

**NEIMETH INTERNATIONAL PHARMACEUTICALS PLC**

**FINANCIAL STATEMENTS  
30 SEPTEMBER 2021**

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

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# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021


The Companies and Allied Matters Act, 2020, 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, 2020;
- 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.

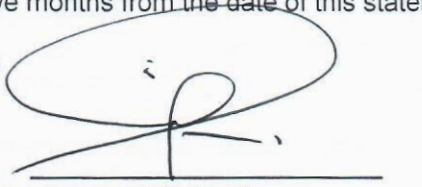
The Directors accept responsibility for the Company annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in accordance with International Financial Reporting Standards issued by the International Accounting 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, 2020.

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 2021. 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.

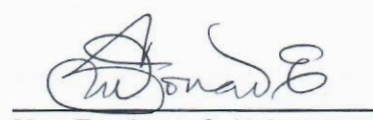
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



**Dr. A. B. C. Orjiako**  
Chairman  
FRC/2013/ODN/00000003161  
Dated: 21 December 2021



**Pharm. M.O Azoji**  
Managing Director / CEO  
FRC/2016/PCNNG/00000014686  
Dated: 21 December 2021



**Mrs. Temitayo O. Nelson**  
Executive Director - Finance  
FRC/2019/ICAN/00000019924  
Dated: 21 December 2021

## REPORT OF THE DIRECTORS

The Directors submit herewith to the members of the Company the Statement of Financial Position as at 30<sup>th</sup> September, 2021 together with the Comprehensive Income Statement for the year ended on that date.

### LEGAL FORM

The Company, Pfizer Products Nigeria was incorporated on 13<sup>th</sup> of August 1957 as a limited liability company. It was converted to a public limited company in 1991. On 14<sup>th</sup> May 1997, Pfizer Inc. N.Y. divested from the Company through a management buy-out. The Company's name was subsequently changed to Neimeth International Pharmaceuticals Plc. by a special resolution. The shares are currently quoted on the Nigerian Stock Exchange.

### PRINCIPAL ACTIVITIES

The principal activities of the company are the manufacture and marketing of pharmaceutical, animal health products and general health care products.

### INTERNAL CONTROL

There exists effective internal control function within the Company, which gives reasonable assurance against any material misstatement or loss. The responsibility includes oversight functions of internal audit control and system analysis.

### RESULTS FOR THE YEAR

	<b>₦'000</b>
Profit for the year before taxation	365,285
Taxation	(94,708)
	-----
Profit after taxation	270,579
	=====

### DIRECTORS AND THEIR INTERESTS

- a. The name of current Directors are: Dr. A.B.C. Orjiako (Chairman), Pharm. M.O. Azoji MD/CEO, Sir I.T. Onyechi, Prof. E.N. Sokomba, Mr. T.T. Osobu, Mazi S.I. Ohuabunwa, Prof. M.M. Iwu, Mrs.B.O. Odunewu, Mrs. R.A. Oputa, Mrs. T.O. Nelson and Engr. G.E. Omene.
- b. The Directors retiring by rotation at this Annual General Meeting in accordance with the Company's Articles of Association are Mazi S. I. Ohuabunwa and Prof. E. N Sokomba who being eligible, offer themselves for re-election.
- c. The interest of each Director in the share capital of the Company is as follows:

## DIRECTORS' INTERESTS AS AT 30TH SEPTEMBER 2021

S/N	DIRECTORS	DIRECT HOLDINGS AS AT 30 SEPT.2021	DIRECT HOLDINGS AS AT 30 SEPT 2020	INDIRECT INTEREST	INDIRECT HOLDINGS AS AT 30 SEPT. 2021	INDIRECT HOLDINGS AS AT 30 SEPT. 2020
1	DR. AMBROSIE B.C. ORJIAKO	*****	*****	ORDREC INVESTMENTS LIMITED	217,701,820	217,701,820
2	PHARM MATTHEW O. AZOJI	2,138,878	2,138,878	HELKO NIG. LTD.	191,913,432	191,913,432
3	MAZI SAMUEL I. OHUABUNWA	127,398,348	132,078,348	MASTA SERVICES COY LTD & ESI OHUABUNWA & SONS LTD	6,146,511	6,146,511
4	MR. GODWIN G. OMENE	5,413,571	10,413,571	*****	*****	*****
5	PROF. ELIJAH N. SOKOMBA	605,000	605,000	INTERCEDD HEALTH PRODUCTS LTD	450,842,893	450,842,893
6	PROF. MAURICE M. IWU	20,093,687	20,093,687	*****	*****	*****
7	MR. IKECHUKWU T. ONYECHI	37,387,465	39,630,518	ALPHA PHARMACY & STORES LIMITED	72,503,197	72,503,197
8	MR. THOMAS T. OSOBU	81,174,601	81,174,601	*****	*****	*****
9	MRS. ROSELINE A. OPUTA	226,316	226,316	*****	*****	*****
10.	MRS. BASHIRAT O. ODUNEWU	*****	*****	*****	*****	*****
11.	MRS. TEMITAYO O. NELSON	*****	*****	*****	*****	*****

### e. Directors' Interest in Contract

None of the Directors has notified the Company in line with Section 303 of the Companies and Allied Matters Act 2020 of any declarable interest in contracts in which the Company is involved as at 30<sup>th</sup> September, 2021.

### f. Directors' Responsibilities

The Directors are responsible for the preparation of financial statements, which give a true and fair view of the state of affairs of the Company at the end of each financial year, and of the profit or loss for that period, and comply with the Companies and Allied Matters Act 2020. In doing so, they ensure that:

- proper accounting records are maintained
- Internal control procedures are instituted which, as far as is reasonably possible, safeguard the assets, and prevent and detect fraud and other irregularities
- Applicable accounting standards are followed.
- Suitable accounting policies are adopted and consistently applied
- Judgments and estimates made are reasonable and prudent, and
- The going concern basis is used, unless it is inappropriate to presume that the company will continue in business.

## ANALYSIS OF SHAREHOLDING

Range of Holdings	No. of Holders	Holders %	Units	Units %
1 - 1,000	6,904	22.47	3,208,879	0.17
1,001 - 5,000	12,495	40.67	30,809,828	1.62
5,001 - 10,000	4,502	14.66	32,138,964	1.69
10,001 - 50,000	5,192	16.90	112,334,228	5.92
50,001 - 100,000	813	2.65	58,923,451	3.10
100,001 - 500,000	661	2.15	137,447,029	7.24
500,001 - 1,000,000	77	0.25	54,321,992	2.86
1,000,001 - 5,000,000	49	0.16	102,873,235	5.42
5,000,001 - 10,000,000	12	0.04	81,680,173	4.30
10,000,001 - ABOVE	15	0.05	1,285,419,328	67.68
GRAND Total =	<u>30,720</u>	<u>100.00</u>	<u>1,899,157,107</u>	<u>100.00</u>

## SUBSTANTIAL INTEREST IN SHARES

According to the Register of Members, the following shareholders of the Company held more than 5% of the Issued Share Capital of the Company as at 30<sup>th</sup> September 2021.

S/N	NAMES OF SHAREHOLDERS	UNITS	PERCENTAGE (%)
1	OHUABUNWA S. IHEANYICHUKWU	127,398,348	6.71%
2	HELKO NIGERIA LIMITED	191,913,432	10.11%
3	ORDREC INVESTMENTS LIMITED	217,701,820	11.46%
4	INTERCEDD HEALTH PRODUCTS LTD	450,842,893	23.74%

## VALUE OF ASSETS

Particulars of the changes arising from additions and disposals of Property, Plant and Equipment during the year are contained in Note 16. Details of other assets of the Company as at 30<sup>th</sup> September 2021 are given in Notes 17 to 31 of the Statement of Financial Position.

## CORPORATE SOCIAL RESPONSIBILITY

The development of the communities in which we do business is crucial to the sustainability of our business. We take deliberate steps to promote the environment in which we operate, in this case the entire Nigerian space with some tilt to Lagos state.

Corporate social giving is therefore a part and parcel of our business strategy. For this reason, we initiate, plan and operate corporate social responsibility (CSR) programmes that encourage awareness, promote education, health-care and general good of society.

We sponsor people and community development activities sometimes directly and in many instances through partnership with government and non-governmental organizations.

A key initiative of Neimeth in this regard is what we call "Fight the Good Fight Against Hypertension" (FITGAH). Under this programme we create and promote awareness against the dreaded hypertension disease which has become a major and silent killer in the country. We offer free blood pressure (BP) tests at our office at Oregun, Lagos and our regional and state offices. We retain the services of professionals, namely doctors and nurses to test and advise people who test positive or show signs of hypertension.

To ensure that patients access the necessary drugs, Neimeth provides one-month free starter anti-hypertensive drugs for new patients. Taking it further we partner with target clinics and health facilities to provide drugs for some special cases up to six months.

In the 2020/2021 business year, a total of 1,134 persons visited the FITGAH clinics and 160 patients were diagnosed and placed on free Neimeth products.

Apart from FITGAH, Neimeth carries out other CSR programmes. We have sponsored agencies of the Lagos State government such as the Directorate of Citizens Rights on health care awareness programmes.

With the outbreak of COVID-19 pandemic we carried out extensive nationwide awareness campaigns especially in the West and East of the country to enlighten people on how to prevent the disease using NCP disinfectant, a product of the Company. We were also quick to introduce NCP Hand Sanitizer and spray to deal with hygiene issues associated with COVID. Neimeth also collaborated with the Federal Road Safety Commission (FRSC) to run enlightenment campaigns at motor parks and bus stops to educate motorists and commuters on the need to maintain safe and healthy travel habits.

Our CSR initiatives and activities are endless and driven by society's needs.

## **COMPANY'S DISTRIBUTORS**

An exclusive distribution agreement was entered into in April 2015 with World Wide Health Care Limited (WWCVL) for the distribution of 66% of Neimeth Major Brands.

