separately

Intangible assets acquired separately are shown at historical cost less accumulated amortization and impairment losses.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. These charges are included in other expenses in profit or loss. Intangible assets with an indefinite useful life are tested for impairment annually. Amortisation periods and methods are reviewed annually and adjusted if appropriate.

##### 3.1.2 Intangible assets generated internally

Expenditures on research or on the research phase of an internal project are recognized as an expense when incurred. The intangible assets arising from the development phase of an internal project are recognized if, and only if, the following conditions apply:

- The Company has the intention of completing the asset for either use or resale.
- The Company has the ability to either use or sell the asset.
- It is possible to estimate how the asset will generate income.
- The Company has adequate financial, technical and other resources to develop and use the asset.
- The expenditure incurred to develop the asset is measurable.
- It is technically feasible to complete the asset for use by the Company.

If no intangible asset can be recognised based on the above, then development costs are recognised in income statement in the period in which they are incurred.

#### 3.2 Property, plant and equipment

##### 3.2.1 Initial recognition

All property, plant and equipment assets are stated at cost less accumulated depreciation less accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

##### 3.2.2 Subsequent costs

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

##### 3.2.3 Depreciation of property, plant and equipment

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	%
Land	Nil
Buildings	3
Office equipment and furniture	10
Machinery and equipment	10
Motor vehicles	20
Computer equipment	33 <sup>1</sup> / <sub>3</sub>

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value.

The Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting year.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

### 3.2.4 Derecognition

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, these are included in the income statement under operating income. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

### 3.2.5 Reclassification

When the use of a property changes from owner-occupier to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognized in the income statement to the extent that it reverses a previous impairment loss on the specific property, with any remaining recognized in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognized immediately in the income statement.

### 3.3 Inventories

Inventories are valued at the lower of cost and net realisable value on a first - in, first - out basis. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventory and work in progress, cost includes an appropriate share of production overheads based on normal activity levels.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

### 3.4 Impairment of non-financial assets

The Company assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the smallest cash-generating unit to which the asset is allocated. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount an impairment loss is recognized immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment loss is recognized as revaluation decrease.

### 3.5 Financial instruments

The company classifies financial instruments, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial instruments are recognised initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs.

Financial instruments are derecognised on trade date when the group is no longer a party to the contractual provisions of the instrument.

#### 3.5.1 Financial assets

The Company classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, held to maturity assets and available for sale assets. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

##### a Classification

###### Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets designated as at fair value through profit or loss at inception are those that are:

Held in internal funds to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Receivables arising from trade contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

### **Held-to-maturity financial assets**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity, other than:

- those that the Company upon initial recognition designates as at fair value through profit or loss;
- those that the Company designates as available for sale; and
- those that meet the definition of loans and receivables.

Interests on held-to-maturity investments are included in the income statement and are reported as 'finance income'. In the case of an impairment, it is been reported as a deduction from the carrying value of the investment and recognised in the income statement as 'net gains/(losses) on investment securities'.

### **Available-for-sale financial assets**

Available-for-sale financial assets comprise equity investments. Subsequent to initial recognition available-for-sale financial assets are stated at fair value. Movements in fair values are taken directly to equity, with the exception of impairment losses which are recognised in profit or loss. Fair values are based on prices quoted in an active market if such a market is available. If an active market is not available, the company establishes the fair value of financial instruments by using a valuation technique, usually discounted cash flow analysis. When an investment is disposed, any cumulative gains and losses previously recognised in equity are recognised in profit or loss. Dividends are recognised in profit or loss when the right to receive payments is established.

### **b Recognition and measurement**

Regular-way purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognized when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

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Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the company's right to receive payments is established. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement as net realised gains on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the company's right to receive payments is established; both are included in the investment income line.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges.

The quoted market price used for financial assets held by the company is the current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, Industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. For example, a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

The Company uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity like options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

### **c Reclassifications**

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories, if the company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

### **3.5.2 Financial liabilities**

The company's financial liabilities in the statement of financial position includes borrowings. These financial liabilities are initially recognised at fair value and subsequently measured at amortise cost using the effective interest method. Financial liabilities are included in current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

#### **Interest bearing borrowings**

Interest bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

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### 3.5.3 Impairment of financial assets

#### a Financial assets carried at amortised cost.

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

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - Adverse changes in the payment status of issuers or debtors in the group; or
  - National or local economic conditions that correlate with defaults on the assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, 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 been incurred) discounted at the financial 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 the income statement. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the company's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

#### b Assets classified as available for sale

The company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a company of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

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The cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of profit or loss.

### 3.5.4 Offsetting financial instruments

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

### 3.6 Trade and other receivables

Trade receivables are amount due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets, if not they are presented as non-current assets. Where the potential impact of discounting future cash receipts over the short credit period is not considered to be material, trade receivables are stated at their original invoiced value. These receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

### 3.7 Cash and cash equivalents

Cash equivalents comprises of short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term.

For the purpose of presenting the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts.

### 3.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### 3.8.1 As lessor

##### Operating leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Any balloon payments and rent free periods are taken into account when determining the straight-line charge.

#### 3.8.2 As lessee

##### Finance leases

Assets held under finance leases are recognised as assets of the company at the fair value at the inception of the lease or if lower, at the present value of the minimum lease payments.

The related liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between interest expenses and capital redemption of the liability, Interest is recognised immediately in profit or loss, unless attributable to qualifying assets, in which case they are capitalised to the cost of those assets.

Contingent rentals are recognised as expenses in the periods in which they are incurred.

##### Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except if another systematic basis is more representative of the time pattern in which economic benefits will flow to the company.

Contingent rentals arising under operating leases are recognised in the period in which they are incurred.



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### 3.9 Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due with one year or less. If not, they are presented as non-current liabilities.

Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

Other payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

### 3.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

Interest-bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

### 3.11 Employee benefits

#### 3.11.1 Defined contribution plan

In accordance with the provisions of the amended Pension Reform Act, 2014 the Company has instituted a Contributory Pension Scheme for its employees, where both the employees and the company contribute 8% and 10% of the employee total emoluments. The company's contribution under the scheme is charged to the profit and loss while employee contributions are funded through payroll deductions.

Obligations for contributions to the defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Contributions to a defined contribution plan that is due more than twelve months after the end of the period in which the employees render the service are discounted to their present value.

Payments to defined contribution plans are recognised as an expense as they fall due. Any contributions outstanding at the year end are included as an accrual in the statement of financial position.

