

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

**FINANCIAL STATEMENTS
30 SEPTEMBER 2020**

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

Contents	Page
Statement of Directors' responsibilities in relation to the financial statements	1
Independent Auditor's Report	2
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Other national disclosures:	
Statement of value added	47
Financial summary	48

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004, requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss and other comprehensive income. The responsibilities include ensuring that the company:

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirements of the companies and allied matters act, CAP C20, Laws of the Federation of Nigeria, 2004;
- b) establishes adequate internal controls to safeguard its asset and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the Company annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; in compliance with Financial Reporting Council of Nigeria Act No. 6, 2011 and in the manner required by the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit for the year ended 30 September 2020. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the Company financial statements, as well as adequate systems of internal financial control.

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



Dr. A. B. C. Orjiako
Chairman

FRC/2013/IODN/00000003161

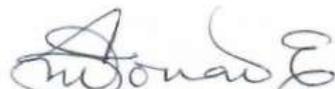
Dated: 7 December 2020



Pharm. M.O Azoji
Managing Director / CEO

FRC/2016/PCNNG/00000014686

Dated: 7 December 2020



Mrs. Temitayo O. Nelson
Executive Director- Finance

FRC/2019/ICAN/00000019924

Dated: 7 December 2020

Independent Auditor's report

To the Members of Neimeth International Pharmaceuticals Plc

Opinion

We have audited the financial statements of Neimeth International Pharmaceuticals Plc (the "Company"), which comprise the statement of financial position at 30 September 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at 30 September 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and with the requirements of the Companies and Allied Matters Act, Cap C20, LFN 2004.

Basis for opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p>Accuracy of recognition and measurement of revenue Neimeth International Pharmaceuticals Plc revenue amounted to N2.8 billion for the year ended 30 September 2020. The application of IFRS 15, involves certain key judgement relating to identification of distinct performance obligations, the appropriateness of basis used to measure revenue recognised, determination of transaction price of the identified performance obligations and recognition of revenue when performance obligation is met.</p> <p>There could be pressure on margin which could lead to recognising revenue when performance obligations have not been met and risk and reward has not been transferred to the third party.</p> <p>Also, given the nature of contracts with some of the customers, there could be issues around cut off and revenue recognition based on satisfaction of performance obligation.</p> <p>All issues identified above made revenue a key audit matter.</p>	<p>The following audit procedures were performed among others:</p> <ul style="list-style-type: none"> - Reviewed the accounting policy for consistency and management's procedures in the recognition and recording of revenue. - Evaluated the design and implementation and the operating effectiveness of internal controls over the approval of products sold. - For sale of goods to major customers during the year, we compared on a sample basis, postings into revenue ledger which is evidenced by delivery notes and copy of invoice. We also verified and matched on a sample basis customers' purchase order, delivery notes and signed contract agreement. - Tested the accuracy of samples of journal entries relating to revenue by matching them against approved credit notes to customers with respect to sales returns. - Tested whether revenue transactions occurring both prior and post year end date were recognized in the correct period. - Reviewed the controls around information technology systems and performed data integrity check on revenue.
<p>b) Impairment of trade and other receivables The Company is exposed to credit arising from the company trade receivables.</p> <p>The determination of the impairment charge for trade receivables requires the assessment of Expected Credit Loss Model (ECL) using the simplified approach on recoverable amounts in line with IFRS 9.</p> <p>The ECL model involves the application of considerable level of judgement and estimation in determining inputs which are derived from historical records obtained within and outside the company in formulating the financial model. The models also requires assumptions in the estimation of forward looking macro-economic variables in computing the probability of default. (PD).</p> <p>The appropriateness of impairment calculation for long overdue debts which require significant management's judgement, makes it a key audit matter.</p>	<p>Focused our testing of impairment on the assumption made by management and in line with IFRS 9, Expected Credit Loss Model (ECL).</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> - Assessed and tested the design and operating effectiveness of the controls over impairment calculations. - Reviewed the age analysis of debtors and internal controls over recoverability of receivables - Reviewed impairment model adopted by management and evaluated whether the model used to calculate the recoverable amount complies with the requirements of IFRS 9 and is in agreement with our understanding of the business and the industry in which Neimeth operates. - We challenged management's assessment on the recoverability of overdue receivables, collection pattern, considering historical patterns of debt and repayment as well as recent communications with their counterparties. - Evaluated the accounting principles underlying revenue recognition, which form the basis for the recognition of trade receivables.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's statement, Directors' Report, Audit Committee's Report, Corporate Governance Report and Company Secretary's report but does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the Companies and Allied Matters Act, Cap C20, LFN 2004 and with the requirements of the International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011, and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



Accountants &
business advisers

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of schedule sixth of the Companies and Allied Matters Act, Cap C.20 LFN 2004.

In our opinion, proper books of account have been kept by the Company, so far as it appears from our examination of those books of the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.


Benson O. Adejayan, FCA
FRC/2013/ICAN/00000002226
For: PKF Professional Services
Chartered Accountants
Lagos, Nigeria

Dated: 7 December 2020

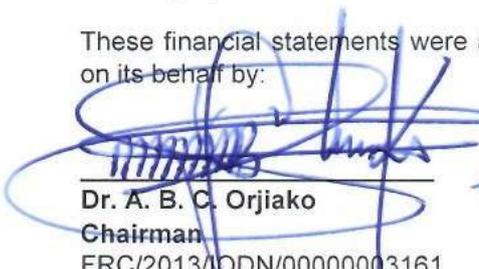


NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

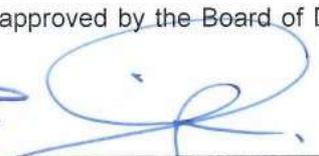
STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2020

	Notes	30-Sep-20 N'000	30-Sep-19 N'000
Assets			
Non-current assets			
Property, plant and equipment	16.	1,214,111	757,878
Investment properties	17	35,965	-
		<u>1,250,076</u>	<u>757,878</u>
Current assets			
Inventories	18.	1,439,156	772,757
Trade and other receivables	19.	1,026,085	1,027,858
Other current assets	20.	91,229	73,767
Cash and cash equivalents	21.1	2,634,814	121,540
		<u>5,191,284</u>	<u>1,995,922</u>
Total assets		<u>6,441,360</u>	<u>2,753,800</u>
Liabilities			
Current liabilities			
Trade and other payables	23.	691,816	465,625
Current borrowing	22.4	299,510	101,059
Current portion of long term borrowings	22.1	1,007,612	725,229
Finance lease liabilities	29.	6,358	20,362
Current tax payable	26.	193,720	93,400
Defined benefit obligation	24.	21,848	29,410
		<u>2,220,864</u>	<u>1,435,085</u>
Non-current liabilities			
Non-current portion of long term borrowings	22.1	2,911,131	153,651
Deferred tax liability	27.	34,704	93,046
		<u>2,945,835</u>	<u>246,697</u>
Total liabilities		<u>5,166,699</u>	<u>1,681,782</u>
Net assets		<u>1,274,661</u>	<u>1,072,018</u>
Equity			
Ordinary shares	30.2	949,579	949,579
Share premium	30.3	112,606	1,020,603
Retained earnings/(accumulated loss)	31.	212,476	(898,164)
Total equity		<u>1,274,661</u>	<u>1,072,018</u>