The names of other Distributors during the period are as follows:

Iykmavian Pharmacy Ltd, Lagos  
Safeline Pharmacy, Lagos  
Santus Pharmacy, Lagos  
Spine Products Ltd, Lagos  
New Height Pharm, Lagos  
Danny Faith Pharmacy, Lagos  
Simko Pharmacy, Ota  
Micoson Pharmcy, Ota  
Ramsgate Pharmacy, Ota  
Goodall Pharmacy Ltd, Ibadan  
Fiolu Pharm, Ilorin  
Eben Pharmacy, Akure  
Royal Michael Pharm, Benin

Canez Pharmarcy, Onitsha  
Eco Blessed Pharm Ltd Onitsha  
Prodave Pharmacy Ltd, Onitsha  
Warneck Pharmacy, Aba  
Jay Moore Pharmacy, Aba  
Ebus Pharmacy, P/Harcourt  
Bez Pharmacy, Calabar  
New Health Pharmacy Ltd, Abuja  
Klen Pharmacy, Abuja  
Skylark Pharmacy, Abuja  
H-Medix Pharmacy, Abuja  
Lamed Pharmacy, Jos  
Dilimi Pharmacy, Jos  
Latnas Pharmacy, Kano  
Tony Pharmacy, Kano

## **SUPPLIERS**

The Company's significant suppliers are:

Saga Overseas Limited  
Drug & Healthcare Limited  
Real Value Trust Limited  
Afkar Printing and Publishing Company Limited  
Maple Plastic Ltd  
Beta Gloss Plc  
Rolandhill Nig. Ltd  
Omnik Limited  
Tarabichii Printing & Packaging Nig. Ltd  
Multibase Pharma Ind. Nig. Ltd.  
Abtevic Pharm Limited  
Hizzy Chemical Enterprises  
Shoutong Packaging Nig. Ltd  
Dapson Renny Ventures  
Mapleleaf Press Limited  
Mich Bamidele Ent.  
Jostraws Pharmachem Point Nig. Ltd  
Ethlene Products and Lubricants Ltd.  
De-Daltex Nigeria Ent. Limited  
Ls Scientific Limited  
Temitia Scientific Ventures  
Breeze Industries Ltd  
Multibase Pharma. Ind. Nig. Ltd  
Longman Global Business Ltd.  
K3 Packaging Industries Ltd  
Sproxit Nigeria Limited  
BASF West Africa Ltd



Bimolag Temny  
Katchey Company Ltd  
Odusola Printing Press

The Company is not associated with the local suppliers and obtains all its packaging materials at arm's length.

## **MANUFACTURING AND DISTRIBUTION AGREEMENTS**

The Company is in a manufacturing agreement with Late Professor Ekeke for the manufacture of Ciklavit. This attracts a royalty payment of 5%.

Royalty charge during the year amounted to ₦2,487,285.88 (2020 – ₦2,427,647.21)

## **RESEARCH AND DEVELOPMENT**

Over the years, Neimeth has taken great strides to meet the evolving demands of the pharmaceutical market, using proper research and development as its wheels. By improving existing formulations, developing new product formulations and forming partnerships with overseas manufacturers, the Company has and will continue to maintain her vision of being the leading innovative healthcare provider out of Africa.

Currently, the Company is introducing several new products, some of which are undergoing the formulation phase, product registration phase as well as the market introduction stage. Some of these are:

- i. Metformin 500mg & 1000 mg SR Tablets.
- ii. Azithrocin Capsules (Azithromycin 250 mg).
- iii. Gasmag Chewable Tablets & Suspension (Chewable Antacid tablet & Compound Aluminium hydroxide suspension)
- iv. Vitamin C 1000 mg & Zinc 15mg Effervescent Tablet
- v. Vitamin C + Glucose Tablets.
- vi. Ketoconazole 2% Cream.
- vii. Ketoconazole Hair shampoo.
- viii. Sportgesic Spray.
- ix. Brumol Capsule (Paracetamol + Ibuprofen + Caffeine)
- x. Brumol Suspension (Ibuprofen 125 mg/5ml & 250mg/5ml Suspension).
- xi. Flucosyd 150 mg & 200 mg Capsules (1x10's & 1x1's)
- xii. Artemisinin 500 mg Capsules.
- xiii. Zinc 20 mg Dispersible tablets (10x10's)
- xiv. Neimelyn Cough Syrup (Adult)
- xv. Cetirizine 10 mg Tablets
- xvi. Sulphur Hair Cream
- xvii. Sulphur Skin Ointment.
- xviii. Whitfield's Ointment
- xix. Bitter Leaf Capsules.

Product from overseas manufacturers undergoing registration process with NAFDAC:

**HUMAN PRODUCTS:**

1. Alpha Beta Arteether Injection 75mg/ml
2. Cetriaxone 1gm Injection.
3. Beta Methasone + Clostrimazole + Gentamicin Cream.
4. Cefixime 200 mg & 400 mg Tablets.
5. Cefixime + Clavulanate Tablets (400/125mg).
6. Cefuroxime Axetil 500mg Tablets.
7. Cephalexine 500mg Capsule.
8. ORS+PRE & Probiotics 3X25 gm Sachets.
9. Dihydroartemisinin + Piperaquine Tablets 1 x 3'S.
10. Rosuvastatin 10mg & 40mg Tablets
11. Molnupiravir 200mg Tablets
12. Clopidogrel 75mg Tablets
13. Rabeprazole + Domperidone Tablets
14. Hyoscine Butyl Bromide Tablet & Injection
15. Hydrocortisone Sodium Succinate
16. Erythromycin Ethyl Succinate 250mg & 500mg Tablets
17. Erythromycin Ethyl Succinate 125mg/5mg & 250mg/5ml Suspension
18. Garlic Soft Gels
19. Nimartem QS Soft Gel

**VETERINARY PRODUCTS:**

1. Penstrep Injection (Procaine Penicillin G 200mg/ml + Dihydrostreptomycin Sulphate 250mg/ml) X 100ml
2. Ciprofloxacin 20% Suspension X 100ml, 1000ml.
3. Albendazole 2.5% Suspension (DRENCH) 100ml, 500ml & 1000ml.
4. Diminazene Aceturate 7% Injection 100mls
5. Dexamethasone Sodium phosphate Injection (2mg/ml) x100ml.
6. Amprolium 200mg + Sulphaquinoxaline 150mg + VIT. K3 5mg x 100gm Powder x 100gm, 150gm
7. Diclazuril 2.5% Suspension x 100ml & 1000ml.
8. Tyodox Powder (Tyosin 15% + Doxycycline 20%) x 100gm, 150gm
9. Ciprofloxacin 20% Suspension x 100ml & 1000ml
10. Ivermectin Injection
11. Nitroynil 34% Injection x 100ml
12. Levamisole 10% Injection x 100ml.

**EMPLOYEE INVOLVEMENT AND TRAINING**

At Neimeth, we believe very much in employee involvement and participation. All Employees are consistently involved in creating an environment that would have impact on decisions and actions that affect their jobs. We continuously improve our workplace environment by involving our employees as much as possible in all aspects of work decisions and planning that would increase ownership and commitment.

Every employee is regarded as unique and his/her impact is solicited and valued by Management. Employees and Management recognize that each employee is involved in running the business to provide quality products and services to our customers, shareholders and the community in which we operate.

Key to most employee involvement processes is team effectiveness, productivity, communication, problem solving, development of reward and recognition systems. In return, employees are treated equitably, fairly and with dignity as individuals in a consistent manner.

Our training is structured to meet needs of the employees in order to make them more effective on the job and change their attitude and interest, thereby promoting ownership. In this regards, evaluation of the effectiveness/impact of the training is undertaken by Head of Departments six months post training in conjunction with the Human Resource Department.

At Neimeth, we will continue to invest in training and development of employees to make them more productive and effective at their jobs, directly contributing to the bottom line.

## **HEALTH, SAFETY AND WELFARE OF EMPLOYEE**

### **Environmental Management Policy**

Neimeth is committed to operating its manufacturing system (production of healthcare and pharmaceutical products and support activities) in a safe and environmentally friendly manner. This ensures that the environmental impact of our production and related operations is controlled to ensure as little degradation as possible to the environment.

Accordingly, we constantly monitor our emission of green-house gases and ensure we reduce our carbon footprint through proper and periodic maintenance of our generators, proper servicing of our transport vehicles and through an annual corporate environmental objective which includes the planting of between 2-5 trees. Environmental audits are also carried out regularly and statutorily as required by law, at the end of which corrective and preventive actions are put in place to forestall any future occurrence.

This is achieved through the implementation of ISO 14001: 2015 and the continuous improvement of Environmental Management System (EMS)

### **Environmental Sustainability**

At Neimeth, we make use of a wide range of resources like fuel, water and paper. The usage of these natural resources is monitored and measured and operational controls put in place to avoid wastages, thereby promoting sustainability of these natural resources. In the case of water usage, this is achieved through the metering of the portable and de-ionized water lines and conducting regular leak audits which are quickly addressed. The percentage water usage in 2020 was 3.26 % while in 2021 it was 3.04%. The marginal reduction was as result of better water usage culture adopted by staff as well as better awareness initiatives created. In the case of paper usage, sending more memos via emails than hard copies and the use of both sides of the paper has reduced the paper used annually, thereby ensuring sustainable operations. On energy usage, a lot of improvement was also recorded.

We have done a lot in the area of waste to landfill management through the introduction of various initiatives and as such we maintained a waste to landfill percentage of 0.8% in 2020, but in 2021 there was an increment to 3.24% due to increased production as well as the increased revenue drive by the State but with continuous improvement on the forefront of our priority burner for subsequent years.

