

ALKEM LABORATORIES (NIG) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31<sup>ST</sup> MARCH, 2017

**ALKEM LABORATORIES (NIG) LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

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**ALKEM LABORATORIES (NIG) LIMITED**

**COMPANY REGISTRATION NO.709140**

**CORPORATE INFORMATION**

**DIRECTORS, PROFESSIONAL ADVISERS, ETC.**

**DIRECTORS**

MR. P.V. DAMODARAN

MR D.N PANDEY

PROF. E.O OGUNLANA

**SECRETARIES:**

MATHMER & ASSOCIATES  
115, PALM AVENUE  
MUSHIN

**AUDITORS:**

PAUL TAIWO & CO.  
(CHARTERED ACCOUNTANTS)  
197C, AKERELE EXTENSION, SURULERE  
P. O. BOX 3497  
SURULERE, LAGOS.  
TEL: 01 - 7740647, 08034074427

**BANKERS**

ZENITH BANK PLC.

**ALKEM LABORATORIES (NIGERIA) LIMITED**  
**RESULT AT A GLANCE**  
**FOR THE YEAR ENDED 31ST MARCH 2017**

	<b>2017</b> <b>=N=</b>	<b>2016</b> <b>=N=</b>
TURNOVER	7,649,368	84,535,000
LOSS BEFORE TAX	(316,453,793)	(93,192,919)
TAXATION	-	-
LOSS AFTER TAX	(316,453,793)	(93,192,919)
RETAINED LOSS FOR THE YEAR	(316,405,963)	(93,192,919)
SHARE CAPITAL	27,156,388	27,156,388
SHAREHOLDERS FUND	(762,134,083)	(445,728,120)
EARNINGS PER SHARE	(1.86)	(1.86)

**ALKEM LABORATORIES (NIG) LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

1. **FINANCIAL STATEMENTS**

The Directors present to the members of the company their annual report together with the audited Financial Statements for the year ended 31<sup>st</sup> March 2017.

2. **PROFIT & LOSS**

Gross Earnings	N 7,649,368
Loss before taxation	(316,453,793)
Loss after taxation	(316,453,793)
	=====

3. **BOARD OF DIRECTORS**

- 1 The names of the directors are listed on page 2.
- 2 Interests of the Directors' in the issued share capital of the company as recorded in the register of Directors Shareholding.

4. **LEGAL FORM**

The Company was incorporated as a private limited liability company on 17<sup>th</sup> September, 2007 under the Companies and Allied Matters Act, 1990.

5. **MAJOR ACTIVITIES**

The principal activities of the company are Pharmaceutical products and related activities.

6. **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for the preparation of financial statements which gives 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 CAP C20 LFN, 2004.

In doing so, they ensure that:

- proper accounting records are maintained;
- applicable accounting standards are followed;
- suitable accounting policies are adopted and consistently applied;
- judgments and estimates made are reasonable and prudent;
- Internal control procedures are instituted which, as far as is reasonably possible; safeguard the assets and prevent and detect fraud and other irregularities.
- the company is planning to liquidate and no more going concern is anticipated.

**ALKEM LABORATORIES (NIG)LIMITED**  
**REPORT OF THE DIRECTORS CONT'**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

7. **DIRECTORS INTERESTS IN CONTRACTS**

For the purpose of section 277 of the Companies and Allied Matters Act 2004, none of the directors has direct or indirect interest in contracts or proposed contracts with the company during the year.

8. **FIXED ASSETS**

Information relating to changes in fixed assets is given in Notes 5 to the accounts. In the directors opinion, the market value of the investment is not less than the value shown in the financial statements.

9. **EMPLOYMENT AND EMPLOYEES**

1 ***Employments of disable persons***

It is the policy of the company that there should be no discrimination in considering applications for employment including those from disabled persons. All employees whether or not disabled are given equal opportunities to develop.

2 ***Health, safety at work and welfare of employees***

Health and safety regulations are in force within the company's premises and employees are aware of existing regulations. The company provides subsidy to all employees for medical, transportation, housing and lunch.