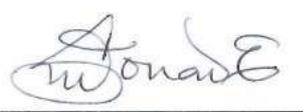
These financial statements were approved by the Board of Directors on 7 December 2020 and signed on its behalf by:


Dr. A. B. C. Orjiako
Chairman

FRC/2013/ODN/00000003161


Pharm. M. O. Azoji
Managing Director / CEO

FRC/2016/PCNNG/00000014686


Mrs. Temitayo O. Nelson
Executive Director - Finance

FRC/2019/ICAN/00000019924

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 YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 N'000	2019 N'000
Turnover	8	2,839,119	2,371,311
Cost of sales	9	<u>(1,329,701)</u>	<u>(1,175,581)</u>
Gross profit		1,509,418	1,195,730
Other income	10	29,285	2,548
Marketing and distribution expenses	11	(505,109)	(377,227)
Administrative expenses	12	(452,281)	(375,205)
Exchange loss	13	<u>(188,052)</u>	<u>(32,465)</u>
Operating profit		393,261	413,381
Finance costs	14	<u>(95,873)</u>	<u>(108,942)</u>
Profit before taxation		297,388	304,439
Income tax expense	28	<u>(84,912)</u>	<u>(84,292)</u>
Profit for the year from continued operation		<u>212,476</u>	<u>220,147</u>
Other comprehensive income			
Gain on available for sale assets		<u>-</u>	<u>-</u>
Total other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>212,476</u>	<u>220,147</u>
Basic earnings per share	32	<u>11</u>	<u>12</u>

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 YEAR ENDED 30 SEPTEMBER 2020

	Ordinary shares N'000	Share premium N'000	Accumulated loss N'000	Total equity N'000
At 1 October 2018	<u>863,254</u>	<u>1,113,889</u>	<u>(1,118,311)</u>	<u>858,832</u>
Changes in equity the year				
Profit for the year	-	-	220,147	220,147
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive profit for the year	<u>-</u>	<u>-</u>	<u>220,147</u>	<u>220,147</u>
Transfer between share capital/premium	86,325	(86,325)	-	-
Transaction costs for equity issue	-	(6,961)	-	(6,961)
At 30 September 2019	<u>949,579</u>	<u>1,020,603</u>	<u>(898,164)</u>	<u>1,072,018</u>
At 1 October 2019	<u>949,579</u>	<u>1,020,603</u>	<u>(898,164)</u>	<u>1,072,018</u>
Changes in equity for the year				
Profit for the year	-	-	212,476	212,476
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive profit for the year	<u>-</u>	<u>-</u>	<u>212,476</u>	<u>212,476</u>
Transfer to reserve	-	-	-	-
Transfer between share capital/premium	-	(898,164)	898,164	-
Transaction costs for equity issue	-	(9,833)	-	(9,833)
At 30 September 2020	<u>949,579</u>	<u>112,606</u>	<u>212,476</u>	<u>1,274,661</u>

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 N'000	2019 N'000
Profit for the year		212,476	220,147
Adjustment for:			
Depreciation of property, plant and equipment	16	110,723	103,461
Gain or loss on disposal	10	-	(1,746)
Impairment loss on trade receivables	19.2	-	8,848
Impairment write back	19.2	(4,580)	-
Finance cost	14	95,873	108,941
Exchange loss	13	188,052	32,465
Income tax expense	28	143,254	46,095
		745,798	518,211
Changes in:			
Increase in inventories		(666,399)	(89,301)
Decrease/(increase) in trade receivables		6,353	(324,385)
Decrease in other asset		(17,462)	80,185
Increase in trade and other payables		226,189	129,780
Increase in deferred tax liability		(58,342)	38,197
Decrease in define benefit obligation		(7,562)	(27,441)
Cash generated from operating activities		228,575	325,246
Income tax paid	26.	(42,933)	(14,065)
Net cash from operating activities		185,642	311,181
Cash flows from investing activities			
Purchase of property plant and equipment	16	(602,921)	(150,737)
Proceed from disposal of property, plant and equipment	10.1	-	5,521
Net cash used in investing activities		(602,921)	(145,216)
Cash flows from financing activities			
Proceed from import finance facility	22.4.2	221,293	463,166
Repayment of loans		(294,227)	(531,065)
Current borrowing obtained	22.4	299,510	-
Finance cost paid	14	(29,868)	(62,580)
Proceeds from term loan	22	2,787,340	-
Bonus share issue cost	30.3	-	(6,961)
Capital restructuring cost	30.3	(9,833)	-
Net cash generated/(used) in financing activities		2,974,215	(137,440)
Effect of exchange rate changes on cash and cash equivalents		4,087	(158)
Net increase in cash and cash equivalents		2,556,936	28,525
Cash and cash equivalents at 1 October		73,792	45,425
Cash and cash equivalents at 30 September	21.2	2,634,814	73,792

The accompanying 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 YEAR ENDED 30 SEPTEMBER 2020

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 year ended 30 September 2019 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 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).

2.5 Summary of Standards and Interpretations effective for the first time

2.5.1 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-

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

Impact on Initial Application

These standard does not have any impact on the entity's' financial statements.

2.5.2 Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments in response to diversity in practice for various issues in circumstances in which there is uncertainty in the application of the tax law. While IAS 12 Income Taxes provides requirements on the recognition and measurement of current and deferred tax liabilities and assets, there is diversity in the accounting for income tax treatments that have yet to be accepted by tax authorities.

The Interpretation requires an entity to:

- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty;
- measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable);
- reassess the judgements and estimates applied if facts and circumstances change (e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires); and
- consider whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;

The Interpretation is applicable for annual periods beginning on or after January 1, 2019.

The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. Key requirements The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Effective date and transition The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

2.5.3 Prepayment Features with Negative Compensation - Amendments to IFRS 9

Key requirements Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification.

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Transition - The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the rest of IFRS 9.

Effective date and transition The interpretation is effective for annual reporting periods beginning on or after 1 January 2019.

2.5.4 Plan Amendment, Curtailment or Settlement - Amendments to IAS 19

Key requirements The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. Determining the current service cost and net interest When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset) Effect on asset ceiling requirements.