Some of these initiatives employ the three Rs technique of Re-use, Reduce and Recycle, this we have been able to achieve through the segregation of our waste as comingling of waste was formerly the order of the day. Some of the waste like nylon, paper and waste cartons are sold to middle men which become raw material for some other companies thereby converting waste to wealth. Some of the production waste from the natural products are sold to pig farmers and used as feed for the pigs.

The Extended Producer responsibility (EPR) is our target whereby we will be responsible for the waste generated by the last item on our production process.

### **Health & Safety**

At Neimeth, we are committed to conducting our manufacturing processes in a safe and accident-free environment for all employees, contractors and visitors.

We have built a safety culture in our personnel through regular trainings, teaching them that their safety is in their hands and that safety is everybody's responsibility and not only a function of the Management. The Management has on its own part made tremendous strides towards the provision of various controls both engineering and administrative and has also made adequate provision of PPEs for employees. The target is to have a zero-accident environment where the employees come to work safe and go back same. Visual aids in the form of safety signs have been made in the simplest of forms and language so that even the unlettered can decipher them. Employees are encouraged to report near misses and accident investigations are carried out accordingly and CAPA (Corrective and Preventive Actions) are put in place. This giant stride is a huge improvement from previous years.

In 2020, no Lost Time accident was recorded while only 2 Lost Time Accident were recorded this 2021. Our target is still zero accidents which we strive to achieve through regular safety awareness programs and trainings for the personnel. The Management has so embraced safety that a week-long activity had been introduced known as a "Safety Week" where various safety trainings are given to the personnel as well as First Aid training. In 2020, a 'Covid-19 Monitoring Committee' was created by the Management which is responsible for creating awareness about the virus and ensuring compliance to strict Covid-19 protocols and guidelines. This year 2021, more Covid-19 awareness programs were embarked on through the provision of several signage around the facility bearing the Covid-19 protocols, provision of Hand Wash stands at several locations around the facility to sensitize the personnel about regular hand washing and institute a culture of hand washing.

### **Neimeth COVID-19 Policy**

Neimeth recognizes the importance of prioritizing employee safety, welfare and overall wellbeing which has become even more germane in the wake of the unprecedented global and national public health crises caused by the Covid-19 pandemic. Therefore, Neimeth has adopted a Covid-19 policy which seeks to ensure that:

- Any staff that is unwell should stay home and call in sick.
- Visitors who have no business being on the premises are restricted from entry.
- Personnel and visitors to our facility are expected to comply with strict personal hygiene both at home and within the premises.
- No personnel or visitor to the facility must be allowed within the premises without a face mask thereby implementing a **"NO FACE MASK, NO ENTRY POLICY"**
- Every personnel or visitor to the facility must present themselves for a temperature check and anyone whose temperature is 38°C and above is barred from entry and politely asked to go home and take care of himself/herself.

- Hand washing or the use of a 70% alcoholic rub is insisted on and the security have been detailed to enforce this.
- Virtual meeting is now the ‘new normal’ as meetings which will involve large gatherings are not allowed to hold physically but only through the medium of remote technology such as Zoom, Skype and the likes.
- Personnel who do not use private or commercial vehicles are conveyed from designated locations using the staff bus with numerous trips ensuring social distancing as the bus conveys 50% of its capacity.
- The canteen lunch periods are shuffled to have as many as 4-5 groups to avoid overcrowding and maintain Social Distancing thereby ensuring that at any given time the canteen sits not more than 50% of its capacity.

### **Neimeth HIV/AIDS Policy**

Neimeth has adopted a policy with a commitment to prevent the spread of HIV/AIDS in our workplaces and to care for the personnel and their dependents who suffer from its effects.

To guide Neimeth management in addressing the challenges of managing HIV/AIDS in the work place, this policy therefore seeks to:

- Create programs in conjunction with other appropriate agencies to prevent the scourge of this disease which include education and awareness programs;
- Guide managers, supervisors and workers on the best practice in ensuring harmonious work relationship between employee(s) with HIV/AIDS and other employees;
- Emphasize on the level of reasonable accommodation the Company can provide employees with life threatening illness that would not be detrimental to the smooth operation of the Company’s business;
- Promote confidentiality and non-discrimination towards employees with HIV/AIDS thereby promoting appropriate and effective ways of managing HIV/AIDS in the workplace;
- Avoid stigmatization meted out to employees living with HIV/AIDS through ensuring that their status is kept confidential.

### **POST BALANCE SHEET EVENTS**

There were no other significant post balance sheet events, which could have had material effect on the state of affairs of the company for the period ended 30<sup>th</sup> September, 2021 which had not been adequately provided for or disclosed.

### **AUDITORS**

Messrs. PKF Professional Services has completed its ten-year tenure as External Auditor to Neimeth. Section 20(2) of the Nigerian Code of Corporate Governance 2018 stipulates that external audit firms should be retained for no longer than 10 years continuously. A resolution will be proposed at the Annual General Meeting to authorize the Directors to appoint a new External Auditor.

By Order of the Board.

A handwritten signature in black ink, appearing to be 'F. I. Onyeneke', is written over a light blue rectangular background.

**MRS. F. I. ONYENEKWE (FRC/ICAN/00000010082)**

Company Secretary

Lagos, Nigeria

23<sup>rd</sup> of December, 2021



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www.neimethplc.com.ng



## **REPORT OF THE STATUTORY AUDIT COMMITTEE TO THE MEMBERS OF NEIMETH INTERNATIONAL PHARMACEUTICALS PLC FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2021**

In accordance with Section 404 (7) of the Companies and Allied Matters Act, 2020, we confirm that we have:

- reviewed and considered the Financial Statement for the year ended 30<sup>th</sup> September, 2021;
- reviewed the External Auditors report thereon and
- confirmed that the accounting and reporting policies of the Company for the year ended 30<sup>th</sup> September 2021 are in accordance with legal requirements and agreed ethics.

In our opinion, the scope and planning of the audit for the year ended 30<sup>th</sup> September, 2021 were adequate and we reviewed the External Auditors' findings on Management matters and are satisfied with the Management responses.

We are equally satisfied with the responses to our questions and with the effectiveness of the system of accounting and internal control at Neimeth International Pharmaceuticals Plc.

Dated 8<sup>th</sup> December, 2021

**Dr. Marcel O. Ojinka**  
FRC/2016/MDCN/00000014044  
Chairman, Audit Committee

### **Other members of the Audit Committee**

Alhaji M. I. Jinadu, F.IoD  
Alhaji K. Danjuma  
Mazi S.I. Oluabunwa  
Mr. T. T. Osobu

Mrs. F. I. Onyenekwe – Secretary to the Committee

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### **Board of Directors:**

Dr. A.B.C. Orjiako (Chairman), Pharm. Matthew O. Azoji (MD/CEO), Mrs. Temitayo O. Nelson (Exec.), Mazi Sam I. Oluabunwa (OFR), Prof. M. Iwu, Sir Ike Onyechi, Engr. G. E. Omene, Prof. E. N. Sokomba, Thomas T. Osobu, Pharm. Roseline A. Oputa (Exec.), Bashirat O. Odunewu.



# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

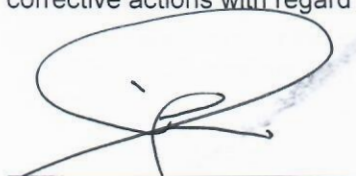
## STATEMENT OF COMPLIANCE FOR THE YEAR ENDED 30 SEPTEMBER 2021

### Certification Pursuant to Section 405(1) of Companies and Allied Matter Act, 2020

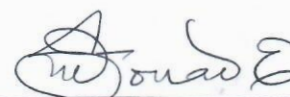
We the undersigned hereby certify the following with regards to our Audited Financial Statements for the year ended 30 September 2021 that:

- a) We have reviewed the report:  
To the best of our knowledge, the report does not contain:
  - Any untrue statement of a material fact; or
  - Omit to state a material fact, which would make the statements misleading in the light of circumstances under which such statements were made.
- b) To the best of our knowledge, the financial statement and other financial information included in this report fairly present in all material respects the financial condition and results of operation of the company as of, and for the periods presented in this report.
- c) We:
  - are responsible for establishing and maintaining internal controls;
  - have designed such internal controls to ensure that material information relating to the Company is made known to such officers by others within the entity particularly during the period in which the periodic reports are being prepared;
  - have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
  - have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date.
- d) We have disclosed to the auditor of the Company and Audit Committee:
  - All significant deficiencies in the design or operation of internal controls which would adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weakness in internal controls; and
  - Any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls.

We have identified in the report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.



**Pharm. M. O. Azoji**  
Managing Director / CEO  
FRC/2016/PCNNG/00000014686



**Mrs. Temitayo O. Nelson**  
Executive Director - Finance  
FRC/2019/ICAN/00000019924



## 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 2021, 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 2021, 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, 2020.

#### 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 requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of financial statements in Nigeria.

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><b>Accuracy of recognition and measurement of revenue</b></p> <p>Neimeth International Pharmaceuticals Plc revenue amounted to N3.0 billion for the year ended 30 September 2021.</p> <p>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 management 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"> <li>- Reviewed the accounting policy for consistency and management's procedures in the recognition and recording of revenue.</li> <li>- Evaluated the design and implementation and the operating effectiveness of internal controls over the approval of products sold.</li> <li>- 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.</li> <li>- 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.</li> <li>- Tested whether revenue transactions occurring both prior and post year end date were recognized in the correct period.</li> <li>- Reviewed the controls around information technology systems and performed data integrity check on revenue.</li> </ul>
<p><b>b) Impairment of trade and other receivables</b></p> <p>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 judgements and estimation in determining inputs which are derived from historical records obtained within and outside the company in formulating the financial model. The model 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 and assumptions, 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"> <li>- Assessed and tested the design and operating effectiveness of the controls over impairment calculations.</li> <li>- Reviewed the age analysis of debtors and internal controls over recoverability of receivables.</li> <li>- 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.</li> <li>- 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.</li> <li>- Evaluated the accounting principles underlying revenue recognition, which form the basis for the recognition of trade receivables.</li> </ul>



### **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, 2020 and with the requirements of the International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 8, 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.