3 ***Employees' involvement and training***

The company is committed to keeping employees fully informed as much as possible regarding the company's performance and progress and seeking their views wherever practicable on matters, which particularly affect them as employees.

The company's expanding skill-based has been extended by a range of training provided to its employees whose opportunities for career development within the company have thus been enhanced. Training is carried out at various levels through both in-house and external courses.

**ALKEM LABORATORIES (NIG)LIMITED**  
**REPORT OF THE DIRECTORS CONT'**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

10. **BUSINESS ACTIVITES**

Alkem Laboratories (Nig) Limited undertakes to conduct its business in strict accordance with internationally accepted standards of good corporate governance. Among others, this means that we undertake to provide timely, reliable and regular information on our operations, finances and performance to all our shareholders and regulatory authorities.

11. **AUDITORS**

The auditors Messrs Paul Taiwo & Co. (Chartered Accountants) having indicated their willingness to continue in office as the company's auditor in accordance with section 357(2) of the companies and Allied Matters CAP C20 LFN, 2004. A resolution will be proposed empowering the directors to fix their remuneration.

12. **FRAUD AND FORGERIES**

There was no Fraud experienced during the period under review that warrant reporting to appropriate and regulatory authorities

**BY ORDER OF THE BOARD**

**MATHMER AND ASSOCIATES.**  
**(Secretaries)**  
**LAGOS. NIGERIA.**

**ALKEM LABORATORIES (NIG) LIMITED**  
**CORPORATE GOVERNANCE**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

**1. INTRODUCTION**

Alkem Laboratories (Nig) Limited sees good corporate governance ,good risk management and internal control as key elements in a successful business and a prerequisite to maintain trust among customers, shareholders ,authorities and stakeholders. This facilitates effective entrepreneurial and prudent management, thereby contributing to the long term success of the business.

Corporate governance remains a dynamic issue , which requires ongoing implementation and embedding the organisation's culture. The Board's approach to governance is to keep track of developments and adopt those practices that are most relevant to the business to strengthen its competitive advantages once they become part of its operating reality

The Company is committed to upholding the highest standards of corporate governance and ethical conduct. During the period under review ,the Company ensured it complied respectively with the Central Bank of Nigeria (CBN) code in order to achieve a high level of performance from the Board and management ,promote the interests of investors and further the Company's commitment to best practices of corporate governance .

**2. The Board of Directors**

The Company is governed by a board of Directors comprising Directors ,and it is a crucial part of the company 's corporate structure . It is fully cognizant of its role to provide oversight and strategic counsel with its responsibility to ensure conformance with regulatory requirements and acceptable risk tolerance parameters.

The Company recognizes that there is a limit to the effectiveness of prescriptive governance rules and compliance with the letter of the law ,thus , it is proactive about not just ensuring compliance with the regulatory codes of corporate governance , but also embraces the spirit of the principles in their business practices.

**PAUL TAIWO & CO**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**ALKEM LABORATORIES (NIG)LIMITED**

We have audited the Financial Statements of Alkem Laboratories (Nig) Limited for the year ended 31<sup>st</sup> March, 2017 set out on pages 11 - 18 which have been prepared under the historical cost convention, and the accounting policies set out on page 9. We have carried out such auditing procedures and obtained all the information and explanations we considered necessary.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The company's directors are responsible for the preparation of Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements prepared by the directors and to report our opinion to you.

**BASIS OF OPINION**

We conducted our audit in accordance with generally accepted auditing standards. An audit includes the examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

We planned and performed our audit so as to obtain information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or any other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**OPINION**

In our opinion, the company has kept proper books, and the financial statements, which are in agreement with them, give in the prescribed manner the information required by the Companies and Allied Matters CAP C20 LFN, 2004 and give a true and fair view of the state of the company's affairs for the year ended 31<sup>st</sup> March, 2017 and of the income statement of its cash flow statement for the year ended 31<sup>st</sup> March, 2017.