A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change. The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. This clarification provides that entities might have to recognise a past service cost, or a gain or loss

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

Transition: The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

2.6 Standards and interpretations issued/amended 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 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 17 is effective for annual periods beginning on or after January 1, 2021, well after the effective date of IFRS 9 Financial Instruments, January 1, 2018. IFRS 9 will cover a majority of an insurer's investments; therefore, the expected differing effective dates created concerns related to temporary volatility and accounting mismatches in profit or loss. Some companies have also expressed concerns about the need to implement two significant changes in accounting on different dates, which will increase costs and complexity.

In September 2016, the IASB issued amendments to its existing insurance contracts standard, IFRS 4. The amendments introduced two approaches that supplement existing options in the Standard that can be used to address the temporary volatility as a result of the different effective dates of IFRS 9 and the forthcoming insurance contracts standard.

The amendments:

- provide a reporting entity (whose predominant activity is to issue insurance contracts) a temporary exemption from applying IFRS 9 until the earlier of: a) the application of IFRS 17; or b) January 1, 2021 (to be applied at the reporting entity level) (referred to as the 'temporary exemption'); and
- give entities issuing insurance contracts the option to remove from profit or loss the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9 (referred to as the 'overlay approach'). This option will be in place until IFRS 17 comes into effect.

Impact on Initial Application

The amendment to the standard might not have any impact on the entity's financial statements when it becomes effective in 2021

2.6.2 Conceptual Framework for Financial Reporting

Purpose:- The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Key provisions: The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance The Conceptual Framework is accompanied by a Basis for Conclusions.

The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework.

There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 Business Combinations and for those applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

Impact The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

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.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 ¹ / ₃

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.

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 Investment properties

Investment Properties are Properties that are held for long-term rental yields or for capital appreciation or both, that are not occupied by any of the department within the Company. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, if any. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. It's carrying value at the date of reclassification becomes its cost for subsequent accounting purposes.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is it's carrying amount at the date of change in use.

3.4 Inventories

Inventories are valued using standard costing method of valuation. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

3.5 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.

3.6 Financial instruments

Recognition and initial measurement

Financial instruments carried at statement of financial position date include the loans and receivables, cash and cash equivalents and borrowings. Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below:

3.6.1 Financial assets

Initial recognition and measurement of financial assets

The Company classifies its financial assets at initial recognition and subsequently measured at amortised cost, at fair value through other comprehensive income (OCI) and fair value through profit or loss.

The Company classifies its financial assets into the following categories: Financial assets at fair value through profit or loss, at fair value through OCI or at amortised cost. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

3.6.2 Subsequent measurement

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

- Financial assets at amortised cost (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss (the company however has no financial instrument in this category).

a) Financial assets at fair value through profit or loss

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.

b) Financial assets at fair value through other comprehensive income

Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

c) 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 company 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.

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 group 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.

3.6.3 Financial liabilities

3.6.3.1 Initial recognition and measurements

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

3.6.3.2 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

3.6.4 Impairment of financial assets

3.6.4.1 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses (ECL) associated with its trade receivables, equity instrument and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events,

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

current conditions and forecasts of future economic conditions. Equity instruments are not subject to impairment under IFRS 9.

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

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

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

3.6.4.2 Credit-impaired financial assets

The Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt instruments carried at FVOCI are credit-impaired. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following:

- there is significant financial difficulty of a customer (potential bad debt indicator);
- there is a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company, for economic or legal reasons relating to the Customer's financial difficulty, granting to the Customer a concession that the Company would not otherwise consider.
- it becomes probable that a counterparty/Customer may enter bankruptcy or other financial reorganisation;
- there is the disappearance of an active market for a financial asset because of financial difficulties; or
- observable data indicates that there is a measurable decrease in the estimated future cash flows from a Company of financial assets.
- the financial asset is 360 days and above past due.

A trade receivable debt that has been renegotiated due to a deterioration in the Customer's financial condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

3.6.4.3 Presentation of allowance for ECL

Trade receivable allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: the loss allowance is recognised as a provision, and
- debt instruments measured at FVOCI: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

3.7 Other financial assets:

Other financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. These are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses. These comprise trade receivables, unbilled revenues, cash and cash equivalents and other assets.

3.8 Trade and other receivables

Trade receivables are stated at fair value and subsequently measure at fair value through profit or loss, less provision for impairment. Impairment thereon are computed using the simplified IFRS 9 ECL Model, where the receivables are aged and probability of default applied on each aged bracket. Trade receivables meet the definition of financial assets and the carrying amount of the trade receivables approximates their fair value.

3.9 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.

The entity subsequently measures all equity investments at fair value. Where the entity's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

3.10.1 Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

3.11 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.

3.12 Trade and other payables

Trade and other payables are stated at their original invoiced value. The Directors consider the carrying amount of other payables to approximate their fair value.

3.13 Employee benefits

3.13.1 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.

3.13.2 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.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

3.13.3 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.

3.13.4 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.

3.14 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.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

3.15 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.

3.16 Revenue recognition

3.16.1 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.

3.17 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.

3.18 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.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

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.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

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

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

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.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

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.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

Exposure to risk

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

	2020 N'000	2019 N'000
Financial assets		
Trade and other receivables	1,026,085	1,027,858
Cash and cash equivalents	<u>2,634,814</u>	<u>121,540</u>

An analysis of trade receivables

	Gross amount N'000	Note	Analysis of Receivables using simplified approach of IFRS 9		
			Performing N'000	Default N'000	Lost N'000
2020	1,708,099	19	1,006,283	491,843	209,973
2019	1,613,146	19	837,687	585,288	190,171

The Company allows an average debtors period of 30 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.

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 it's exposure to liquidity risk.

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.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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).

The debt-to-capital ratios at 30 September 2020 and its comparative year were as follows:

	2020 N'000	2019 N'000
Total liabilities	<u>5,166,699</u>	<u>1,681,782</u>
Total liabilities and equity	<u>6,441,360</u>	<u>2,753,800</u>
Debt-to-capital ratio	<u>0.80</u>	<u>0.61</u>

The increase in the debt-to-capital ratio during 2020 resulted primarily from the increase in the entity's borrowings during the year.

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

There was no significant change to its capital structure during the year.

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.

8. Segment information

8.1 Operating segments

The Company has two reportable business segments, summarised as follows:

Pharmaceuticals product group:

This include the marketing and sales of the Company's branded products, and the consumer product group.

Animal health product group:

This include the marketing and sales of poultry and large animal range of anthelmintics as well as production enhancing medicaments.