#### 3.11.2 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Any recognized past service costs and fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the company's obligation and that are denominated in the currency in which the benefit are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected credit unit method.

The company recognizes all actuarial gains or losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on settlement or curtailment comprises any resulting change in the fair value of the plan asset, any change in the present value of defined benefit obligation, any related actuarial gains or losses and past services cost that had not previously been recognised.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

### 3.11.3 Termination benefit

Termination benefit are recognized as an expense when the company is demonstrably committed without realistic possible withdrawal, to a formal detail plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefit for voluntary redundancies is recognized as expenses if the company has made an offer of voluntary redundancy and it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If the benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

### 3.11.4 Short term employee benefits

These are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### 3.12 Taxation

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit (loss), it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments and cash flow hedges, which are charged or credited directly in other comprehensive income, is also credited or charged directly to other comprehensive income and subsequently recognised in the income statement together with the deferred gain or loss.

### 3.13 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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### 3.14 Equity instruments

Equity instruments issued by the company are recorded at the value of proceeds received, net of costs directly attributable to the issue of the instruments. Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

### 3.15 Revenue recognition

#### 3.15.1 Sale of goods

Revenue from the sale of goods in the ordinary course of business is measured at the fair value of consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence persists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of consideration is probable, the associated cost and possible return of goods can be estimated reliably, there is no continuing involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

### 3.16 Foreign currencies

#### Foreign currency transactions

Monetary items denominated in foreign currencies are retranslated at the exchange rates applying at the reporting date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings which are regarded as adjustments to interest costs, where those interest costs qualify for capitalization to assets under construction.
- Exchange differences on transactions entered into to hedge foreign currency risks.
- Exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign operation, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

### 3.17 Segment reporting

An operating segment is a component of an entity:

- a That engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same entity).
- b Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment, assess its performance, and
- c For which discrete financial information is available.

Quantitative thresholds have been set for determining operating segments for which separate information should be disclosed. Separate information should be disclosed for any operating segment:

- With revenue (including both external sales and intersegment transfers) that is 10% or more of the total revenue of all the operating segments;
- With assets that are 10% or more of the combined assets of all the operating segments; or
- Where its profit or loss which, in absolute terms, is 10 per cent or more of the greater, in absolute amount, of the combined reported profit of all profit making operating segments and
- The combined reported loss of all loss-making operating segments.

An entity may combine information about operating segments that do not meet the quantitative thresholds with information about other operating segments that do not meet the quantitative thresholds to produce a reportable segment only if the operating segments have similar economic characteristics and share a majority of the aggregation criteria.

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments shall be identified as reportable segments until at least 75% of the entity's revenue is included in reportable segments.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

If an operating segment is identified as a reportable segment in the current period in accordance with the quantitative thresholds, segment data for a prior period presented for comparative purposes shall be restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the criteria for reportability in the prior period, unless the information is not available and the cost to develop it is excessive.

The disclosure of segmental cash flows enables users to obtain a better understanding of the relationship between the cash flows of the business as a whole and those of its component parts and the availability and variability of segmental cash flows.

The company should disclose the factors used to identify its reportable segments. This should include the basis of organisation, for example by difference in products or services, geographical areas, regulatory environments or a combination of factors.

The company should disclose the types of products and services from which each reportable segment derives its revenues.

Information about other business activities and operating segments that are not reportable shall be combined and disclosed in an 'all other segments'.

The sources of the revenue included in the 'all other segments' category shall be described.

An entity shall provide an explanation of the measurements of segment profit or loss, segment assets and segment liabilities for each reportable segment.

Certain entity wide disclosures are also required for all entities, including those entities that have a single reporting segment, including information about: products and services; geographical areas; and major customers. An entity shall report the revenues from external customers for each product and service, or each group of similar products and services, unless the necessary information is not available and the cost to develop it would be excessive, in which case that fact shall be disclosed. The amounts of revenue reported shall be based on the financial information used to produce the entity's financial statements.

An entity shall report geographical information for revenue from external customers:

- i) Attributed to the entity's country of domicile and
- ii) Attributed to all foreign countries in total from which the entity derives revenues. If revenues from external customers attributed to an individual foreign country are material, those revenues shall be disclosed separately. An entity shall disclose the basis for attributing revenues from external customers to individual countries.

An entity shall report geographical information for non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) Located in the entity's country of domicile; and

An entity shall provide information about the extent of its reliance on its major customers. If revenue from transactions with a single external customer amount to 10 per cent or more of an entity's revenues, the entity shall disclose that fact, the total amount of revenues from such customer, and the identity of the segment or segments reporting the revenues. The entity need not disclose the identity of a major customer or the amount of revenues that each segment reports from that customer. For the purposes of this IFRS, a group of entities known to a reporting entity to be under common control shall be considered a single customer, and a government (national, state, provincial, territorial, local or foreign) and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

#### 4. **Critical accounting estimates and judgement**

The company makes estimate and assumption about the future that affects the reported amounts of assets and liabilities. Estimates and judgment are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumption.

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The effect of a change in an accounting estimate is recognized prospectively by including it in the comprehensive income in the period of the change, if the change affects that period only, or in the period of change and future period, if the change affects both the estimates and assumptions that have a significant risks of causing material adjustment to the carrying amount of asset and liabilities in the next financial statements are discussed below:

### **a Defined benefit obligation**

The present value of defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the defined benefit obligation include the discount rate, the company determines the discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimate future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of high- quality corporate bond that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the defined benefit obligation.

### **b Impairment of available-for-sale equity financial assets**

The company determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them.

To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### **c Impairment of property, plant and equipment and intangible assets**

Management is required to make judgement concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate impairment exist.

### **d Others are:**

- i** Residual values of items of property, plant and equipment.
- ii** Estimated useful lives of item of property, plant and equipment.
- iii** Allowance for obsolete stock.
- iv** Allowance for doubtful debts,

## **5. Risk management framework**

The primary objective of the company's risk management framework is to protect their stakeholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Management recognises the critical importance of having efficient and effective risk management systems in place.

The company has established a risk management function with clear terms of reference from the board of Directors, its committees and the executive management committees.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, the Internal Audit unit provides independent and objective assurance on the robustness of the risk management framework, and the appropriateness and effectiveness.

**Strategic risks** – This specifically focused on the economic environment, the products offered and market. The strategic risks arises from a company's ability to make appropriate decisions or implement appropriate business plans, strategies, decision making , resource allocation and its inability to adapt to changes in its business environment.

**Operational risks** – These are risks associated with inadequate or failed internal processes, people and systems, or from external events.