*Paul Taiwo*  
**PAUL TAIWO & CO.**  
 (Chartered Accountants)

**LAGOS. NIGERIA**

*10th May, 2017*



**ALKEM LABORATORIES (NIG)LIMITED**  
**ACCOUNTING POLICIES (CONT')**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

The following are the significant accounting policies adopted by the company in the preparation of the Financial Statements.

1. **REPORTING ENTITY**  
The Financial Statements are prepared on the historical cost convention.
2. **TURNOVER**  
Turnover represents the total value of goods invoiced .
3. **FIXED ASSET**  
Fixed Assets are stated at cost less depreciation.
4. **DEPRECIATION**  
Depreciation is provided on fixed assets on the straight line basis to write off cost over the expected useful lives at the following rates per annum.
 

Motor vehicles	-	25%
Furniture and Fittings	-	20%
Office Equipments	-	20%
5. **STOCKS**  
Goods are valued at cost or net realizable value whichever is lower.
6. **TRADE DEBTORS**  
Trade debtors are stated after deduction for specific provision for any debt considered to be doubtful of recovery.
7. **DEFERRED TAXATION**  
Provision for deferred taxation is made using liability method and calculated at the current rate of taxation on the differences between the net book value of qualifying fixed assets and their corresponding written down value.

**ALKEM LABORATORIES (NIG)LIMITED**  
**ACCOUNTING POLICIES (CONTD)**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

8. **RETIREMENT BENEFIT SCHEME**

The company operates a contributory pension scheme which employees join upon employment. Employee and employer contributions are 8% and 10% of defined total package, in line with the requirements of the Pension Reforms Act, 2012. The company's liabilities in respect of the scheme are charged to the profit of the year in which they become payable, payments are made to a Pension Fund Administrator that manages the scheme.

9. **FOREIGN CURRENCIES**

Transactions in foreign currencies during the year are converted into the functional currency, Nigeria naira, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction at year ended exchange rates of monetary assets and liabilities denominated on foreign currencies are recognized in income statement.

10. **PROVISIONS**

Provision are recognized which the company has a present obligations whether legal or constructive as a result of a post event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligating.

11. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of notes and coins on hand, demand deposits and short term, highly liquid financial assets with original maturities of three months or less that are convertible to a known amount of cash which are subject to insignificant risk of changes in value, all of which are available for use unless otherwise stated.

**ALKEM LABORATORIES (NIGERIA) LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2016**

	NOTES	2017 =N=	2016 =N=
<b>NON CURRENT ASSETS</b>			
Property, plant and Equipments	1	<u>276,370</u> 276,370 =====	<u>2,945,787</u> 2,945,787 =====
<b>CURRENT ASSETS</b>			
Stocks	2	-	304,784
Trade Receivables and prepayments	3	39,026,302	47,356,865
Cash at Bank and in hand		<u>12,432,489</u>	<u>15,884,266</u>
<b>TOTAL CURRENT ASSETS</b>		<b>51,458,791</b>	<b>63,545,915</b>
<b>LIABILITIES</b>			
Amount falling due within one year	4	(499,323,202)	(373,878,209)
Taxation	6	-	-
		<u>(499,323,202)</u>	<u>(373,878,209)</u>
		<u>(314,546,042)</u>	<u>(138,341,613)</u>
Amount falling due after one year		<u>(813,869,244)</u>	<u>(512,219,822)</u>
<b>Total Assets less liabilities</b>		<b>(762,134,083)</b> =====	<b>(445,728,120)</b> =====
<b>CAPITAL AND RESERVES</b>			
<b>Authorised</b>		50,000,000 =====	50,000,000 =====
Paid up Share Capital	7	27,156,388	27,156,388
Deposit for shares	7.1	-	-
General Reserve	9	<u>(789,290,471)</u> <u>(762,134,083)</u> =====	<u>(472,884,508)</u> <u>(445,728,120)</u> =====

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

\_\_\_\_\_) )  
 \_\_\_\_\_) ) DIRECTORS  
 \_\_\_\_\_) )  
 \_\_\_\_\_)

The accounting policies on page 6 and the attached Notes on pages 10-13 form an integral part of these accounts.