	2020 N'000	2019 N'000
Pharmaceuticals	<u>2,470,102</u>	<u>2,281,197</u>
Animal health	<u>369,017</u>	<u>90,114</u>
	<u>2,839,119</u>	<u>2,371,311</u>

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 N'000	2019 N'000
8.2 Geographical segment		
The Company operates in two geographic regions namely Nigeria and Ghana.		
Nigeria	2,806,777	2,354,763
Ghana	<u>32,342</u>	<u>16,548</u>
	<u>2,839,119</u>	<u>2,371,311</u>
The reported revenue for animal health segment is not significant to 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.		
9. Cost of sales		
Raw material		
At 1 October	415,075	367,378
Add purchases	<u>1,321,770</u>	<u>848,414</u>
	1,736,845	1,215,792
Less: Closing stock	<u>(726,947)</u>	<u>(415,075)</u>
Product Cost	<u>1,009,898</u>	<u>800,717</u>
Factory overhead expenses		
Production salaries and wages	203,737	162,155
Power and fuel	19,304	26,563
Factory other expenses	116,067	80,105
Depreciation: - Plant and machinery	61,830	59,789
- Building	4,806	4,418
Obsolete, excess inventory recovery	1,640	2,306
(Increase)/decrease in finished goods	(105,661)	18,668
Decrease in work in progress	19,590	19,305
(Increase)/decrease in spares parts	<u>(1,510)</u>	<u>1,555</u>
	<u>319,803</u>	<u>374,864</u>
	<u>1,329,701</u>	<u>1,175,581</u>

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 N'000	2019 N'000
10. Other income		
Gains on disposal of property, plant and equipment (Note 10.1)	-	1,746
Sundry receipts (Note 10.2)	1,941	802
Sales of scrap	973	-
Insurance claim	260	-
Lease rental income (Note 10.3)	16,667	-
Provision no longer required (Note 10.4)	9,444	-
	<u>29,285</u>	<u>2,548</u>
10.1. Gain on disposal of property, plant and equipment		
Cost	-	6,291
Accumulated depreciation	-	(2,516)
	<u>-</u>	<u>(2,516)</u>
Carrying amount	-	3,775
Proceed on disposal	-	(5,521)
	<u>-</u>	<u>(5,521)</u>
Profit on disposal	<u>-</u>	<u>(1,746)</u>
10.2. This represent merging account balances from closed Zenith bank account to another similar account.		
10.3. This represent leased rental income from Neimeth property (former office complex) at 1 Henry Carr, Ikeja.		
10.4 This represent provision no longer required on trade receivable and credit balance in trade receivable from prior year repeated this year		
11. Marketing and distribution expenses		
Employee cost	196,839	103,670
Transport and travelling	60,467	57,674
Advert and promotions	156,238	164,448
Depreciation of motor vehicle	34,959	28,270
Communication and subscription	761	559
Donation	1,017	275
Printing and stationeries	1,408	359
Rent and rate	3,383	3,926
Product registration expenses	13,831	3,443
Training and seminar	3,200	50
Medical expenses	502	58
Energy cost	10,029	2,710
Repairs and maintenance	13,790	5,191
Telephone and postages	4,272	983
Corporate expenses	4,063	2,518
Others	352	3,093
	<u>505,109</u>	<u>377,227</u>

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 N'000	2019 N'000
12. Administration expenses		
Employee costs	166,226	153,623
Impairment allowance for trade and other receivables	-	8,848
Corporate expenses	6,133	409
Transport and travelling	31,438	32,045
Legal, consultancy and professional fees	20,781	18,933
Energy cost	39,441	25,952
Rent and rate	-	200
Bank charges and commission	64,140	39,195
Insurance	19,041	15,782
Repairs and maintenance	4,764	2,443
Printing and stationeries	2,169	1,352
Training and seminar	6,016	6,273
Conference and meetings	27,106	20,643
Medical expenses	18,306	12,172
Telephone and postages	10,895	9,757
Communication and subscription	5,026	1,884
Depreciation of office and computer equipment	9,130	10,983
Audit fee	8,894	8,085
Gift and donation expenses	8,878	4,301
Security expenses	2,983	1,583
Others (Note 12.1)	916	743
	<u>452,281</u>	<u>375,205</u>
12.1 Others represent public relations expenses and clinical/laboratory testing expenses.		
13. Foreign exchange loss		
Loss on currency translation	<u>188,052</u>	<u>32,465</u>
14. Finance costs		
Interest expenses	35,888	100,829
Interest on term loans	54,701	-
Interest on lease	5,284	8,113
	<u>95,873</u>	<u>108,942</u>
Less accrued interest in the year		
Accrued interest on debenture (Note 22)	54,701	40,733
Accrued Interest (Note 22.1)	11,304	5,629
	<u>66,005</u>	<u>46,362</u>
Finance costs paid	<u>29,868</u>	<u>62,580</u>

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

15. 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	Amortised cost N'000	Amortised cost N'000		
At 30 September 2020						
Assets						
Trade and other receivables	19	-	1,026,085	-	1,026,085	1,728,179
Cash and cash equivalents	21.1	2,634,814	-	-	2,634,814	2,634,814
		<u>2,634,814</u>	<u>1,026,085</u>	<u>-</u>	<u>3,660,899</u>	<u>4,362,993</u>
Liabilities						
Trade and other payables	23	-	-	691,816	691,816	691,816
Borrowings (Current portion)	22.1	-	-	1,007,612	1,007,612	1,007,612
Finance lease payable	29	-	-	6,358	6,358	6,358
		<u>-</u>	<u>-</u>	<u>1,705,786</u>	<u>1,705,786</u>	<u>1,705,786</u>
At 30 September 2019						
Assets						
Trade and other receivables	19	-	1,027,858	-	1,027,858	1,624,498
Cash and cash equivalents	21.1	121,540	-	-	121,540	121,540
		<u>121,540</u>	<u>1,027,858</u>	<u>-</u>	<u>1,149,398</u>	<u>1,746,038</u>
Liabilities						
Trade and other payables	23	-	-	465,625	465,625	465,625
Borrowings (Current portion)	22.1	-	-	725,229	725,229	725,229
Finance lease payable	29	-	-	20,362	20,362	20,362
		<u>-</u>	<u>-</u>	<u>1,211,216</u>	<u>1,211,216</u>	<u>1,211,216</u>

15.1 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.