**Financial Risks** – Risk associated with the financial operation of the company, including underwriting for appropriate pricing of plans, provider payments, operational expenses, capital management, investments, liquidity and credit.

The board of directors approves the company's risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies. These policies define the company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting to the corporate goals, and specify reporting requirements to meet.

### 5.1 Strategic risks

The following capital management objectives, policies and approach to managing the risks which affect its capital position are adopted by the company.

- i To maintain the required level of financial stability thereby providing a degree of security to clients and plan members.
- ii To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- iii To retain financial flexibility by maintaining strong liquidity.
- iv To align the profile of assets and liabilities taking account of risks inherent in the business and regulatory requirements.
- v To maintain financial strength to support new business growth and to satisfy the requirements of the regulators and stakeholders.

### 5.2 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors such as provider tariffs, medical costs, premium review for adequacy, prompt premium payments and collections. Others are legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations.

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

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

- requirements for appropriate segregation of duties, including independent authorisation of transactions.
- requirements for the reconciliation and monitoring of transactions.
- compliance with regulatory and other legal requirements.
- documentation of controls and procedures.
- training and professional development.
- Ethical and business standards.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

### 5.3 Financial risks

The company's operations expose it to a number of financial risks. A risk management programme has been established to protect the company against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year and they are:

- Credit risks
- Liquidity risks
- Market risks

#### a Credit risks

The company invests some of its surplus funds in high quality liquid market instruments. Such investments have a maturity no greater than three months. To reduce the risk of counterparty default the company deposits the rest of its surplus funds in approved high quality banks. Concentrations of credit risk with respect to customers are limited due to the company's customer base being Large and unrelated. Customers are assessed for credit worthiness and where appropriate the company obtains security for its exposure to the risk of default. Credit limits are also imposed on customers and reviewed regularly.

#### Exposure to risk

The company's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements:

	2018 N'000	2017 N'000
<b>Financial assets</b>		
Trade and other receivables	171,436	590,002
Cash and cash equivalents	<u>163,223</u>	<u>45,425</u>

#### An analysis of trade receivables

	Carrying amount N'000	Note	Past due but not impaired				
			Neither impaired nor past due N'000	4 - 6 months N'000	7 - 9 months N'000	10 - 12 months N'000	Above 12 months N'000
2018	855,462	12	153,010	76,849	4,992	7,093	674,559
2017	1,005,695	12	477,321	39,131	57,578	211,665	220,000

The Company allows an average debtors period of 90 days after invoice date. It is the Company's policy to assess trade receivables for recoverability on an individual basis and to test for impairment where it is considered necessary. In assessing recoverability the Company takes into account any indicators of impairment up until the reporting date. The application of this policy generally results in debts below 12 months not being provided for unless individual circumstances indicate that a debt is impaired. While full provision is made for debtors balances above 12 months.

Trade receivables that are not impaired are made up of 43% of debtors' balances (2015 : 50%). The average age of these debtors is 365 days (2015 : 548 days). No debtors' balances have been renegotiated during the year or in the prior year.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

### b Liquidity risks

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The Company employs policies and procedures to mitigate the it's exposure to liquidity risk. The Company complies with minimum regulatory requirements.

#### An analysis of trade payable

	Carrying amount N'000	Note	Past due but not impaired				
			Neither impaired nor past due N'000	4 - 6 months N'000	7 - 9 months N'000	10 - 12 months N'000	Above 12 months N'000
			2018	42,255	16	17,407	6,542
2017	21,656	16.	6,100	6,266	4,315	1,951	3,024

### c Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

### d Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company's principal transactions are carried out in Naira and its financial assets are primarily denominated in the Naira and its exposure to foreign exchange risk is minimal.

## 6. Capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and customers.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital level on a regular basis.

#### Approach to capital management

In the management of its capital, the Company has certain objectives which it intends to achieve. These include:

The safeguarding of the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders by pricing products commensurately with the level of risk.

Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-capital ratio. This ratio is calculated as net debt ÷ capital:

Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalents. Capital comprise all components of equity (i.e. ordinary shares, share premium and retained earnings).



# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

The debt-to-capital ratios at 31 December 2018 and its comparative year were as follows:

	<b>2018</b> <b>N'000</b>	2017 N'000
Total liabilities	<b>1,370,431</b>	1,322,814
Less: cash and cash equivalents	<b><u>163,223</u></b>	<u>45,425</u>
Net debt	<b><u>1,207,208</u></b>	<u>1,277,389</u>
Total equity	<b><u>846,346</u></b>	<u>985,506</u>
Debt-to-capital ratio	<b><u>1.43</u></b>	<u>1.30</u>

The decrease in the debt-to-capital ratio during 2018 resulted primarily from the decrease in net debt that occurred as at the end of the year.

The Company's primary source of capital is borrowed funds from various financial institutions repayable with interest at specified dates.

There has been no significant changes to its capital structure during from previous years.

### 7. Financial instruments and fair values

As explained in Note 3.5, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income or comprehensive income. These categories are: fair value through profit or loss; loans and receivables; available for sale assets; and, for liabilities, amortized cost or fair value through profit or loss.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

7.1 The fair value of financial assets and liabilities together with the carrying amounts shown in the statement of financial position are as follows:

	Note	Financial assets				Financial liabilities		Total carrying amount N'000	Fair value N'000
		Fair value through profit or loss N'000	Loans and receivables N'000	Available for sale N'000	Held to maturity N'000	Amortised cost N'000	Fair value through profit or loss N'000		
<b>At 30 December 2018</b>									
<b>Assets</b>									
Trade and other receivables	12	-	171,436	-	-	-	-	171,436	171,436
Cash and cash equivalents	14.1	163,223	-	-	-	-	-	163,223	163,223
		<u>163,223</u>	<u>171,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>334,659</u>	<u>334,659</u>
<b>Liabilities</b>									
Trade and other payables	16	-	-	-	-	-	393,208	393,208	393,208
Borrowings (Current portion)	15.1.1	-	-	-	-	524,516	-	524,516	524,516
Finance lease payable	23.1	-	-	-	-	24,482	-	24,482	24,482
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>548,998</u>	<u>393,208</u>	<u>942,206</u>	<u>942,206</u>
<b>At 30 September 2018</b>									
<b>Assets</b>									
Trade and other receivables	12	-	498,318	-	-	-	-	498,318	1,014,692
Cash and cash equivalents	14	188,011	-	-	-	-	-	188,011	188,011
		<u>188,011</u>	<u>498,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>686,329</u>	<u>1,202,703</u>
<b>Liabilities</b>									
Trade and other payables	16	-	-	-	-	280,964	-	280,964	280,964
Borrowings (Current portion)	15.1.1	-	-	-	-	619,859	-	619,859	619,859
Finance lease payable	23.1	-	-	-	-	38,635	-	38,635	38,635
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>939,458</u>	<u>-</u>	<u>939,458</u>	<u>939,458</u>

### 7.2 Fair valuation methods and assumptions

Cash and cash equivalents, trade receivables, trade payable and short term borrowings are assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.