We communicated 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 provided 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 determined 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 described 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**

In accordance with the requirement of fifth schedule of the Companies and Allied Matters Act, 2020, we confirm that:

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- ii) The Company has kept proper books of account, so far as it appears from our examination of those books.
- iii) 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: 21 December 2021





# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

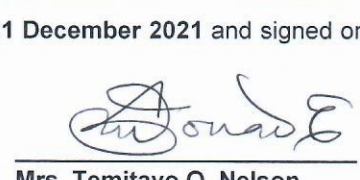
## STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2021

	Notes	2021 N'000	2020 N'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16.	1,411,998	1,175,242
Investment properties	17	35,096	35,965
		<u>1,447,094</u>	<u>1,211,207</u>
<b>Current assets</b>			
Inventories	18.	1,464,421	1,439,156
Trade and other receivables	19.	1,276,208	1,026,085
Other current assets	20.	61,708	91,229
Cash and cash equivalents	21.1	2,025,239	2,634,814
		<u>4,827,576</u>	<u>5,191,284</u>
<b>Total assets</b>		<u>6,274,670</u>	<u>6,402,491</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	24	793,525	713,664
Current borrowing	22.4	13,565	297,981
Current portion of long term borrowings	22.1	1,099,734	995,852
Finance lease liabilities	29.	-	6,358
Current tax payable	26.	135,726	193,720
Deferred fair value gain on loan	23	76,926	6,900
		<u>2,119,476</u>	<u>2,214,475</u>
<b>Non-current liabilities</b>			
Non-current portion of long term borrowings	22.1	1,932,727	1,996,220
Deferred fair value gain on loan	23	702,174	882,431
Deferred tax liability	27.	106,226	34,704
		<u>2,741,127</u>	<u>2,913,355</u>
<b>Total liabilities</b>		<u>4,860,604</u>	<u>5,127,830</u>
<b>Net assets</b>		<u>1,414,067</u>	<u>1,274,661</u>
<b>Equity</b>			
Ordinary shares	30.2	949,579	949,579
Share premium	30.3	104,880	112,606
Retained earnings	31.	359,608	212,476
<b>Total equity</b>		<u>1,414,067</u>	<u>1,274,661</u>

These financial statements were approved by the Board of Directors on 21 December 2021 and signed on its behalf by:

  
Dr. A. B. C. Orjiako  
Chairman  
FRC/2013/IODN/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 2021

	Note	2021 N'000	2020 N'000
Turnover	8	3,046,661	2,839,119
Cost of sales	9	<u>(1,601,458)</u>	<u>(1,329,701)</u>
<b>Gross profit</b>		<b>1,445,203</b>	<b>1,509,418</b>
Other income	10	202,023	146,169
Marketing and distribution expenses	11	(579,694)	(505,109)
Administrative expenses	12	(513,938)	(452,281)
Exchange loss	13	<u>(93)</u>	<u>(188,052)</u>
<b>Operating profit</b>		<b>553,501</b>	<b>510,145</b>
Finance costs	14	<u>(188,216)</u>	<u>(212,757)</u>
Profit before taxation		365,285	297,388
Income tax expense	28	<u>(94,708)</u>	<u>(84,912)</u>
<b>Profit for the year from continued operation</b>		<b><u>270,576</u></b>	<b><u>212,476</u></b>
<b>Other comprehensive income</b>			
Gain on available for sale assets		<u>-</u>	<u>-</u>
<b>Total other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<b><u><u>270,576</u></u></b>	<b><u><u>212,476</u></u></b>
Basic earnings per share	32	<u><u>14</u></u>	<u><u>11</u></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 2021

	Ordinary shares N'000	Share premium N'000	Retained earnings N'000	Total equity N'000
<b>At 1 October 2019</b>	<u>949,579</u>	<u>1,020,603</u>	<u>(898,164)</u>	<u>1,072,018</u>
<b>Changes in equity the year</b>				
Profit for the year	-	-	212,476	212,476
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive profit for the year</b>	<u>-</u>	<u>-</u>	<u>212,476</u>	<u>212,476</u>
Transfer between share capital/premium	-	(898,164)	898,164	-
Transaction costs for equity issue	<u>-</u>	<u>(9,833)</u>	<u>-</u>	<u>(9,833)</u>
<b>At 30 September 2020</b>	<u>949,579</u>	<u>112,606</u>	<u>212,476</u>	<u>1,274,661</u>
<b>At 1 October 2020</b>	<u>949,579</u>	<u>112,606</u>	<u>212,476</u>	<u>1,274,661</u>
<b>Changes in equity for the year</b>				
Profit for the year	-	-	270,576	270,576
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive profit for the year</b>	<u>-</u>	<u>-</u>	<u>270,576</u>	<u>270,576</u>
Dividend declared and paid	-	-	(123,445)	(123,445)
Transaction costs for equity issue	<u>-</u>	<u>(7,726)</u>	<u>-</u>	<u>(7,726)</u>
<b>At 30 September 2021</b>	<u>949,579</u>	<u>104,880</u>	<u>359,608</u>	<u>1,414,067</u>

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 N'000	2020 N'000
<b>Profit for the year</b>		<b>270,576</b>	212,476
<b>Adjustment for:</b>			
Depreciation of property, plant and equipment	16	107,065	110,723
Adjustment on PPE	16	247	-
Depreciation of investment properties	17	869	-
Gain or loss on disposal	10	(4,857)	-
Impairment loss on trade receivables	19.2	59,030	-
Provision no longer required	10	(57,343)	-
Impairment write back	19.2	-	(4,580)
Finance cost	14	188,216	212,757
Exchange loss	13	93	188,052
Income tax expenses	28	23,186	143,254
		<b>587,082</b>	862,683
<b>Changes in:</b>			
Increase in inventories		(25,265)	(666,399)
(Increase)/decrease in trade receivables		(309,153)	6,353
Decrease/(increase) in other asset		29,521	(17,462)
Increase in trade and other payables		79,862	226,187
Decrease in finance lease liability		(6,358)	(7,562)
Decrease in deferred tax liability		71,522	(58,342)
Cash generated from operating activities		427,212	345,458
Income tax paid	26.	(81,180)	(42,933)
<b>Net cash from operating activities</b>		<b>346,032</b>	302,525
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment	16	(344,068)	(564,052)
Proceed from disposal of property, plant and equipment	10.1	4,857	-
<b>Net cash used in investing activities</b>		<b>(339,211)</b>	(564,052)
<b>Cash flows from financing activities</b>			
Proceed from import finance facility	22.4.2	-	221,293
Repayment of loans		(36,303)	(294,227)
Current borrowing (paid) / obtained	22.4	(297,981)	297,981
Finance cost paid	14	(174,604)	(146,752)
Proceeds from term loan	22	-	2,750,000
Dividend paid	31	(123,445)	-
Capital restructuring cost	30.3	(7,726)	(9,833)
<b>Net cash (used in)/from financing activities</b>		<b>(640,059)</b>	2,818,462
Effect of exchange rate changes on cash and cash equivalents		10,099	4,087
Net (decrease)/increase in cash and cash equivalents		(633,238)	2,556,935
Cash and cash equivalents at 1 October		2,634,814	73,792
<b>Cash and cash equivalents at 30 September</b>	21.2	<b>2,011,674</b>	2,634,814

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 2021

### 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 2021 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

##### IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.

##### 2.5.1 Standards Issued and Effective on or after 1 January 2022

###### a) IFRS 17 Insurance Contracts

IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

This standard replaces IFRS 4 – Insurance contracts.

The key principles in IFRS 17 are that an entity:

- a) identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain, future event (the insured event) adversely affects the policyholder;
- b) separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- c) divides the contracts into groups it will recognise and measure;
- d) recognises and measures groups of insurance contracts at a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all the available information about the fulfilment cash flows in a way that is consistent with observable market information plus (if this value is a liability) or minus (if this value is an asset) an amount representing the unearned profit in the group of contracts (the contractual service margin);
- e) recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk, if a group of contracts is or becomes loss-making, an entity recognises the loss immediately;
- f) presents separately insurance revenue, insurance service expenses and insurance finance income or expenses;
- g) discloses information to enable users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of the entity. To do this, an entity discloses qualitative and quantitative information about:
  - the amounts recognised in its financial statements from insurance contracts;
  - the significant judgements, and changes in those judgements, made when applying the Standard; and
  - the nature and extent of the risks from contracts within the scope of this Standard.

### 2.5.2 Narrow Scope Amendments deferred until further notice

#### a) IFRS 10 consolidated financial statements

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

#### b) IAS 28 Investments in Associates and Joint Ventures

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

### 2.5.3 New standards, amendments and interpretations issued but without an effective date

At the date of authorisation of these financial statements the following standards, amendments to existing standards and interpretations were in issue, but without an effective: This includes:

#### Amendments to IFRS 10 and IAS 28 consolidated financial statements and Investments in Associates and Joint Ventures

Amends IFRS 10 consolidated financial statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- Require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations);

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

- Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

### **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.

##### **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.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 3.2.3 Depreciation of property, plant and equipment

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

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

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

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

### 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 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.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 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.

#### 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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

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.

### **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;

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

- 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.

#### **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.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

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.

### **3.10.2 Deferred fair value gain on loans**

Deferred fair value gain on loans are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the gains will be received. Deferred fair value gain on loans are recognised in profit or loss on a systematic basis over the years in which the Company recognises as expenses the related costs for which the gains are intended to compensate. Specifically, deferred fair value gain on loans whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. The amount recognised as deferred fair value gain on loan is recognised in profit or loss over the year the related expenditure is incurred.