15.2 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 FOR THE YEAR ENDED 30 SEPTEMBER 2020

16. 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
Cost									
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	-	36,228	70,566	25,074	290	1,650	16,929	-	150,737
Reclassification to CWIP	-	-	1,542	-	-	-	(1,542)	-	-
Reclassification from asset under lease	-	-	-	-	28,500	-	-	(28,500)	-
Disposal during the year	-	-	-	-	-	-	-	(6,291)	(6,291)
At 30 September 2019	106,332	157,074	814,755	108,343	346,842	68,186	70,574	88,078	1,760,184
Addition in the year	-	-	-	-	-	-	602,921	-	602,921
Reclassification from CWIP	-	4,128	7,825	1,366	54,600	3,277	(71,196)	-	-
Reclassification to investment property	(20,467)	(28,960)	-	-	-	-	-	-	(49,427)
At 30 September 2020	85,865	132,242	822,580	109,709	401,442	71,463	602,299	88,078	2,313,678
Accumulated depreciation and impairment losses									
At 1 October 2018	-	16,770	421,327	55,394	307,866	59,077	-	40,927	901,361
Charge for the year	-	4,418	59,789	5,142	10,613	5,884	-	17,615	103,461
Reclassification from asset under lease	-	-	-	-	12,617	-	-	(12,617)	-
Disposal	-	-	-	-	-	-	-	(2,516)	(2,516)
At 30 September 2019	-	21,188	481,116	60,536	331,096	64,961	-	43,409	1,002,306
Charge for the year	-	4,806	61,830	6,385	17,343	2,744	-	17,615	110,723
Reclassification to investment property	-	(13,462)	-	-	-	-	-	-	(13,462)
At 30 September 2020	-	12,532	542,946	66,921	348,439	67,705	-	61,024	1,099,567
Carrying amount									
At 30 September 2020	85,865	119,710	279,634	42,788	53,003	3,758	602,299	27,054	1,214,111
At 30 September 2019	106,332	135,886	333,639	47,807	15,746	3,225	70,574	44,669	757,878

Depreciation charged is included in the administrative expenses and cost of sales in the statement of profit or loss and other comprehensive income.

Property, plant and equipment includes amounts of motor vehicles which the company acquired under finance lease agreements.

Capital work in progress represents plant and equipment items under manufacturing for the upgrade of Oregon plant, the ongoing construction work in Amawbia (Anambra state) and payment made for accounting software (SAP) not yet in use.

The Company's property, plant and equipment have been used as a collateral for borrowings and are secured over the fixed and floating assets of the Company.

Reclassification to investment property. Certain classes of assets (land and building) have been reclassified to investment property as a result of change in use.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Software	
	2020	2019
	N'000	N'000
17. Investment properties		
At 30 September	<u>49,427</u>	<u>-</u>
Accumulated depreciation		
At 1 October	12,593	-
Charged in the year	<u>869</u>	<u>-</u>
	<u>13,462</u>	<u>-</u>
Carrying amount		
At 30 September	<u>35,965</u>	<u>-</u>

Investment property represents Neimeth office complex at 1 Henry car street, Ikeja. The office complex is currently held for lease rental. During the year ended 30 September 2020, the Company obtained N60,000,000 as rental income for a period of 3 years, commencing 1 December 2019. The company recognised N16,666,667 (2019 : Nil) as rental income in the statement of profit or loss and other comprehensive income for the year ended 30 September 2020. The value of N43,333,333 was deferred and will be released to income statement in subsequent year. It is management's intention to continue to keep this property as investment property. The Company is currently using the cost model for recognising the investment property, however its fair value at 30 September 2020 is N408,555,000. The valuation was done by Tope Ojo & Tunde Olonisakin Estate Surveyors & Valuers on 18 and 19 August 2020.

	2020	2019
	N	N
18. Inventories		
Raw materials	726,947	415,075
Work in progress	37,408	56,998
Finished goods	337,205	231,544
Spare parts	20,406	18,896
Goods in transit	<u>317,190</u>	<u>50,244</u>
	<u>1,439,156</u>	<u>772,757</u>

18.1 Inventories to the value of N1.439 billion (2019 : N773 million) were carried at net realisable value. No amount is recognised as expense in respect of write down of inventories to net realisable value. No inventories are pledged as security for liabilities.

19. Trade and other receivables

Trade receivables	1,708,099	1,613,146
Other receivable (Note19.1)	<u>19,802</u>	<u>121,108</u>
	1,727,901	1,734,254
Impairments allowance (Note 19.2)	<u>(701,816)</u>	<u>(706,396)</u>
	<u>1,026,085</u>	<u>1,027,858</u>

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 N'000	2019 N'000
19.1 Other receivables		
Staff loans	20,080	11,352
Receivable from insurance company (Note 19.3.)	-	110,034
Other receivables impairment	<u>(278)</u>	<u>(278)</u>
	<u>19,802</u>	<u>121,108</u>
19.2 Impairments allowance; Trade receivable		
At 1 October	706,396	697,548
Additional charge during the year	-	8,848
Provision no longer required	<u>(4,580)</u>	<u>-</u>
At 30 September	<u>701,816</u>	<u>706,396</u>
<p>Trade receivables are stated at fair value and subsequently measure at fair value through profit or loss, less provision for impairment. Impairment thereon are computed using the simplified IFRS 9 ECL Model, where the receivables are aged and probability of default applied on each aged bracket. Trade receivables meet the definition of financial assets and the carrying amount of the trade receivables approximates their fair value.</p>		
<p>19.3 This amount represents receivable from insurance company in respect of fire incident that gutted the company's warehouse at Oregon. However, this amount has been received in the current year.</p>		
20. Other assets		
Prepayments	25,971	30,007
Withholding tax receivable	22,000	21,523
Advance payment to suppliers	25,091	4,070
Replaceable stocks (Note 20.1.)	<u>18,167</u>	<u>18,167</u>
	<u>91,229</u>	<u>73,767</u>

20.1 Replaceable stocks represents finished product bought for sale by Neimeth, but rejected due because the products supplied failed quality test. However, the seller of the products has been notified and has agreed to replace the products. The products are being replaced in batches. The outstanding represents the value of the products yet to be replaced at year end.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 N'000	2019 N'000
21. Cash and cash equivalents		
21.1 Cash and cash equivalents as per statement of financial position		
Cash in hand	60	14
Cash in banks	<u>2,634,754</u>	<u>121,526</u>
	<u><u>2,634,814</u></u>	<u><u>121,540</u></u>
21.2 Cash and cash equivalents as per statement of cash flow		
Cash and cash equivalents		
Cash and bank balances (Note 21.1)	2,634,814	121,540
Bank overdrafts (Note 22.4)	<u>-</u>	<u>(47,748)</u>
	<u><u>2,634,814</u></u>	<u><u>73,792</u></u>
22. Borrowings		
Term loans		
At 1 October	719,610	645,898
Addition in the year	2,787,340	-
Accrued interest on debenture	54,701	40,733
Repayment during the year	-	(538)
Exchange loss	<u>192,137</u>	<u>33,517</u>
	3,753,788	719,610
Other loan (Note 22.3)	<u>164,955</u>	<u>159,270</u>
At 30 September	<u><u>3,918,743</u></u>	<u><u>878,880</u></u>
Analysis by maturity:		
22.1 Current		
Bank of Industries (Note 22.2.3)	24,432	-
CBN Intervention Fund (Note 22.2.2)	5,428	-
Daewoo Securities (Europe) Limited (Note 22.2.1)	966,448	719,610
Accrued interest on other loan (Note 22.3)	<u>11,304</u>	<u>5,619</u>
	<u><u>1,007,612</u></u>	<u><u>725,229</u></u>
Non-current:		
Bank of Industries (Note 22.2.3)	720,958	-
CBN Intervention Fund (Note 22.2.2)	<u>2,036,522</u>	<u>-</u>
	2,757,480	-
Other loan (Note 22.3)	<u>153,651</u>	<u>153,651</u>
	<u><u>2,911,131</u></u>	<u><u>153,651</u></u>
	<u><u>3,918,743</u></u>	<u><u>878,880</u></u>