**ALKEM LABORATORIES (NIGERIA) LIMITED**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31ST MARCH 2017**

	NOTES	2017 =N=	2016 =N=
Turnover	5	7,649,368	84,535,000
Less Cost of sales	8	(7,049,378)	(102,914,683)
Gross Profit		599,990	(18,379,683)
Other Income		2,070,428	1,045,640
		2,670,418	(17,334,043)
LESS FX loss		(285,232,656)	(248,372)
LESS Administrative expenses		(33,891,555)	(75,610,504)
Loss before taxation		(316,453,793)	(93,192,919)
Taxation	7	-	-
Loss after taxation		(316,453,793)	(93,192,919)
Prior year adjustments		47,830	-
Retained loss for the year		(316,405,963)	(93,192,919)
Transferred to general reserves		=====	=====
Earnings per share		(1.86)	(1.86)

The accounting policies on page 6 and the attached Notes on pages 10-13 form an integral part of these accounts.

**ALKEM LABORATORIES (NIGERIA) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH 2017**

	2017 =N=	2016 =N=
Net loss before tax	(316,453,793)	(93,192,919)
Adjustment for:		
Loss on disposal of Asset	1,246,592	320,621
Depreciation	1,470,655	3,175,606
Operation (loss)/ Profit before changes in working capital:	(313,736,546)	(89,696,692)
Stocks	304,784	84,323,751
Trade receivables and prepayment	8,330,563	34,701,204
Trade receivables	301,649,422	(24,278,862)
Cash generated from operations	310,284,769	94,746,093
Tax paid	(3,451,777)	5,049,401
Cash from operating activities		
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Property Plant & Equipments	(3,451,777)	5,049,401
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Share Capital		5,049,401
Fund raised during the year	(3,451,777)	10,834,865
Net increase in cash and cash equivalent	15,884,266	15,884,266
Cash and cash equivalent at 1st April	12,432,489	=====
Cash and cash equivalent at 31st March.	=====	=====
<b>REPRESENTED BY:</b>		
<b>CASH AND CASH EQUIVALENT</b>	12,432,489	15,884,266
Bank balances and cash	12,432,489	15,884,266
	=====	=====

The attached Notes on pages 10-13 form an integral part of these accounts.

**ALKEM LABORATORIES (NIGERIA) LIMITED**  
**NOTES ON THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST MARCH 2017**  
**1 PROPERTY, PLANT AND EQUIPMENTS**

	MOTOR VEHICLES	OFFICE EQUIPMENT	FURNITURE & FITTINGS	TOTAL
<b>COST</b>	<b>=N=</b>	<b>=N=</b>	<b>=N=</b>	<b>=N=</b>
1st April 16	21,892,850	1,965,217	2,189,140	26,047,208
Additions	-	-	1,551,894	(24,791,137)
Deletions	(21,892,850)	1,346,392	637,246	1,256,071
31st March 17	-	618,825	-	-
<b>DEPRECIATION</b>				
1st April 16	19,408,745	1,596,521	2,096,155	23,101,421
Charge for year	1,285,344	143,113	42,199	1,470,655
Deletions	(20,694,089)	1,243,706	1,654,580	(23,592,375)
31st March 17	-	495,927	483,774	979,701
<b>NET BOOK VALUE</b>				
31st March 17	-	122,898	153,472	276,370
31st March 16	2,484,105	266,010	195,672	2,945,787
<b>2017</b>	<b>=N=</b>		<b>2016</b>	<b>=N=</b>
<b>2 STOCK</b>				
Stocks consists of	-	-	304,784	-
Stocks in transit	-	-	304,784	-
Drugs	-	-	-	-
<b>3 TRADE RECEIVABLES AND PREPAYMENT</b>				
Loans & advances	343,911	-	1,148,740	-
Prepayments	590,420	-	4,547,428	-
Advance Taxation	38,091,971	-	893,590	-
sundry debtors	-	-	40,767,107	-
	39,026,302	-	47,356,865	-
<b>4 TRADE PAYABLES</b>				
Amount falling due within one year	497,273,202	-	257,027,691	-
sundry creditors	1,250,000	-	10,218,429	-
Expenses payable	-	-	105,870,614	-
Foreign currency Valuation Adjustment	800,000	-	761,475	-
Advance from customers	-	-	-	-
Other Creditors(Audit fees)	499,323,202	-	373,878,209	-
<b>0.2</b>	<b>314,546,042</b>		<b>138,341,613</b>	
Amount falling due after one year	-	-	-	-
unsecured loans	-	-	-	-
<b>5 TURNOVER</b>				
Sales	7,649,368	-	84,535,000	-