The fair value of publicly traded financial instruments is generally based on quoted market prices, with unrealised gains in a separate component of equity at the end of the reporting year.

The fair value of current financial assets and liabilities are stated at amortized cost

### 7.3 Fair value measurements recognised at the reporting date

Financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

**Level 1:** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** for equity securities not listed on an active market and for which observable market data exist that the company can use in order to estimate the fair value;

**Level 3:** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**NEIMETH INTERNATIONAL PHARMACEUTICALS PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
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**8.1 Property, plant and equipment**

	Land N'000	Building N'000	Machinery and equipment N'000	Furniture and fittings N'000	Motor vehicles N'000	Computer equipment N'000	Capital work in progress N'000	Assets under finance lease N'000	Total N'000
<b>2018</b>									
<b>Cost</b>									
At 1 October 2018	106,332	120,846	742,647	83,269	318,052	66,536	55,187	122,869	1,615,738
Addition in the year	-	-	-	-	-	-	48,375	-	48,375
Transfer from CWIP	-	-	-	-	-	-	-	-	-
Reclassification from leasehold	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-
At 31 December 2018	<u>106,332</u>	<u>120,846</u>	<u>742,647</u>	<u>83,269</u>	<u>318,052</u>	<u>66,536</u>	<u>103,562</u>	<u>122,869</u>	<u>1,664,113</u>
<b>Accumulated Depreciation</b>									
At 1 October 2018	-	16,770	421,327	55,394	307,866	59,077	-	40,927	901,361
Charge for the year	-	906	14,536	982	328	1,935	-	6,143	24,832
Reclassification from Leasehold	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-
At 31 December 2018	<u>-</u>	<u>17,676</u>	<u>435,863</u>	<u>56,376</u>	<u>308,195</u>	<u>61,012</u>	<u>-</u>	<u>47,070</u>	<u>926,193</u>
<b>Carrying amount:</b>									
At 31 December 2018	<u>106,332</u>	<u>103,170</u>	<u>306,784</u>	<u>26,893</u>	<u>9,857</u>	<u>5,524</u>	<u>103,562</u>	<u>75,799</u>	<u>737,920</u>
At 30 September 2018	<u>106,332</u>	<u>104,076</u>	<u>321,320</u>	<u>27,875</u>	<u>10,186</u>	<u>7,459</u>	<u>55,187</u>	<u>81,942</u>	<u>714,377</u>
<b>2017</b>									
<b>Cost</b>									
At 1 October 2017	76,332	66,471	627,403	69,531	342,107	89,798	1,151	140,869	1,413,662
Addition in the year	30,000	54,375	116,443	13,738	1,305	1,042	1,542	-	218,445
Reclassification to CWIP	-	-	-	-	-	(24,304)	24,304	-	-
Reclassification to Motor Vehicle	-	-	-	-	18,000	-	-	(18,000)	-
Transfer to CWIP	-	-	1,150	-	-	-	(1,150)	-	-
Transfer from intangible assets	-	-	-	-	-	-	29,340	-	29,340
Disposal	-	-	(2,349)	-	(43,360)	-	-	-	(45,709)
At 30 September 2018	<u>106,332</u>	<u>120,846</u>	<u>742,647</u>	<u>83,269</u>	<u>318,052</u>	<u>66,536</u>	<u>55,187</u>	<u>122,869</u>	<u>1,615,738</u>
<b>Accumulated Depreciation</b>									
At 1 October 2017	-	13,984	370,411	51,975	328,757	56,649	-	22,953	844,729
Charge for the year	-	2,786	52,680	3,419	12,269	2,428	-	28,174	101,756
Reclassification to Motor Vehic	-	-	-	-	10,200	-	-	(10,200)	-
Write off of assets	-	-	-	-	-	-	-	-	-
Disposal	-	-	(1,764)	-	(43,360)	-	-	-	(45,124)
At 30 September 2018	<u>-</u>	<u>16,770</u>	<u>421,327</u>	<u>55,394</u>	<u>307,866</u>	<u>59,077</u>	<u>-</u>	<u>40,927</u>	<u>901,361</u>
<b>Carrying amount:</b>									
At 30 September 2018	<u>106,332</u>	<u>104,076</u>	<u>321,320</u>	<u>27,875</u>	<u>10,186</u>	<u>7,459</u>	<u>55,187</u>	<u>81,942</u>	<u>714,377</u>
At 30 September 2017	<u>76,332</u>	<u>52,487</u>	<u>256,992</u>	<u>17,556</u>	<u>13,349</u>	<u>33,149</u>	<u>1,151</u>	<u>117,916</u>	<u>568,932</u>

**8 Intangible Asset**

	2018 N'000	Total N'000
<b>Cost</b>		
At 1 October 2017	-	-
Addition	-	-
At 30 September 2018	<u>-</u>	<u>-</u>

**9. Assets under finance lease (Cont'd)**

	Motor vehicles N'000	Total N'000
<b>2018</b>		
<b>Cost</b>		
At 1 October 2017	122,869	122,869
Addition in the year	-	-
At 30 September 2018	<u>122,869</u>	<u>122,869</u>
Transfer from CWIP	-	-
Reclassification from leasehold	-	-
At 31 December 2018	<u>122,869</u>	<u>122,869</u>
<b>Accumulated Depreciation</b>		
At 1 October 2017	40,927	40,927
Charge for the year	6,143	6,143
At 30 September 2018	<u>47,070</u>	<u>47,070</u>
Charge for the year	-	-
Reclassification from Leasehold	-	-
At 31 December 2018	<u>47,070</u>	<u>47,070</u>
<b>Carrying amount:</b>		
At 30 September 2018	<u>75,799</u>	<u>75,799</u>
At 30 September 2017	<u>75,799</u>	<u>75,799</u>