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 N'000	2019 N'000
22.2 Analysis of Term loans		
Daewoo Securities (Europe) Limited (Note 22.2.1)	966,448	719,610
Bank of Industries (Note 22.2.3)	745,390	-
CBN Intervention Fund (Note 22.2.2)	<u>2,041,950</u>	<u>-</u>
	3,753,788	719,610
Other loan (Note 22.3)	<u>164,955</u>	<u>159,270</u>
	<u>3,918,743</u>	<u>878,880</u>

22.2.1 Daewoo Securities (Europe) Limited

400 million Japanese Yen (JPY) zero coupon bond issued by the Company in 2007 financial year. The bond due by 2014 (but was recalled in January, 2008) with options to subscribe ordinary shares of the Company to KDB Daewoo Securities (Europe) Limited. The principal JPY 260million had been repaid leaving outstanding JPY 140 million.

The outstanding balance of JPY 268,803,839 (comprising principal of JPY 140million, interest JPY 129 million) has been translated at Central Bank of Nigeria (CBN) ruling rate as at 30 September, 2020.

22.2.2 CBN Intervention Fund

This represents N2.4 billion CBN Intervention Funds. Utilisation is made up of N2 billion which is to be used to part finance the establishment of a new WHO Complaint cGMP Pharmaceuticals factory at Amawbia, Anambra State, while N400million is to be used to augment the company working capital requirement at interest rate of 5% per annum and to matured on 28 February 2021. Thereafter, interest will revert to 9% per annum from 1 March 2021.

22.2.3 Bank of Industries (BOI)

This consists of multiple loan facility of N750 million from BOI on 24 December 2019, comprising of a term loan of N500 million and a working capital facility of N250 million required to purchase items of equipment and raw materials for the manufacturing of pharmaceutical products at Neimeth factory at Oregon. Repayment for the term loan is 48 equal and consecutive monthly instalments of N10,416,666.67 commencing immediately after the moratorium period of 12 months. For the working capital facility component of the loan facility, thirty (30) equal and consecutive Monthly instalments of N8,333,333.33.

	2020 N'000	2019 N'000
22.3 Other loan		
At 1 October	159,270	179,834
Addition during the year	-	-
Accrued Interest	11,304	5,629
Accrued Interest paid		
Repayment in the year	<u>(5,619)</u>	<u>(26,193)</u>
At 30 September	<u>164,955</u>	<u>159,270</u>

Other loan represents amount received from directors and their company's as indicated in Note

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

22.3.1 below. The loan attracts 14% interest per annum.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

22.3.1 Related Party Transaction

			2020		2019
Related Party	Relationship	Nature of Transaction	Amount		Amount
			N'000		N'000
1. Alpha Pharmacy & Stores Ltd	Sir. I. T. Onyechi - Director in Alpha Pharmacy Stores	Loan	38,758		38,320
2. Dr. A. B. C. Orjiako	Director	Loan	62,771		62,140
3. Mr Emmanuel Ekunno	Former Director	Loan	1,049		1,036
4. Fall River Production Ltd	Mr. T. T. Osobu - Director in Fall River Prod. Ltd	Loan	10,461		10,357
5. Engr. Godwin E. Omene	Director	Loan	2,088		2,071
6. Bio Resources Institute of Nigeria	Prof. M. M. Iwu - Director in Bio Resources Inst.	Loan	49,813		45,346
			164,940		159,270

2020
N'000

2019
N'000

22.4 Current borrowings

Bank overdraft (Note 22.4.1)	-	47,748
Import finance facilities (Note 22.4.2)	-	53,311
CBN Intervention Fund (current) (Note 22.4.4)	299,510	-
	299,510	101,059

22.4.1 A N100million overdraft facility was obtained from Fidelity Bank Plc on March 13 2019, to support the company's' working capital requirement for clearing/duty payment, local raw material purchases, short fall in maturity obligations under the IFF and other operational expenses. The tenor of the overdraft is 365 days with 120 days clean up cycle at an interest rate of 21% per annum. Repayment is the cash flow from the company's daily operations and other sources available to the company.

2020
N'000

2019
N'000

22.4.2 Import finance facilities

At 1 October	53,311	64,367
Additions in the year	221,293	463,166
Repayment during the year	(274,604)	(474,222)
At 30 September	-	53,311

22.4.2 \$800,000.00 Import Finance Facility, obtained from Fidelity Bank Plc to finance the establishment of LC's for the importation of raw materials, available in both naira and dollar. The tenor is 365 days (each Letter of Credit has 120-day cycle with rollover option for 30 days) at an interest rate of 21% per annum.

In addition, a N100,000,000.00 Bond and guarantee Line was obtained from Fidelity Bank Plc on 13 March, 2019 for issuance of guarantee when required for contracts of supplies to employers. Tenor is 365 days. The security are as follows:

1. All asset Debenture over fixed and floating assets of the company.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Legal Mortgage on Plot 16 Akanni Doherty Layout Industrial Layout, Oregon, Lagos.
3. Legal Mortgage on No 1 and No 18 1B Henry Carr Street, Ikeja, Lagos.
4. Equity contribution of 10% of transaction for IFF/Confirmation Line.
5. Closure A Marine insurance over goods to be imported with Fidelity Bank interest duly noted.
6. Lien on shipping documents for imported goods to be released to customer upon arrival against trust receipt.

22.4.4 N400 million CBN Intervention loan, obtained from Central Bank of Nigeria as working capital (under the CBN RSSF-DCRR) to augment the Company working capital requirement vis a vis procurement of raw materials for production, payment of salaries as well as other working capital requirements. The tenor is one (1) year with a provision for renewal of not more than three (3) years at an interest rate of 5% per annum all inclusive up to 28 February 2021 and thereafter interest on the facility shall revert back to 9% (all inclusive from 1 March 2021. Repayment is quarterly of principal and interest (after the moratorium) from Neimeth operational cash flow as well as other sources available to the Company. Security is on all assets debenture of the Company's fixed and floating assets both present and future to be shared in parri passu with other lender.