Deferred fair value gain on loans that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the year in which they become receivable. The benefit of a deferred fair value gain on loans at a below-market rate of interest is treated as a deferred fair value gain on loans, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates and it is amortised over the lives span of the loan.

### **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.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

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

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

### **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.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

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

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

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

### 3.15 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.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 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.

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

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

available and the cost to develop it would be excessive, in which case that fact shall be disclosed. The amounts of revenue reported shall be based on the financial information used to produce the entity's financial statements.

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

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

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

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

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

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

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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

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

To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

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

### **d) Others are:**

- Residual values of items of property, plant and equipment.
- Estimated useful lives of item of property, plant and equipment.
- Allowance for obsolete stock.
- 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.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

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

### 5.1 Strategic risks

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

- To maintain the required level of financial stability thereby providing a degree of security to clients and plan members.
- 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.
- To retain financial flexibility by maintaining strong liquidity.  
To align the profile of assets and liabilities taking account of risks inherent in the business and regulatory requirements.
- To maintain financial strength to support new business growth and to satisfy the requirements of the regulators and stakeholders.

### 5.2 Operational risks

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

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

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

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

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 5.3 Financial risks

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

- Credit risks
- Liquidity risks
- Market risks

#### a) Credit risks

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

#### Exposure to risk

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

	2021 N'000	2020 N'000
<b>Financial assets</b>		
Trade and other receivables	1,276,208	1,026,085
Cash and cash equivalents	<u>2,025,239</u>	<u>2,634,814</u>
<b>Ageing of past due receivables:</b>		
0 - 90 days	16,951	27
91 - 180 days	23,961	5
181 - 270 days	2,248	6
271 - 365 days	714	2,866
Over 365 days	<u>716,972</u>	<u>698,912</u>
Total	<u>760,846</u>	<u>701,816</u>

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 its 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).



# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

### d) Currency risk

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

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

### 6. Capital management

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

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

#### Approach to capital management

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

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

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

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

The debt-to-capital ratios at 30 September 2021 and its comparative year were as follows:

	2021 N'000	2020 N'000
Total liabilities	<u>4,860,603</u>	<u>5,127,830</u>
Total liabilities and equity	<u>6,274,670</u>	<u>6,402,491</u>
Debt-to-capital ratio	<u>0.77</u>	<u>0.80</u>

The decrease in the debt-to-capital ratio during 2021 resulted primarily from the decrease in the entity's borrowings.

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.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 N'000	2020 N'000
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### 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 anthelmintic as well as production enhancing medicaments.

Pharmaceuticals	2,803,466	2,470,102
Animal health	243,195	369,017
	<u>3,046,661</u>	<u>2,839,119</u>

#### 8.2 Geographical segment

The Company operates in two geographic regions namely Nigeria and Ghana.

Nigeria	3,011,319	2,806,777
Ghana	35,342	32,342
	<u>3,046,661</u>	<u>2,839,119</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.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 N'000	2020 N'000
<b>9. Cost of sales</b>		
<b>Raw material</b>		
Opening stock at 1 October	726,947	415,075
Add purchases	<u>1,247,555</u>	<u>1,321,770</u>
	<b>1,974,502</b>	<b>1,736,845</b>
<b>Less: Closing stock at 30 September</b>	<b><u>(734,778)</u></b>	<b><u>(726,947)</u></b>
Product Cost	<u><b>1,239,724</b></u>	<u><b>1,009,898</b></u>
<b>Factory overhead expenses</b>		
Production salaries and wages	269,444	203,737
Power and fuel	30,792	19,304
Factory other expenses	130,191	116,067
Depreciation: - Plant and machinery	56,263	61,830
- Building	3,967	4,806
Obsolete, excess inventory recovery	26,026	1,640
(Increase)/decrease in finished goods	(116,764)	(105,661)
(Increase)/decrease in work in progress	(37,033)	19,590
(Increase)/decrease in spares parts	<u>(1,152)</u>	<u>(1,510)</u>
	<u><b>361,734</b></u>	<u><b>319,803</b></u>
	<u><b>1,601,458</b></u>	<u><b>1,329,701</b></u>
<b>10. Other income</b>		
Gains on disposal of property, plant and equipment (Note 10.1)	4,857	-
Sundry receipts (Note 10.2)	141	1,941
Sales of scrap	2,014	973
Insurance claim	-	260
Lease rental income (Note 10.3)	20,000	16,667
Provision no longer required	-	9,444
Reversal of accrued interest on Daewoo loan (10.4)	57,343	-
Fair value adjustment	<u>117,668</u>	<u>116,884</u>
	<u><b>202,023</b></u>	<u><b>146,169</b></u>

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 N'000	2020 N'000
<b>10.1. Gain on disposal of property, plant and equipment</b>		
Cost	52,633	-
Accumulated depreciation	<u>(52,633)</u>	<u>-</u>
Carrying amount	-	-
Proceed on disposal	<u>4,857</u>	<u>-</u>
Profit on disposal	<u><u>4,857</u></u>	<u><u>-</u></u>
<b>10.2.</b> This represent merging account balances from closed Zenith bank account to another similar account.		
<b>10.3.</b> This represent leased rental income from Neimeth property (former office complex) at 1 Henry Carr, Ikeja.		
<b>10.4.</b> This represent reversal of accrued interest on Daewoo loan no longer required from 12 September, 2019 to 30 September 2021. Daewoo Securities (Europe) Limited was dissolved following a member voluntary winding up and a liquidator was appointed to file the final account at the company house in UK. Further provisioning of accrued interest on Daewoo has been put on hold and the interest accrued from September 2019 to September 2021 is now reversed.		
<b>11. Marketing and distribution expenses</b>		
Employee cost	205,378	196,839
Transport and travelling	47,939	60,467
Advert and promotions	224,459	156,238
Depreciation of motor vehicle	38,614	34,959
Communication and subscription	2,072	761
Donation	261	1,017
Printing and stationeries	1,634	1,408
Rent and rate	1,771	3,383
Product registration expenses	8,654	13,831
Training and seminar	-	3,200
Medical expenses	552	502
Energy cost	16,398	10,029
Repairs and maintenance	8,474	13,790
Telephone and postages	4,617	4,272
Corporate expenses	12,698	4,063
Others	<u>6,173</u>	<u>352</u>
	<u><u>579,694</u></u>	<u><u>505,109</u></u>

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 N'000	2020 N'000
<b>12. Administration expenses</b>		
Employee costs	188,726	166,226
Impairment allowance for trade and other receivables	59,030	-
Corporate expenses	15,654	6,133
Transport and travelling	33,222	31,438
Legal, consultancy and professional fees	13,320	20,781
Energy cost	47,359	39,441
Rent and rate	1,500	-
Bank charges and commission	18,055	64,140
Insurance	12,414	19,041
Repairs and maintenance	11,575	4,764
Printing and stationeries	2,946	2,169
Training and seminar	3,604	6,016
Conference and meetings	42,540	27,106
Medical expenses	18,151	18,306
Telephone and postages	13,610	6,090
Communication and subscription	5,795	5,026
Depreciation of office and computer equipment	12,188	13,935
Audit fee	8,894	8,894
Gift and donation expenses	548	8,878
Security expenses	3,876	2,983
Others (Note 12.1)	931	916
	<u>513,938</u>	<u>452,281</u>
 12.1 Others represent public relations expenses and clinical/ laboratory testing expenses.		
<b>13. Foreign exchange loss</b>		
Loss on currency translation	<u>93</u>	<u>188,052</u>
<b>14. Finance costs</b>		
Interest expenses	188,126	152,772
Interest on term loans	-	54,701
Interest on lease	<u>90</u>	<u>5,284</u>
	<u>188,216</u>	<u>212,757</u>
 Less accrued interest in the year		
Accrued interest on debenture (Note 22)	-	54,701
Accrued interest (Note 22.1)	<u>13,612</u>	<u>11,304</u>
	<u>13,612</u>	<u>66,005</u>
 Finance costs paid	<u>174,604</u>	<u>146,752</u>

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

		Financial assets		Financial liabilities		
	Note	Fair value through profit or loss N'000	Amortised cost N'000	Amortised cost N'000	Total carrying amount N'000	Fair value N'000
At 30 September 2021						
Assets						
Trade and other receivables	19	-	1,276,208	-	1,276,208	2,005,696
Cash and cash equivalents	21.1	2,025,239	-	-	2,025,239	2,025,239
		2,025,239	1,276,208	-	3,301,447	4,030,935
Liabilities						
Trade and other payables	24	-	-	793,525	793,525	793,525
Borrowings (Current portion)	22.1	-	-	1,099,734	1,099,734	1,099,734
Finance lease payable	29	-	-	-	-	-
		-	-	1,893,259	1,893,259	1,893,259
At 30 September 2020						
Assets						
Trade and other receivables	19	-	1,026,085	-	1,026,085	1,624,498
Cash and cash equivalents	21.1	2,634,814	-	-	2,634,814	2,634,814
		2,634,814	1,026,085	-	3,660,899	4,259,312
Liabilities						
Trade and other payables	24	-	-	713,664	713,664	713,664
Borrowings (Current portion)	22.1	-	-	995,852	995,852	995,852
Finance lease payable	29	-	-	6,358	6,358	6,358
		-	-	1,715,874	1,715,874	1,715,874