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

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	Year ended 31-Dec-18	Year ended 31-Sep-2018
<b>10 Deposit for shares</b>	<b>N'000</b>	<b>N'000</b>
At 1 October 2018	189,254	174,911
Accrued Interest		5,703
Addition during the year		8,640
Payments	(6,194)	-
At 31 December 2018	<u>183,060</u>	<u>189,254</u>
<b>11. Inventories</b>		
Raw materials	415,319	367,378
Work-in-progress	51,565	76,303
Finished goods	239,292	169,537
Spare parts	20,089	20,451
Goods in transit	132,767	49,787
	<u>859,032</u>	<u>683,456</u>
<b>12. Trade and other receivables</b>		
Trade receivables	880,292	1,287,550
Due from related parties	-	-
	<u>880,292</u>	1,287,550
Impairments (Note 12.1)	(708,856)	(697,548)
	<u>171,436</u>	<u>590,002</u>
<b>12.1 Impairments</b>		
At 1 October 2018	697,548	507,377
Impact of IFRS 9		3,897
Additional charge during the year	11,308	186,274
At 31 December 2018	<u>708,856</u>	<u>697,548</u>
	<b>N'000</b>	<b>N'000</b>
<b>13. Other assets</b>		
Staff Loans	12,321	9,920
Replaceable stocks		11,897
Receivable from Insurance company	190,034	190,034
Prepayments	31,982	32,698
Withholding tax recoverable	20,501	20,368
Other Trade Receivable	9,947	(308)
Advances to Inventory	20,380	10,451
	<u>285,166</u>	<u>275,060</u>
<b>14. Cash and cash equivalents</b>		
<b>14.1 Cash and cash equivalents as per statement of financial position</b>		
Cash in hand	464	17
Cash in banks	162,759	45,408
Fixed deposit	-	-
	<u>163,223</u>	<u>45,425</u>
<b>14.2 Cash and cash equivalents as per statement of cash flow</b>		
<b>Cash and cash equivalents</b>		
Cash and bank balances (Note 14.1)	163,223	45,425
Bank overdrafts	-	-
	<u>163,223</u>	<u>45,425</u>

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 DECEMBER 2018

	Year ended	Year ended
<b>15. Borrowings</b>		
Term loans (Note 15.1)	<u>707,576</u>	<u>708,478</u>
<b>15.1 Movement in term loans</b>		
At 1 October 2018	519,224	619,368
Additions in the year	11,419	-
Repayment during the year	(6,127)	(97,202)
Exchange loss/(gain)	-	(2,942)
	<u>524,516</u>	<u>519,224</u>
Other loan (Note 15.2)	<u>183,060</u>	<u>189,254</u>
At 31 December 2018	<u>707,576</u>	<u>708,478</u>
<b>15.1.1 Analysed into:</b>		
<b>Current</b>		
Diamond	538	538
DBN LC		-
GTB Overdraft		-
REAN		-
DAEWOO	523,978	518,686
Other loan		6,194
	<u>524,516</u>	<u>525,418</u>
<b>15.1.2 Non-current :</b>		
Diamond		-
GT term loan	-	-
Other loan	183,060	183,060
REAN		-
	<u>183,060</u>	<u>183,060</u>
	<u>707,576</u>	<u>708,478</u>
	N'000	N'000
<b>15.2 Term loans</b>		
<b>2018</b>		
Daewoo Securities (Europe) Limited (Note 15.1.1)	523,978	518,686
REAN Finance Company Limited		-
Guaranty Trust Bank Plc	-	-
Diamond Bank (Note 15.1.1)	538	538
	<u>524,516</u>	<u>519,224</u>
Other loan (Note 15.1.2)	<u>183,060</u>	<u>189,254</u>
	<u>707,576</u>	<u>708,478</u>
<b>15.3 Term loans relate to:</b>		
<b>15.3.1 Daewoo Securities</b>		
400 million Japanese Yen (JPY) zero coupon bond at 7.5% per annum issued by the compan in 2007 financial year. The bond due by 2014 (but was recalled in January, 2018) with options to subscribe ordinary shares of the Company to Daewoo Securities (Europe) Limited. JPY 260 million had been repaid leaving outstanding JPY 140 million		
The outstanding balance of JPY 192,276,736 (comprising principal JPY 140 million, interest JPY 52 million), has been translated at Central Bank of Nigeria (CBN) ruling rate as at 30, September 2018		
<b>15.3.3 Diamond Bank</b>		
This represents N212.8 million naira term loan obtained from diamond bank. The loan is for a 30 months repayment period with 21% interest rate. The loan was obtained for the purpose of refinancing the company's obligation to Daewoo securities limited. Security for the loan is Mortgage debenture on the company assets with Diamond Bank as the first loss payee.		
	N'000	N'000
<b>15.4 Other loan</b>		
At 30 September 2018	189,254	174,911
Addition during the year		8,640
Accrued Interest		5,703
Payment during the year	(6,194)	-
At 31 December 2018	<u>183,060</u>	<u>189,254</u>
Other loan represents amount received from some shareholders, repayable as at when due. It attracts 14% interest per annum.	-	

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

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	Year ended	Year ended
<b>16. Trade and other payables</b>		
Trade payables	42,255	72,563
Other accruals	137,079	57,743
Statutory deductions (WHT Payable)	40,530	40,720
Royalties	53,234	53,550
Dividend payable	14,675	14,675
Other payables	67,200	67,854
Discontinued gratuity (Note 16.1)	38,235	56,851
	<u>393,208</u>	<u>363,956</u>

Trade payables are stated at their original invoice value, as the interest that would be recognised from discounting future cash payments over the short credit period is not considered to be material.

- 16.1 The company discontinued provision for gratuity in 2007. The balance is due to employees who are entitled to gratuity as at 2007 and is to be paid whenever they disengage from the service of the company.

**17. Current borrowing**

Bank overdraft	-	-
Import finance facilities (Note 17.2)	90,836	64,367
	<u>90,836</u>	<u>64,367</u>

- 17.1 N300 million import finance facility was obtained from Diamond Bank Plc on 17 May 2018, with interest rate of 10% p.a subject to review in line with changes in money market conditions and a tenor of 365 days.