	2020 N'000	2019 N'000
23. Trade and other payables		
Trade payables	73,814	100,681
Other accruals (Note 23.1)	414,060	165,672
Statutory deductions (WHT payable)	50,630	43,537
Royalties	53,665	53,316
Dividend payable	24,095	24,095
Other payables	54,907	65,818
Define contribution plan (Note 23.2)	<u>20,645</u>	<u>12,506</u>
	<u>691,816</u>	<u>465,625</u>

Trade payables are stated at their original invoice value. The directors consider the carrying amount of trade and other payables to approximate their fair value.

23.1 Other accruals

Unclaimed wages	1,316	1,176
Directors payable	5,303	1,231
Accrued electricity	2,768	-
Accrued audit fees	8,894	8,085
Import finance obligation	347,943	155,180
Property clearing	43,263	-
Others (Note 23.1.1)	<u>4,573</u>	<u>-</u>
	<u>414,060</u>	<u>165,672</u>

23.1.1 This represent unidentified customer lodgement.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 N'000	2019 N'000
23.2. Defined contribution plan		
At 1 October	12,506	19,320
Provision for the year	51,347	54,556
Payment during the year	<u>(43,208)</u>	<u>(61,370)</u>
At 30 September	<u><u>20,645</u></u>	<u><u>12,506</u></u>
24 Define benefit obligation		
At 1 October	29,410	56,851
Payment	<u>(7,562)</u>	<u>(27,441)</u>
At 30 September	<u><u>21,848</u></u>	<u><u>29,410</u></u>

24.1 The company's retirement benefit obligation is on a winding down basis. The company discontinued the gratuity in 2007 and only employees who are entitled to gratuity as at 2007 are qualified to benefit from the scheme and is to be paid whenever they disengage from the service of the company.

25. 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	
2020				
Loans and borrowings	1,007,612	2,911,131	-	3,918,743
Trade and other payables	691,816	-	-	691,816
Finance lease obligation	<u>6,358</u>	<u>-</u>	<u>-</u>	<u>6,358</u>
	<u><u>1,705,786</u></u>	<u><u>2,911,131</u></u>	<u><u>-</u></u>	<u><u>4,616,917</u></u>
2019				
Loans and borrowings	725,229	153,651	-	878,880
Trade and other payables	465,625	-	-	465,625
Finance lease obligation	<u>20,362</u>	<u>-</u>	<u>-</u>	<u>20,362</u>
	<u><u>1,211,216</u></u>	<u><u>153,651</u></u>	<u><u>-</u></u>	<u><u>1,364,867</u></u>
			2020 N'000	2019 N'000

26. Current tax liability

At 1 October	93,400	61,370
Payment in the year	(42,933)	(14,065)
Charge for the year (Note 28)	<u>143,253</u>	<u>46,095</u>
At 30 September	<u><u>193,720</u></u>	<u><u>93,400</u></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.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 N'000	2019 N'000
27. Deferred tax liability		
At 1 October	93,046	54,849
Charge for the year	(58,342)	38,197
At 30 September	<u>34,704</u>	<u>93,046</u>

27.1 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	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Property, plant and equipment		-	91,119	105,440	(14,321)	105,440
Exchange loss/(gain)	(56,416)	(9,740)	-	-	(46,676)	(9,740)
Provisions/unrecouped loss/capital allowance		(2,654)	-	-	2,654	(2,654)
Tax liability carried forward	(56,416)	(12,394)	91,119	105,440	34,703	93,046
Tax liability brought forward	-	-	93,046	-	93,046	54,849
Movement in deferred tax (asset)/liability	(56,416)	(12,394)	184,165	105,440	(58,343)	38,197

	2020 N'000	2019 N'000
28. Current tax		
Income/Minimum tax	132,001	37,116
Education tax	11,253	8,979
	143,254	46,095
Deferred taxation (Note 27)	(58,342)	38,197
As per statement of profit or loss and other comprehensive income	<u>84,912</u>	<u>84,292</u>

The company income tax computation for the year ended 30 September 2019 was based on the provisions of the Company Income Tax Act Cap C21 LFN 2004.

Education tax was computed at the rate of 2% of assessable profit in accordance with the provisions of the Act.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 N'000	2019 N'000
28.1 Reconciliation of effective tax rate		
The tax expense for the year is reconciled to the profit/(loss) for the year as follows:		
Profit before tax	297,388	304,439
Tax thereon @ 30%	89,216	91,332
Deductible items	79,588	43,355
Capital allowance	(36,803)	(97,571)
Education tax	11,253	8,979
Deferred tax effect	(58,342)	38,197
Tax expense for the year	84,912	84,292
Profit after tax	212,475	220,147
	%	%
28.2 The tax rate is reconciled to the effective tax rate as follows:		
Tax rate	30	30
Deductible items	27	14
Capital allowance	(12)	(32)
Education tax	4	5
Deferred tax effect	(20)	13
Total effective tax rate	29	30
	N'000	N'000
29. Finance lease obligation		
At 1 October	20,362	50,474
Addition	-	-
Repayment in the year	(14,004)	(30,112)
At 30 September	6,358	20,362
Analysed into:		
Current portion	6,358	20,362
Non-current portion	-	-
	6,358	20,362

This relates to lease obtained on Motor Vehicle classified as assets under finance lease included in property, plant and equipment.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 N'000	2019 N'000
30. Ordinary shares		
30.1 Authorised:		
2,000,000,000 ordinary shares of 50k each	<u>1,000,000</u>	<u>1,000,000</u>
30.2 Issued and fully paid:		
At 1 October	949,579	863,254
Bonus issue transfer from share premium	<u>-</u>	<u>86,325</u>
At 30 September	<u>949,579</u>	<u>949,579</u>
1,899,158,000 ordinary shares (2019: 1,899,158,000 ordinary shares @ 50k each)		
30.3 Share premium		
At 1 October	1,020,603	1,113,889
Bonus issue transfer to ordinary shares	-	(86,325)
Bonus issue cost	-	(6,961)
Transfer to reserve (Note 30.4)	(898,164)	-
Capital restructuring expenses (Note 30.5)	<u>(9,833)</u>	<u>-</u>
At 30 September	<u>112,606</u>	<u>1,020,603</u>

30.4 The shareholders at the Annual General Meeting on 5 March, 2020 approved the reduction of the share premium of the Company by N898,164,000 from N1,020,603,000 to N122,439,000 and the amount by which the share premium account is so reduced be credited to a capital restructuring reserve account.

The reduction in share premium was subsequently approved by the court and other regulatory authorities, including Securities and Exchange Commission (SEC) and the Financial Reporting Council of Nigeria.