### 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).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Land N'000	Building N'000	Machinery and equipment N'000	Furniture and fittings N'000	Motor vehicles N'000	Computer equipment N'000	Capital work in progress N'000	Assets under finance lease N'000	Total N'000
<b>Cost</b>									
At 1 October 2019	106,332	157,074	814,755	108,343	346,842	68,186	70,574	88,078	1,760,184
Addition in the year	-	-	-	-	-	-	564,052	-	564,052
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	563,430	88,078	2,274,809
Addition in the year	-	-	-	-	-	-	344,068	-	344,068
Reclassification from CWIP	-	-	74,134	320	53,190	1,239	(128,884)	-	-
Disposal	-	-	-	-	(52,633)	-	-	-	(52,633)
Adjustment	-	-	-	-	-	(270)	-	-	(270)
<b>At 30 September 2021</b>	<b>85,865</b>	<b>132,242</b>	<b>896,714</b>	<b>110,029</b>	<b>401,999</b>	<b>72,432</b>	<b>778,615</b>	<b>88,078</b>	<b>2,565,974</b>
<b>Accumulated depreciation and impairment losses</b>									
At 1 October 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 from asset under lease	-	(13,462)	-	-	-	-	-	-	(13,462)
At 30 September 2020	-	12,532	542,946	66,921	348,439	67,705	-	61,024	1,099,567
Charge for the year	-	3,967	56,263	6,240	20,999	1,981	-	17,615	107,065
Disposal	-	-	-	-	(52,633)	-	-	-	(52,633)
Adjustment	-	-	-	-	-	(23)	-	-	(23)
<b>At 30 September 2021</b>	<b>-</b>	<b>16,499</b>	<b>599,209</b>	<b>73,161</b>	<b>316,805</b>	<b>69,663</b>	<b>-</b>	<b>78,639</b>	<b>1,153,976</b>
<b>Carrying amount</b>									
<b>At 30 September 2021</b>	<b>85,865</b>	<b>115,743</b>	<b>297,505</b>	<b>36,868</b>	<b>85,194</b>	<b>2,769</b>	<b>778,615</b>	<b>9,439</b>	<b>1,411,998</b>
At 30 September 2020	85,865	119,710	279,634	42,788	53,003	3,758	563,430	27,054	1,175,242

Cost of sales (Note 9)	<b>56,263</b>	61,830
Marketing and distribution expenses (Note 11)	<b>38,614</b>	34,959
Administrative expenses (Note 12)	<b>12,188</b>	13,935
	<b>107,065</b>	110,723

Adjustment represent an amount reversed in respect of unreceived item of Property, plant and equipment

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

	<b>Software</b>	
	<b>2021</b>	<b>2020</b>
	<b>N'000</b>	<b>N'000</b>
<b>17. Investment properties</b>		
At 30 September	<u><b>49,427</b></u>	<u>49,427</u>
<b>Accumulated depreciation</b>		
At 1 October	<b>13,462</b>	12,593
Charged in the year	<u><b>869</b></u>	<u>869</u>
	<u><b>14,331</b></u>	<u>13,462</u>
<b>Carrying amount</b>		
At 30 September	<u><b>35,096</b></u>	<u>35,965</u>

Investment property represents Neimeth office complex at 1 Henry Carr street, Ikeja. The office complex is currently held for lease rental. On 30 September 2020, the Company obtained N60,000,000 as rental income for a period of 3 years, commencing 1 December 2019. At 30 September 2021, the company recognised N20,000,000 (2020 : N16,666,667.00) as rental income in the statement of profit or loss and other comprehensive income. The value of N23,333,333 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 investment property. However its fair value at 30 September 2021 is N695,183,139. The valuation was done by Tope Ojo & Tunde Olonisakin Estate Surveyors & Valuers on 24 September 2021.

	<b>2021</b>	<b>2020</b>
	<b>N</b>	<b>N</b>
<b>18. Inventories</b>		
Raw materials	<b>734,778</b>	726,947
Work in progress	<b>74,441</b>	37,408
Finished goods	<b>453,969</b>	337,205
Spare parts	<u><b>21,558</b></u>	<u>20,406</u>
	<b>1,284,746</b>	1,121,966
Goods in transit	<u><b>179,675</b></u>	<u>317,190</u>
	<u><b>1,464,421</b></u>	<u>1,439,156</u>

**18.1** Inventories to the value of N1.464 billion (2020 : N1.439 billion) were carried at net realisable value. Inventory write down during the year amounted to N26.03million (2020: N1.64 million). No inventories are pledged as security for liabilities.

### **19. Trade and other receivables**

Trade receivables	<b>1,972,261</b>	1,708,099
Other receivable (Note19.1)	<u><b>64,793</b></u>	<u>19,802</u>
	<b>2,037,054</b>	1,727,901
Impairments allowance (Note 19.2)	<u><b>(760,846)</b></u>	<u>(701,816)</u>
	<u><b>1,276,208</b></u>	<u>1,026,085</u>



# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 N'000	2020 N'000
<b>19.1 Other receivables</b>		
Staff loans	33,435	20,080
Debit balance in trade payables (Note 19.1.1)	32,237	-
Impairment on other receivables	<u>(879)</u>	<u>(278)</u>
	<u><b>64,793</b></u>	<u><b>19,802</b></u>

**19.1.1** The Debit balance in trade payables relate to advance payment made to local raw materials suppliers for which the raw materials are awaiting delivery as at year end.

### 19.2 Impairments allowance on trade receivable

At 1 October	701,816	706,396
Additional charge during the year (Note 12)	59,030	-
Provision no longer required	<u>-</u>	<u>(4,580)</u>
<b>At 30 September</b>	<u><b>760,846</b></u>	<u><b>701,816</b></u>

Trade receivables are stated at fair value and subsequently measured 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.

	2021 N'000	2020 N'000
<b>20. Other assets</b>		
Prepayments	18,582	25,971
Withholding tax receivable	22,491	22,000
Advance payment to suppliers	2,468	25,091
Replaceable stocks (Note 20.1.)	<u>18,167</u>	<u>18,167</u>
	<u><b>61,708</b></u>	<u><b>91,229</b></u>

**20.1** Replaceable stocks represents finished product bought for sale by Neimeth, but rejected because the products supplied failed quality test. However, the supplier 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.

	2021 N'000	2020 N'000
<b>21. Cash and cash equivalents</b>		
<b>21.1 Cash and cash equivalents as per statement of financial position</b>		
Cash in hand	-	60
Cash in banks	<u>2,025,239</u>	<u>2,634,754</u>
	<u><b>2,025,239</b></u>	<u><b>2,634,814</b></u>

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 N'000	2020 N'000
<b>21.2 Cash and cash equivalents as per statement of cash flow</b>		
<b>Cash and cash equivalents</b>		
Cash and bank balances (Note 21.1)	2,025,239	2,634,814
Bank overdrafts (Note 22.4)	<u>(13,565)</u>	<u>-</u>
	<b><u>2,011,674</u></b>	<b><u>2,634,814</u></b>
<b>22. Borrowings</b>		
<b>Term loans</b>		
At 1 October	3,716,448	719,610
Addition in the year	-	2,750,000
Accrued interest on debenture	-	54,701
Write back of accrued interest on debenture	(57,343)	-
Repayment during the year	(25,000)	-
Exchange loss	<u>10,192</u>	<u>192,137</u>
	<b>3,644,297</b>	<b>3,716,448</b>
Other loan (Note 22.3)	<u>167,264</u>	<u>164,955</u>
<b>At 30 September</b>	<b><u>3,811,561</u></b>	<b><u>3,881,403</u></b>
<b>Analysis by maturity:</b>		
<b>22.1 Current</b>		
Bank of Industries (Note 22.2.3)	166,824	18,100
CBN Intervention Fund (Note 22.2.2)	-	-
Daewoo Securities (Europe) Limited (Note 22.2.1)	919,298	966,448
Accrued interest on other loan (Note 22.3)	<u>13,612</u>	<u>11,304</u>
	<b><u>1,099,734</u></b>	<b><u>995,852</u></b>
<b>Non-current:</b>		
Bank of Industries (Note 22.2.3)	493,300	640,189
CBN Intervention Fund (Note 22.2.2)	<u>1,285,776</u>	<u>1,202,379</u>
	<b>1,779,076</b>	<b>1,842,569</b>
Other loan (Note 22.3)	<u>153,651</u>	<u>153,651</u>
	<b><u>1,932,727</u></b>	<b><u>1,996,220</u></b>
Deferred fair value gain on loan (Note 23)	<u>779,100</u>	<u>889,331</u>
	<b><u>3,811,561</u></b>	<b><u>3,881,403</u></b>
<b>22.2 Analysis of Term loans</b>		
Daewoo Securities (Europe) Limited (Note 22.2.1)	919,298	966,448
Bank of Industries (Note 22.2.3)	660,124	658,289
CBN Intervention Fund (Note 22.2.2)	1,285,775	1,202,379
IFRS Interest (Amortisation difference)	<u>779,100</u>	<u>889,331</u>
	<b>3,644,297</b>	<b>3,716,448</b>
Other loan (Note 22.3)	<u>167,264</u>	<u>164,955</u>
	<b><u>3,811,561</u></b>	<b><u>3,881,403</u></b>

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 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 128.8 million) has been translated at Central Bank of Nigeria (CBN) ruling rate as at 30 September, 2021.

### 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 cGMP Multi-Product factory at Amawbia, Anambra State, while N400 million 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 Oregun Lagos. 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.