17.2 1st October 2018	64,367	74,113
Additions in the year	111,428	415,055
Repayment during the year	(84,959)	(424,801)
At 31 December 2018	<u>90,836</u>	<u>64,367</u>

**18. Define contribution plan**

At 1 October 2018	19,320	47,072
Provision for the year	13,813	49,520
Payment during the year	(12,744)	(77,272)
At 31 December 2018	<u>20,389</u>	<u>19,320</u>

**19. Maturity profile of financial liabilities**

	Due within			Total N'000
	Below one year N'000	one - five years N'000	five years and above N'000	
<b>2018 (December)</b>				
Current borrowing	90,836	-	-	90,836
Trade and other payables	393,208	-	-	393,208
Finance lease obligation	24,482	17,721	-	42,203
Term loans	524,516	183,060	-	707,576
	<u>1,033,042</u>	<u>200,781</u>	<u>-</u>	<u>1,233,823</u>
<b>2018 (September)</b>				
Current borrowing	525,418	183,060.00	-	708,478
Trade and other payables	363,956	-	-	363,956
Finance lease obligation	32,753	17,721	-	50,474
Term loans	-	-	-	-
	<u>922,127</u>	<u>200,781</u>	<u>-</u>	<u>1,122,908</u>

**20. Movement in current tax liability**

	N'000	N'000
At 1 October 2018	61,370	61,500
Payment in the year	0	(18,575)
Charge for the year	-	18,445
At 31 December 2018	<u>61,370</u>	<u>61,370</u>

The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act, CAP C21, LFN 2004 and the Education Tax Act, CAP E4, LFN 2004 as amended.

**21. Deferred tax liability**

At 1 October 2018	54,849	54,849
Charge for the year	-	0
At 31 December 2018	<u>54,849</u>	<u>54,849</u>

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

### 21.1 Deferred tax assets and liabilities

Reconciliation of deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000	2018 N'000	2017 N'000
Property, plant and equipment	-	-	-	75,962	-	75,962
Exchange gain/loss	-	-	-	81,462	-	12,133
Provisions	-	-	-	-	-	(271,638)
	-	-	-	157,424	-	(183,543)
Tax liability carried forward	-	-	-	-	-	-
Tax liability brought forwards	-	-	-	-	-	54,849
Deferred tax (asset)/liability	-	-	-	157,424	-	238,392

The Company has adopted the International Accounting Standard 12 - Income taxes, deferred taxation, which is computed using the liability method.

	Year ended 31-Dec-18 N'000	Year ended 30-Sep-18 N'000
<b>22. Current tax</b>		
Minimum tax	-	8,643
Education tax	-	9,801
	-	18,444
Deferred taxation	-	-
As per statement of profit or loss and other comprehensive income	-	18,444

The minimum tax charged is based on the assessable loss for the year ended 30 September 2017 which is in line with section 28A (3b) of Companies Income Tax Act, CAP C21, LFN 2004 as amended.

### 22.1 Reconciliation of effective tax rate

The tax expense for the quarter is reconciled to the profit for the year as follows:

<b>Profit/(loss) before tax</b>	<b>(139,161)</b>	<b>13,553</b>
Tax thereon @ 30%	-	-
Deductible items	-	-
Balancing charge	-	-
Capital allowance	-	-
Education tax	-	-
Minimum tax	-	6,564
Deferred tax effect	-	-
Tax expense for the year	-	6,564
<b>Profit/(loss) after tax</b>	<b>(139,161)</b>	<b>6,989</b>

### 22.2 The tax rate is reconciled to the effective tax rate as follows:

	%	%
Tax rate	30	30
Deductible items	-	-
Balancing charge	-	-
Capital allowance	-	-
Education tax	-	-
Deferred tax effect	-	-
Total effective tax rate	30	30

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

	Year ended 31-Dec-18 N'000	Year ended 31-Sep-2018 N'000
<b>23. Finance lease obligation</b>		
At 1 October 2018	50,474	89,120
Reclassification	-	-
Additions in the year	-	-
Repayment in the year	<u>(8,270)</u>	<u>(38,646)</u>
At 31 December 2018	<u>42,204</u>	<u>50,474</u>
<b>23.1 Analysed into:</b>		
Current portion	24,483	32,753
Non Current portion	<u>17,721</u>	<u>17,721</u>
	<u>42,204</u>	<u>50,474</u>
<b>24. Share capital</b>		
<b>24.1 Authorised:</b>		
2,000,000,000 ordinary shares of 50k each	<u>1,000,000</u>	<u>1,000,000</u>
<b>24.2 Issued and fully paid:</b>		
At 1 October 2018	863,253	863,254
Bonus issue transfer from share premium	-	-
At 31 December 2018	<u>863,253</u>	<u>863,254</u>
<b>24.3 Share premium</b>		
1st October 2018	1,113,889	1,113,889
Bonus issue transfer to ordinary share	-	-
Bonus issue cost	-	-
At 31 December 2018	<u>1,113,889</u>	<u>1,113,889</u>
<b>25. Accumulated loss</b>		
At 1 October 2018	991,637	1,171,775
Profit/loss for the year	139,161	(184,035)
Impact of adopting IFRS 9	-	3,897
At 31 December 2018	<u>1,130,798</u>	<u>991,637</u>
<b>25.1 Inventory recovery reserve</b>	<u>-</u>	<u>-</u>
<b>26. Segment information</b>		
<b>26.1 Operating segments</b>		
The Company has two reportable business segments, summarised as follows:		
<b>Pharmaceuticals product group:</b>		
This include the marketing and sales of the Company's branded products and the products under the consumer product group.		
<b>Animal health product group:</b>		
This include the marketing and sales of poultry and large animal range of anthelmintics as well as production enhancing medicaments.		
	Year ended 31-Dec-18	Year ended 31-Dec-17
Pharmaceuticals	220,185	390,423
Animal health	<u>6,883</u>	<u>3,875</u>
	<u>227,068</u>	<u>394,298</u>
<b>26.2 Geographical segment</b>		
The Company operates into two geograhic regions namely Nigeria and Ghana.		
Nigeria	227,068	394,298
Ghana	<u>0</u>	<u>0</u>
	<u>227,068</u>	<u>394,298</u>

The reported revenue for animal health segment does not constitute up to 10% of the total turnover, hence, it was not separated for direct cost allocation in order to determine the gross profit.

There is no disclosure of depreciation, amortisation and assets per business segment because the assets of the Company are not directly related to a particular business segment.



# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

	Year ended 31-Dec-18 N'000	Year ended 31-Dec-17 N'000
<b>27. Cost of sales</b>		
Inventory at 1 October 2018	343,438	457,310
Purchases	179,387	505,031
Inventory at 31 December 2018	<u>(415,319)</u>	<u>(343,438)</u>
<b>Materials consumed</b>	<u>107,506</u>	<u>618,903</u>
<b>Factory overhead expenses</b>		
Production salaries and wages	40,587	33,130
Power and fuel	6,455	8,306
Manufacturing variances	(31,098)	(27,378)
Factory other expenses	18,541	21,220
Depreciation: - Plant and machinery	14,000	7,866
- Building	-	-
Inventory write off	-	5,000
Physical inventory adjustment	2,500	5,000
Decrease/increase in work-in-progress	29,747	21,931
Decrease in finished goods	- 14,686	21,202
Others	-	-
	<u>66,047</u>	<u>96,277</u>
	<u>173,553</u>	<u>715,180</u>
<b>28. Marketing and distribution expenses</b>		
Employee cost	29,367	33,965
Transport and travelling	19,939	9,866
Advert and promotions	20,544	15,556
Depreciation of motor vehicle	5,000	(5,123)
Communication and Subscription	-	24
Gift and donation	-	3,205
Printing and stationeries	21	74
Rent and rate	865	500
Product registration expenses	261	975
Training and seminar	-	-
Medical expenses	29	175
Energy cost	477	589
Repairs and maintenance	1,490	419
Telephone and postages	230	209
Corporate expenses	453	1,466
Others	841	624
	<u>79,515</u>	<u>62,523</u>

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

	Year ended 31-Dec-18 N'000	Year ended 31-Dec-17 N'000
<b>29. Administration expenses</b>		
Employee costs	28,695	25,031
Impairment allowance for trade and other receivables	11,000	39,601
Bad debt written off	-	-
Corporate expenses	34	829
Transport and travelling	8,796	6,745
Legal, consultancy and professional fees	8,055	1,650
Energy cost	5,820	3,133
Rent and rate	100	225
Bank charges and commission	5,855	2,595
Insurance	4,722	714
Repairs and maintenance	603	1,350
Printing and stationeries	361	228
Training and seminar	1,140	964
Conference and meetings	5,325	4,970
Medical expenses	3,016	489
Telephone and postages	2,207	2,085
Communication and Subscription	751	319
Gift and donation	438	308
Depreciation of office and computer equipment	5,830	6,963
Audit fee	-	3,568
Others	704	1,426
	<u>93,452</u>	<u>103,194</u>
<b>30. Net foreign exchange loss</b>		
Gain on currency translation	-	-
Loss on currency translation	-	-
	<u>-</u>	<u>-</u>
<b>31. Other income</b>		
Gains on disposal of property, plant and equipment	-	-
Provision no longer required	-	-
Other receipts	151	59
Commission Income	-	-
	<u>151</u>	<u>59</u>
<b>32. Finance costs</b>		
Interest on term loans	11,646	16,387
Interest on debenture	5,292	5,292
Interest on lease	2,922	1,887
	<u>19,860</u>	<u>23,566</u>
<b>33. Decrease/(increase) in operating assets</b>		
Inventories	(175,472)	37,026
Trade and other receivables	(227,068)	(1,534,003)
Other assets	(10,210)	(177,637)
	<u>(412,750)</u>	<u>(1,674,614)</u>
<b>34. Increase/(decrease) in operating liabilities</b>		
Trade and other payables	397,601	1,956,083
Import finance facilities	-	(47,497)
	<u>397,601</u>	<u>1,908,586</u>

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

	Year ended 31-Dec-18 N'000	Year ended 31-Dec-17 N'000
<b>35. Cash flow (used in)/generated from operations</b>		
Profit/(loss) after taxation	<u>(139,161)</u>	<u>(411,484)</u>
<b>Adjustments to reconcile loss to net cash operating activities:</b>		
Depreciation of property, plant and equipment (Note 8 & 9)	24,832	116,998
Finance costs (Note 31)	19,860	84,266
Impairment of trade and other receivables (Note 11.1)	11,308	220,000
Exchange loss on currency revaluation	-	(40,446)
Gain on disposal of property, plant and equipment	-	(905)
Write off of capital work in progress (Note 8)	-	-
Write back of provisions (Note 30)	-	-
Current income tax expenses	-	6,564
Interest on deposit for shares	6,127	21,910
Interest payment on deposit for shares	(6,127)	(21,958)
Decrease in deposit for shares	6,194	-
Deferred tax expenses	-	-
Decrease in employee benefits	13,813	9,244
Increase in operating assets (Note 32)	(412,750)	(1,674,614)
Increase in operating liabilities (Note 33)	397,601	1,908,586
<b>Total adjustments</b>	<u>60,859</u>	<u>629,646</u>
<b>Cash flow (used in)/generated from operations</b>	<u><u>(78,303)</u></u>	<u><u>218,162</u></u>
<b>36. Basic earnings/loss per share</b>		
Earnings per share (basic) have been computed for each year on the profit/loss after tax attributable to ordinary shareholders and divided by the number of issued and fully paid up 0.50 kobo ordinary shares during the year.		
Profit/loss after taxation	<u><u>(139,161)</u></u>	<u><u>13,553</u></u>
Number of shares	<u><u>1,726,506</u></u>	<u><u>1,726,506</u></u>
Earnings/loss per share (kobo)	<u><u>(8)</u></u>	<u><u>1</u></u>
<b>37. Information regarding directors and employees</b>		
<b>37.1 Directors' emoluments comprise:</b>		
Fees:		
- Chairman	500	500
- Other Directors	3,600	3,600
- Sitting allowance (per sitting)	50	50
Emolument of executive directors	48,815	48,815
	<u>52,965</u>	<u>52,965</u>
<b>37.2 Fees and other emoluments (excluding reimbursable expenses disclosed above include amount paid to:</b>		
Chairman	<u>500</u>	<u>500</u>
Highest paid director	<u>31,058</u>	<u>31,058</u>

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

		Year ended 31-Dec-18	Year ended 31-Dec-17
<b>37.3 Scale of directors' remuneration</b>			
The number of Directors who received fees and other emoluments (excluding pension contributions, certain benefits and reimbursable expenses in the following range were:			
<b>N</b>	<b>N</b>	<b>Number</b>	<b>Number</b>
Below -	2,500,000	-	-
2,500,001 -	5,000,000	-	-
5,000,001 -	7,500,000	-	-
7,500,001 -	10,000,000	-	-
10,000,001 -	12,500,000	-	1
Above	12,500,001	<u>2</u>	<u>1</u>
		<u>2</u>	<u>2</u>
The number of directors who received emoluments		2	2
The number of directors who did not received emoluments		9	9
<b>37.4 Personnel compensation</b>		<b>N'000</b>	<b>N'000</b>
Personnel compensation comprised:			
Short-term employee benefits		149,039	79,253
Contribution to compulsory pension fund scheme		<u>14,366</u>	<u>12,873</u>
		<u>163,405</u>	<u>92,126</u>
<b>Analysis by function:</b>			
Production		40,587	33,130
Marketing and distribution		29,367	33,965
Administration		<u>93,452</u>	<u>25,031</u>
		<u>163,405</u>	<u>92,126</u>
<b>37.5 The average number of persons employed during the year by category:</b>		<b>Number</b>	<b>Number</b>
Management		39	37
Senior staff		84	89
Junior staff		<u>46</u>	<u>49</u>
		<u>169</u>	<u>175</u>
<b>37.6 Scale of employees' remuneration</b>			
<b>N</b>	<b>N</b>		
Below -	250,000	-	27
250,001 -	500,000	-	58
500,001 -	750,000	40	43
750,001 -	1,000,000	45	35
1,000,001 -	1,250,000	25	7
1,250,001 -	1,500,000	7	8
Above	1,500,001	<u>52</u>	<u>10</u>
		<u>169</u>	<u>188</u>