30.5 This represent probate services, postage and other related expenses incurred to achieve capital restructuring programmes.

	2020 N'000	2019 N'000
31. Retained earnings		
At 1 October	(898,164)	(1,118,311)
Profit for the year	212,476	220,147
Transfer from share premium (Note30.3)	<u>898,164</u>	<u>-</u>
At 30 September	<u>212,476</u>	<u>(898,164)</u>

For the current year, the Directors proposed a dividend 6.5 kobo (2019 : Nil) per 50k share held as at 30 September 2020. This is subject to shareholders' ratification. No provision would be made for dividend until ratification at the Annual General Meeting. The payment of this dividend is subject to withholding tax at appropriate rate.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 N'000	2019 N'000	
32 Basic earnings per share			
Earnings per share (basic) have been computed for each year on the profit 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 after taxation	<u>212,476</u>	<u>220,147</u>	
Number of shares	<u>1,899,158</u>	<u>1,899,158</u>	
Earnings per share (kobo)	<u>11</u>	<u>12</u>	
33. Information regarding directors and employees			
33.1 Directors' emoluments			
Remuneration paid to the company's Directors (excluding pension contribution) were:			
Fees:			
- Chairman	500	500	
- Other Directors	3,300	2,800	
- Sitting allowance	400	400	
Emolument of executive directors	<u>62,740</u>	<u>48,401</u>	
	<u>66,940</u>	<u>52,101</u>	
33.2 Fees and other emoluments (excluding reimbursable expenses disclosed above include amount paid to:			
Chairman	<u>500</u>	<u>500</u>	
Highest paid director	<u>28,820</u>	<u>28,342</u>	
33.3 Scale of directors' remuneration			
The number of Directors who received fees and other emoluments (excluding pension contributions, certain benefits and reimbursable expenses in the following range were:			
N	N	Number	Number
Below	- 10,000,000	-	-
10,000,001	- 12,500,000	3	3
Above	12,500,001	-	-
		<u>3</u>	<u>3</u>
The number of directors who received emoluments		<u>4</u>	<u>4</u>
The number of directors who did not receive emoluments		<u>8</u>	<u>8</u>

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 N'000	2019 N'000
33.4 Personnel compensation		
Personnel compensation comprised:		
Short-term employee benefits	566,802	391,435
Contribution to compulsory pension fund scheme	-	28,013
	<u>566,802</u>	<u>419,448</u>
Analysis by function:		
Production	203,737	162,155
Marketing and distribution	196,839	103,670
Administration	166,226	153,623
	<u>566,802</u>	<u>419,448</u>
	Number	Number
33.5 The average number of persons employed during the year by category:		
Management	49	41
Senior staff	93	77
Junior staff	54	48
	<u>196</u>	<u>166</u>
33.6 Scale of employees' remuneration		
N	N	
Below -	250,000	-
250,001 -	500,000	-
500,001 -	750,000	49
750,001 -	1,000,000	43
1,000,001 -	1,250,000	25
1,250,001 -	1,500,000	9
Above	1,500,001	70
		<u>196</u>
		<u>166</u>

34. Financial commitments

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.

35. Capital commitments

The Directors are of the opinion that there were no capital commitments at 30 September 2020 (2019 - Nil).

36. Contingent liabilities

The Company is subject to various pending litigations arising in the normal course of business. The contingent liabilities in respect of pending litigations based on the response received from the company solicitors' was N81,974,705.63 as at 30 September 2020 (2019 : N82,004,706). In the opinion of the directors and based on the response obtained from the legal adviser, the company is of the opinion that no payment will be made in respect of pending litigations.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

37. Events after reporting date

The directors are of the opinion that no event or transaction has occurred since the reporting date, which would have had a material effect on the financial statements 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 year then ended.

38. Comparative figures

Where necessary comparative figures have been reclassified to ensure proper disclosure and uniformity in the current year's presentation. This reclassification have no net impact on these financial statements.

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Other National Disclosures

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020 N'000	%	2019 N'000	%
Turnover	2,839,119		2,371,311	
Other income	<u>29,285</u>		<u>2,548</u>	
	2,868,404		2,373,859	
Cost of goods and services - local	(696,026)		(572,975)	
Cost of goods and services - foreign	<u>(1,101,592)</u>		<u>(968,055)</u>	
Value added	<u>1,070,786</u>	<u>100</u>	<u>936,290</u>	<u>100</u>
Applied as follows:				
To pay employees:				
Salaries wages and other staff costs	566,802	53	419,449	45
To providers of capital:				
Finance costs	95,873	9	108,942	12
To pay Government:				
Company income tax	143,254	13	46,095	5
To provide for assets replacement:				
Depreciation of property, plant and equipment	110,723	10	103,461	11
Retained for future expansion:				
- Deferred taxation	(58,342)	(5)	38,197	4
- Profit on ordinary activities	<u>212,476</u>	<u>20</u>	<u>220,147</u>	<u>24</u>
Value added	<u>1,070,786</u>	<u>100</u>	<u>936,290</u>	<u>100</u>

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

30 SEPTEMBER

	2020 N'000	2019 N'000	2018 N'000 *Restated	2017 N'000 *Restated	2016 N'000
Statement of financial position					
Property, plant and equipment	1,214,111	757,878	714,377	568,933	503,173
Intangible assets	-	-	-	24,765	-
Investment property	35,965	-	-	-	-
Net current assets	2,970,420	560,837	390,665	400,769	1,042,729
Non current liabilities	(2,945,835)	(246,697)	(246,210)	(279,754)	(323,484)
Net assets	1,274,661	1,072,018	858,832	714,713	1,222,418
Equity and reserves					
Ordinary shares	949,579	949,579	863,254	863,254	784,776
Share premium reserve	112,606	1,020,603	1,113,889	1,113,889	1,197,933
Retained earnings/accumulated loss	212,476	(898,164)	(1,118,311)	(1,262,430)	(760,291)
Total equity and reserves	1,274,661	1,072,018	858,832	714,713	1,222,418
Statement of comprehensive income					
Turnover	2,839,119	2,371,311	2,269,004	1,534,003	2,001,815
Profit/(loss) before tax	297,388	304,439	166,460	(404,920)	95,361
Taxation	(84,912)	(84,292)	(18,444)	(6,564)	(30,268)
Profit/(loss) for the year	212,476	220,147	148,016	(411,484)	65,093
Other comprehensive income/(loss) for the year	-	-	-	-	-
Total comprehensive income/(loss) for the year	212,476	220,147	148,016	(411,484)	65,093
Per share data:					
Earnings/(loss) per share (kobo) - Basic	11	12	8	(24)	4
Net assets per ordinary share (kobo)	67	56	45	41	78

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.