	<b>2021</b>	2020
	<b>N'000</b>	N'000
<b>22.3 Other loan</b>		
At 1 October	<b>164,955</b>	159,270
Accrued Interest	<b>13,612</b>	11,304
Repayment in the year	<u><b>(11,303)</b></u>	<u>(5,619)</u>
At 30 September	<u><b>167,264</b></u>	<u>164,955</u>

Other loan represents amount received from Directors and their Companies as indicated in Note 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 2021

22.3.1 Related Party Transaction			2021		2020
Related Party	Relationship	Nature of Transaction	Amount		Amount
			N'000		N'000
1. Alpha Pharmacy & Stores Ltd	<b>Sir. I. T. Onyechi</b> - Director in Alpha Pharmacy Stores	Loan	37,900		38,758
2. Dr. A. B. C. Orjiako	Director	Loan	64,360		62,771
3. Mr Emmanuel Ekunno	Former Director	Loan	1,076		1,049
4. Fall River Production Ltd	<b>Mr. T. T. Osobu</b> - Director in Fall River Prod. Ltd	Loan	10,227		10,461
5. Engr. Godwin E. Omene	Director	Loan	2,142		2,088
6. Bio Resources Institute of Nigeria	<b>Prof. M. M. Iwu</b> - Director in Bio Resources Inst.	Loan	51,559		49,813
			<b>167,264</b>		<b>164,940</b>

	2021	2020
	N'000	N'000
<b>22.4 Current borrowings</b>		
Bank overdraft (Note 22.4.1)	<b>13,565</b>	-
Import finance facilities (Note 22.4.2)	-	-
CBN Intervention Fund (current) (Note 22.4.4)	-	297,981
	<b>13,565</b>	<b>297,981</b>

22.4.1 The interest payable on BOI multiple loan and principal repayment which was guaranteed by Fidelity Bank. However, 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. This facility was not renewed after expiration of it tenure during the financial year ended 30 September 2020 in view of the N400m working capital received from CBN during the year ended 30 September 2020.

	2021	2020
	N'000	N'000
<b>22.4.2 Import finance facilities</b>		
At 1 October	-	53,311
Additions in the year	-	221,293
Repayment during the year	-	(274,604)
<b>At 30 September</b>	<b>-</b>	<b>-</b>

**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. The original facility principal was restructured to cover only the unliquidated sum of the facility at the same terms.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

In addition, a N100,000,000.00 Bond and guarantee Line that was obtained from Fidelity Bank Plc on 13 March, 2019 for issuance of guarantee when required for contracts of supplies to employers at Tenor of 365 days was liquidated and was not renewed. The security are as follows:

1. All asset Debenture over fixed and floating assets of the Company.
2. Legal Mortgage on Plot 16 Akanni Doherty Layout Industrial Layout, Oregun, 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.

	<b>2021</b> <b>N'000</b>	2020 N'000
<b>23. Deferred fair value gain on loan</b>		
Deferred fair value gain	<u><b>779,100</b></u>	<u><b>889,331</b></u>
<b>Analysis of deferred fair value gain on loan into:</b>		
<b>23.1</b> Current portion	<u><b>76,926</b></u>	<u><b>6,900</b></u>
<b>23.2</b> Non current portion	<u><b>702,174</b></u>	<u><b>882,431</b></u>

**23.3** These represent the benefit of CBN intervention and BOI loan at a below the market rate of interest measured at the difference between proceeds received and the fair value of the loan based on prevailing market interest rate. The day 1 gain has been recognised as deferred income which will be recognised in the profit or loss on a systematic basis over the tenure of the loan with re-measurement gain embedded in it. in the current year N18 million was released in the income statement to reduce the finance cost of the loan.

	<b>2021</b> <b>N'000</b>	2020 N'000
<b>24. Trade and other payables</b>		
Trade payables	<b>140,322</b>	73,814
Other accruals (Note 24.1)	<b>385,952</b>	414,060
Statutory deductions (WHT payable)	<b>70,021</b>	50,630
Royalties	<b>54,077</b>	53,665
Dividend payable	<b>24,095</b>	24,095
Other payables	<b>56,845</b>	54,907
Define contribution plan (Note 24.2)	<b>40,365</b>	20,645
Defined benefit obligation (Note 24.3)	<u><b>21,848</b></u>	<u><b>21,848</b></u>
	<u><b>793,525</b></u>	<u><b>713,664</b></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.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 N'000	2020 N'000
<b>24.1 Other accruals</b>		
Unclaimed wages	3,389	1,316
Directors payable	281	5,303
Accrued electricity	-	2,768
Accrued audit fees	8,894	8,894
Import finance obligation	339,348	347,943
Property clearing	23,263	43,263
Others (Note 24.1.1)	10,778	4,573
	<u>385,952</u>	<u>414,060</u>

24.1.1 This represent unidentified customer lodgment.

### 24.2. Defined contribution plan

At 1 October	20,645	12,506
Provision for the year	77,912	51,347
Payment during the year	<u>(58,192)</u>	<u>(43,208)</u>

At 30 September	<u>40,365</u>	<u>20,645</u>
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### 24.3 Define benefit obligation

At 1 October	21,848	29,410
Payment	<u>-</u>	<u>(7,562)</u>

At 30 September	<u>21,848</u>	<u>21,848</u>
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24.3.1 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			
	Below one year N'000	One - five years N'000	Five years and above N'000	Total N'000
<b>2021</b>				
Loans and borrowings	1,099,734	1,932,727	-	3,032,461
Trade and other payables	<u>793,525</u>	<u>-</u>	<u>-</u>	<u>793,525</u>
	<u>1,893,259</u>	<u>1,932,727</u>	<u>-</u>	<u>3,825,986</u>
<b>2020</b>				
Loans and borrowings	995,852	1,996,220	-	2,992,072
Trade and other payables	713,664	-	-	713,664
Finance lease obligation	<u>6,358</u>	<u>-</u>	<u>-</u>	<u>6,358</u>
	<u>1,715,874</u>	<u>1,996,220</u>	<u>-</u>	<u>3,712,094</u>

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 N'000	2020 N'000
<b>26. Current tax liability</b>		
At 1 October	193,720	93,400
Payment in the year	(81,180)	(42,933)
Charge for the year (Note 28)	85,259	143,253
Over provision in prior year	(62,073)	-
At 30 September	<u>135,726</u>	<u>193,720</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.

<b>27. Deferred tax liability</b>		
At 1 October	34,704	93,046
Charge/(write back) in the year	<u>71,522</u>	<u>(58,342)</u>
<b>At 30 September</b>	<u>106,226</u>	<u>34,704</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:

	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	2021 N'000	2020 N'000	2021 N'000	2020 N'000	2021 N'000	2020 N'000
Property, plant and equipment	(17,709)	-	123,963	91,119	141,672	(14,321)
Exchange loss	(28)	(56,416)	-	-	(28)	(56,416)
Provisions/unrecouped loss/capital allowance	-	-	-	-	-	2,654
Tax liability carried forward	(17,737)	(56,416)	123,963	91,119	106,226	34,703
Tax liability brought forward	-	-	-	-	34,703	93,046
Movement in deferred tax (asset)/liability	<u>(17,737)</u>	<u>(56,416)</u>	<u>123,963</u>	<u>91,119</u>	<u>71,523</u>	<u>(58,343)</u>

	2021 N'000	2020 N'000
<b>28. Current tax</b>		
Income	77,033	132,001
Education tax	8,207	11,253
Police levy	18	-
Over provision in prior year	(62,073)	-
	<u>23,186</u>	<u>143,254</u>
Deferred taxation charged/(write back) (Note 27)	<u>71,522</u>	<u>(58,342)</u>
As per statement of profit or loss and other comprehensive income	<u>94,708</u>	<u>84,912</u>

The Company income tax computation for the year ended 30 September 2021 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 2021

	2021 N'000	2020 N'000
<b>28.1 Reconciliation of effective tax rate</b>		
The tax expense for the year is reconciled to the profit/(loss) for the year as follows:		
<b>Profit before tax</b>	<b>365,285</b>	<b>297,388</b>
Tax thereon @ 30%	109,585	89,217
Deductible items	13,524	79,587
Balancing charge	1,457	-
Capital allowance	(109,588)	(36,803)
Education tax	8,207	11,253
Deferred tax effect charged/(write back)	71,522	(58,342)
Tax expense for the year	94,708	84,912
<b>Profit after tax</b>	<b>270,576</b>	<b>212,476</b>
	%	%
<b>28.2 The tax rate is reconciled to the effective tax rate as follows:</b>		
Tax rate	30	30
Deductible items	4	27
Balancing charge	-	-
Unrelieved Loss brought forward	-	-
Capital allowance	(30)	(12)
Education tax	2	4
Deferred tax effect	20	(20)
Total effective tax rate	26	29
	N'000	N'000
<b>29. Finance lease obligation</b>		
At 1 October	6,358	20,362
Addition	-	-
Repayment in the year	(6,358)	(14,004)
<b>At 30 September</b>	<b>-</b>	<b>6,358</b>
<b>Analysed into:</b>		
Current portion	-	6,358
Non-current portion	-	-
	-	6,358

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 2021

	2021 N'000	2020 N'000
<b>30. Ordinary shares</b>		
<b>30.1 Authorised:</b>		
2,000,000,000 ordinary shares of 50k each	<u>1,000,000</u>	<u>1,000,000</u>
<b>30.2 Issued and fully paid:</b>		
At 1 October	949,579	863,254
Bonus issue transfer from share premium	<u>-</u>	<u>86,325</u>
<b>At 30 September</b>	<u>949,579</u>	<u>949,579</u>
1,899,158,000 ordinary shares (2020: 1,899,158,000 ordinary shares @ 50k each).		

### 30.2.1 Minimum issued share capital for existing company – Section 124 of CAMA 2020

In line with the Company's regulations of 2020 released by the Corporate Affairs Commission in December 2020, a Company that has an unissued shares in its capital shall not later than 31 December 2022 fully issue such shares.

	2021 N'000	2020 N'000
<b>30.3 Share premium</b>		
At 1 October	112,606	1,020,603
Transfer to reserve (Note 30.4)	-	(898,164)
Capital restructuring expenses (Note 30.5)	<u>(7,726)</u>	<u>(9,833)</u>
<b>At 30 September</b>	<u>104,880</u>	<u>112,606</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.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 N'000	2020 N'000
<b>31. Retained earnings</b>		
At 1 October	212,476	(898,164)
Profit for the year	270,576	212,476
Dividend	(123,445)	-
Transfer from share premium (Note30.3)	-	898,164
<b>At 30 September</b>	<b>359,608</b>	<b>212,476</b>

For the current year, the Directors proposed a dividend 7 kobo (2020 : 6.5kobo) per 50k ordinary shares held as at 30 September 2021, amounting to N132,941,060. This is subject to shareholders ratification at the Annual General Meeting. The payment of this dividend is subject to withholding tax at the appropriate rate.