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

	Year ended	Year ended
	Amount due to/(from) the company	
	Year ended 31-Dec-18 N'000	Year ended 31-Dec-17 N'000
<b>38. Related party transaction</b>		
During the year, the company had no significant business dealings with related parties. The transaction value and balances of these business is as at the previous year and the dealings are:	-	-
<b>39.</b> Some of the directors of Neimeth International Pharmaceutical Plc are also the directors of Worldwide Healthcare Limited.		
<b>40. Financial commitments</b>		
The Directors are of the opinion that all known liabilities and commitments have been taken into consideration in the preparation of these financial statements. These liabilities are relevant in assessing the Company's state of affairs.		
<b>41. Capital Commitments</b>		
The Directors are of the opinion that there were no capital commitments at 30 June 2018 (2016 - Nil).		
<b>42. Contingent Liabilities</b>		
The Company is subject to various pending litigations arising in the normal course of business. The contingent liabilities in respect of pending litigations as at 31 December 2017 (2016 : N2,600,000).		
<b>43. Events after reporting date</b>		
Subsequent to year end September 2017, N190 million was agreed as full and final settlement in respect of insurance claim on the fire incident that gutted the company's raw material at Oregon factory.		
No other event or transaction has occurred since the reporting date, which would have had a material effect on the financial statement as at that date or which needs to be disclosed in the financial statements in the interest of fair presentation of the company's financial position as at the reporting date or its results for the quarter ended.		
<b>44. Comparative figures</b>		
Certain comparative figures in these financial statements have been reclassified to ensure proper disclosure and uniformity with current year presentation.		

# **NEIMETH INTERNATIONAL PHARMACEUTICALS PLC**

**FOR THE QUARTER ENDED 31 DECEMBER 2018**

## **Other National Disclosures**

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2018

	Year ended 31-Dec-18	%	YEAR ended 31-Dec-17	%
Turnover	227,068		1,534,003	
Other income	<u>151</u>		<u>5,493</u>	
	<b>227,219</b>		<b>1,539,496</b>	
Cost of goods and services - foreign	-		(859,650)	
Cost of goods and services - local	<u>(158,283)</u>		<u>(427,662)</u>	
<b>Value added</b>	<b><u>68,936</u></b>	<b><u>100</u></b>	<b><u>252,184</u></b>	<b><u>100</u></b>
<b>Applied as follows:</b>				
<b>To pay employees:</b>				
Salaries wages and other staff costs	163,405	237	461,672	183
<b>To providers of capital:</b>				
Finance costs	19,860	29	84,266	33
<b>To pay Government:</b>				
Company income tax	-	-	6,564	3
<b>To provide for assets replacement:</b>				
Depreciation of property, plant and equipment	24,832	36	111,166	44
<b>Retained for future expansion:</b>				
- Deferred taxation	-	-	-	-
- Profit/loss suffered on ordinary activities	<u>(139,161)</u>	<u>(202)</u>	<u>(411,484)</u>	<u>(163)</u>
<b>Value added</b>	<b><u>68,936</u></b>	<b><u>100</u></b>	<b><u>252,184</u></b>	<b><u>100</u></b>

Value added represents the additional wealth, the company has been able to create by its own and its employees' efforts. This statement shows the allocation of wealth among employees, providers of capital government and that retained for future creation of more wealth.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## FINANCIAL SUMMARY

31 DECEMBER

	2018 N'000	2017 N'000	2016 N'000	2015 N'000	2014 N'000
<b>Statement of financial position</b>					
Property, plant and equipment	737,920	714,377	503,172	471,396	541,976
Intangible asset	-	-	-	-	-
Deposit for shares	-	-	-	-	24,515
Available for sale assets	-	-	-	-	-
Net current assets	364,055	526,759	1,042,730	897,036	1,099,542
Non current liabilities	(255,630)	(255,630)	(323,484)	(211,107)	(173,024)
<b>Net assets</b>	<b>846,346</b>	<b>985,508</b>	<b>1,222,418</b>	<b>1,157,325</b>	<b>1,493,009</b>
<b>Equity and reserves</b>					
Share capital	863,254	863,253.23	784,776	784,776	784,776
Share premium reserve	1,113,889	1,113,890.03	1,197,933	1,197,933	1,197,933
Other reserve	-	-	-	-	-
Bonus issue reserve	-	-	-	-	-
Fair value reserve	-	-	-	-	-
Retained earnings	(1,130,798)	- 991,637.00	(760,291)	(825,384)	(489,700)
<b>Total equity and reserves</b>	<b>846,346</b>	<b>985,506.26</b>	<b>1,222,418</b>	<b>1,157,325</b>	<b>1,493,009</b>
	<b>2018 N'000</b>	2017 N'000	2016 N'000	2015 N'000	2014 N'000

## Statement of Comprehensive income

<b>Turnover</b>	<b>227,068</b>	394,298	2,001,815	1,460,728	1,628,395
Profit/(loss) before tax	(139,161)	13,553	95,361	(315,772)	(198,173)
Taxation	-	-	(30,268)	(19,912)	(30,362)
<b>Profit/(loss) for the Year</b>	<b>(139,161)</b>	13,552	65,093	(335,684)	(228,535)
Other comprehensive income/(loss) for the year	-	-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>(139,161)</b>	<b>13,552</b>	<b>65,093</b>	<b>(335,684)</b>	<b>(228,535)</b>
<b>Per share data:</b>					
Earnings/(loss) per share (kobo) - Basic	<b>(8)</b>	(24)	4	(21)	(15)
Net assets per ordinary share (kobo)	<b>49</b>	47	78	74	95

Profit/(loss) per share are based on the profit/(loss) after tax and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on net assets and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.