### 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	270,576	212,477
Number of shares	1,899,158	1,899,158
Earnings per share (kobo)	14	11

### 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	2,800	3,300
- Sitting allowance	1,600	1,600
Emolument of executive directors	62,740	62,740
	<b>67,640</b>	<b>68,140</b>

#### 33.2 Fees and other emoluments (excluding reimbursable expenses disclosed above include amount paid to:

Chairman	500	500
Highest paid director	28,820	28,820

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 Number	2020 Number
<b>33.3 Scale of Directors' remuneration</b>		
The number of Directors who received fees and other emoluments (excluding pension contributions, certain benefits and reimbursable expenses in the following range were:		
<b>N</b>		
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>
	<b>N'000</b>	<b>N'000</b>
<b>33.4 Personnel compensation</b>		
Personnel compensation comprised:		
Short-term employee benefits	585,034	515,455
Contribution to compulsory pension fund scheme	77,912	51,347
	<u>662,946</u>	<u>566,802</u>
<b>Analysis by function:</b>		
Production	269,444	203,737
Marketing and distribution	205,378	196,839
Administration	188,124	166,226
	<u>662,946</u>	<u>566,802</u>
<b>33.5 The average number of persons employed during the year by category:</b>		
	<b>Number</b>	<b>Number</b>
Management	12	49
Senior staff	150	93
Junior staff	40	54
	<u>202</u>	<u>196</u>
<b>33.6 Scale of employees' remuneration</b>		
<b>N</b>		
Below - 250,000	-	-
250,001 - 500,000	-	-
500,001 - 750,000	-	49
750,001 - 1,000,000	50	43
1,000,001 - 1,250,000	45	25
1,250,001 - 1,500,000	27	9
Above 1,500,001	80	70
	<u>202</u>	<u>196</u>

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

### 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 2021 (2020 - 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 N153,638,102 as at 30 September 2021 (2020 : N81,974,706). 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.

### 37. Impact of Covid-19 on Company's operations

There was an outbreak of Covid-19 Pandemic that started from Wuhan, China since December 2019. On 11th March 2020, the World Health Organization (WHO) declared the virus a pandemic in recognition of its widespread impact across the world. As a result of this, the Federal Government of Nigeria intensified drive for awareness on safety protocols and ordered lockdown in three States of the Federation (Lagos, Ogun and Federal Capital Territory Abuja) previous year for five weeks. The constraints to business in terms of manufacturing logistics this financial year ended was less disruptive when compared to the previous year.

The Company continued to operate its factory to supply healthcare products needed to battle COVID-19 including products like, antiseptics, disinfectants and hand sanitisers which also supported the fight against COVID-19. All these contributed to increase revenue for these relevant products.

The Directors have made assessment of the Pandemic on the Company's ability to continue as a going concern as follows:

#### Revenue generation

As a Company operating in healthcare and pharmaceutical industry, the Company is in a position to bring out relevant quality products that will be used to manage the disease. The Company was among the first to produce hand sanitizers as the index cases were being reported and continue in the production in the current financial year. This is expected to boost sales for the period of the pandemic and push revenue growth over same period in the previous year. COVID-19 had some negative impact on our supply chain during the business year especially delayed delivery of new manufacturing equipment ordered from India. China, India and some of the European Countries are among the Countries that suffered protracted lock down after the year 2020 which saw the onset of the Pandemic. Being our major source of imported raw materials for production and new equipment supplies, some of our materials came in late alongside new equipment that could aid optimal production and invariably, revenue generation was affected during the year.

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

### **Liquidity**

In response to the Pandemic, the Central Bank of Nigeria (CBN) has earmarked intervention funds of ₦100 billion for Pharmaceutical/Healthcare companies to support their business in March 2020. The Company was qualified to access this intervention loan, submitted its application and was awarded the sum of ₦2.4 billion in April 2020. This further enhanced the liquidity position of the Company during the year ended 30 September 2021 and supported ongoing expansion of the plant operation towards constructing a WHO cGMP compliant manufacturing plant in Anambra State in the quest for business growth as well as support additional working capital for the plant operations in the current year under review.

### **Profitability**

In the past three years, the business has been reporting profits and the Directors believe that this current year presents an opportunity to maintain the trend. The Company is also improving operating efficiency through cost reduction example: travel is reduced and mixed with virtual meetings in a more cost-effective manner. The business also had challenge accessing foreign exchange to fund importation of raw materials during the COVID-19 Pandemic where FOREX was sourced at parallel market at huge cost. The Company opted for opportunity cost of buying FOREX at higher and expensive rate in the open market to meet urgent raw material importation needs and often had to change from less expensive sea shipment to more costly air shipment to meet production and business needs during the year ended 30 September 2021. The Company is also taking advantage of all opportunities presented at this time including reduced cost of financing through CBN intervention Funds, securing reduced loan interests rates from our bankers, managing overhead and administrative cost most efficiently and advocating cost controls across our business units.

In view of the above, the Directors are of the opinion that COVID-19 has no negative impact on the going concern status of the Company.

### **38. 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.

### **39. 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**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021**

### **40. SECURITY TRADING POLICY AND DEALING IN SHARES**

In compliance with the Nigerian Exchange Limited's (NGX) Listing Rules, Neimeth International Pharmaceuticals Plc has in place regulations to guide its Board and other employees when effecting transactions in the Company's shares and other securities. The Company's Regulations for Dealing in Shares and other Securities ("the Regulations") provide amongst others, the period when transactions are not allowed to be effected on the Company's shares and other securities ("Closed Period") as well as disclosure requirements when effecting such transactions.

All concerned are obliged to observe the provisions of the Regulations when dealing in the Company's shares and securities. The Company regularly notifies (NGX) of its Closed Periods. The Company made inquiries from all affected persons and is not aware of any non-conformity with the Rule or the Regulations during the year under review.

# **NEIMETH INTERNATIONAL PHARMACEUTICALS PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

**Other National Disclosures**

# NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

## STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 N'000	%	2020 N'000	%
Turnover	3,046,661		2,839,119	
Other income	<u>202,023</u>		<u>146,169</u>	
	<b>3,248,684</b>		<b>2,985,288</b>	
Cost of goods and services - local	(696,026)		(572,975)	
Cost of goods and services - foreign	<u>(1,229,147)</u>		<u>(1,224,642)</u>	
<b>Value added</b>	<b><u>1,323,512</u></b>	<b><u>100</u></b>	<b><u>1,187,671</u></b>	<b><u>100</u></b>
<b>Applied as follows:</b>				
<b>To pay employees:</b>				
Salaries wages and other staff costs	662,946	49	566,803	48
<b>To providers of capital:</b>				
Finance costs	188,216	14	212,757	18
<b>To pay Government:</b>				
Company income tax	23,186	2	143,254	12
<b>To provide for assets replacement:</b>				
Depreciation of property, plant and equipment	107,065	8	110,723	9
<b>Retained for future expansion:</b>				
- Deferred taxation	71,522	5	(58,342)	(5)
- Profit on ordinary activities	<u>270,576</u>	<u>20</u>	<u>212,476</u>	<u>18</u>
<b>Value added</b>	<b><u>1,323,512</u></b>	<b><u>100</u></b>	<b><u>1,187,671</u></b>	<b><u>100</u></b>

Value added represents the additional wealth, the company has been able to create by its own and it's 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

	2021 N'000	2020 N'000	2019 N'000	2018 N'000 *Restated	2017 N'000 *Restated
<b>Statement of financial position</b>					
Property, plant and equipment	1,411,998	1,175,242	757,878	714,377	568,933
Intangible assets	-	-	-	-	24,765
Investment property	35,096	35,965	-	-	-
Net current assets	2,708,100	2,976,809	560,837	390,665	400,769
Non current liabilities	(2,741,127)	(2,913,355)	(248,697)	(246,210)	(279,754)
<b>Net assets</b>	<b>1,414,067</b>	<b>1,274,661</b>	<b>1,070,018</b>	<b>858,832</b>	<b>714,713</b>
<b>Equity and reserves</b>					
Ordinary shares	949,579	949,579	949,579	863,254	863,254
Share premium reserve	104,880	112,606	1,020,603	1,113,889	1,113,889
Retained earnings/ accumulated loss	359,608	212,476	(898,164)	(1,118,311)	(1,262,430)
<b>Total equity and reserves</b>	<b>1,414,067</b>	<b>1,274,661</b>	<b>1,072,018</b>	<b>858,832</b>	<b>714,713</b>
<b>Statement of comprehensive income</b>					
<b>Turnover</b>	<b>3,046,661</b>	<b>2,839,119</b>	<b>2,371,311</b>	<b>2,269,004</b>	<b>1,534,003</b>
Profit/(loss) before tax	365,285	297,388	304,439	166,460	(404,920)
Taxation	(94,708)	(84,912)	(84,292)	(18,444)	(6,564)
<b>Profit/(loss) for the year</b>	<b>270,576</b>	<b>212,476</b>	<b>220,147</b>	<b>148,016</b>	<b>(411,484)</b>
Other comprehensive income/ (loss) for the year	-	-	-	-	-
Total comprehensive income/ (loss) for the year	<b>270,576</b>	<b>212,476</b>	<b>220,147</b>	<b>148,016</b>	<b>(411,484)</b>
<b>Per share data:</b>					
Earnings/(loss) per share (kobo) - Basic	14	11	12	8	(24)
Net assets per ordinary share (kobo)	74	67	56	45	41

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.