**ALKEM LABORATORIES (NIGERIA) LIMITED**  
**NOTES ON THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31ST MARCH 2017**

	2017 =N=	2016 =N=
<b>6 TAXATION</b>		
<b>Profit and Loss account</b>		
Income tax based on profit for the ye	-	-
Education tax	-	-
Under provision in previous year	-	-
	=====	=====
<b>Balance Sheet</b>		
Balance brought forward	-	-
Charge for the year	-	-
Under provision	-	-
Payment during the year	-	-
	=====	=====
The taxation charge in these account is based on the provisions of the Companies Income Tax Act (cap. 60 Laws of Federation of Nigeria, 1990) as amended to date.		
<b>0.2 DEFERRED TAXATION</b>		
At 1st April	-	-
Provision During the year	-	-
At 31st March	=====	=====
The company has adopted the statement of accounting Standard (SAS19) on deferred taxation which is computed using the liability method in compliance with the standard. No deferred tax has been provided because of unabsorbed capital allowance which gave rise to deferred assets as at 31 March, 2017. However, this deferred assets has not been recognised in this financial statements.		
<b>7 SHARE CAPITAL</b>		
Authorised:		
50,000,000 Ordinary shares of =N=1 each	50,000,000	50,000,000
	=====	=====
h Issued and Fully paid:		
Balance as at 31st March 2017	27,156,388	27,156,388
	=====	=====
<b>0.2 DEPOSIT FOR SHARES</b>		
Deposit for shares	-	-
	=====	=====
<b>8 COST OF GOODS SOLD</b>		
Cost of sales	7,049,378	102,914,683
	=====	=====

**ALKEM LABORATORIES (NIGERIA) LIMITED**  
**NOTES ON THE ACCOUNTS (CONTINUED)**

	2017	2016
9 <b>GENERAL RESERVE</b>		
Balance as at 1st April	(472,884,508)	(379,691,589)
Transfer from Profit & loss account	<u>(316,405,963)</u>	<u>(93,192,919)</u>
At 31st March	<u>(789,290,471)</u>	<u>(472,884,508)</u>
	=====	=====

	2017	2016
10 <b>ADMINISTRATIVE EXPENSES</b>	=N=	=N=
Sales promotion exps	-	12,418,870
Legal and professional fees	2,494,080	4,659,827
Distribution expenses	-	2,322,263
office exps	1,940,660	6,382,683
Salary	2,916,085	27,666,521
Training	-	-
Marketing expenses	637,747	416,059
Bank Charges	362,515	-
Bad debts	18,643,997	-
Transport & Travelling	-	-
Electricity	903,250	1,832,513
Motor Running Expenses	3,738,416	10,113,289
Rent	523,450	530,000
Audit fee	-	-
Postages	118,950	1,368,811
Telephone	1,470,655	3,175,606
Depreciation	141,750	252,625
Product registration	-	1,783,283
Promotion expenses	-	1,228,300
Insurance	-	-
Promotion expenses	-	1,459,854
Selling expenses	-	-
Repairs & Maintenance	-	-
	<u>33,891,555</u>	<u>75,610,504</u>
	=====	=====

## NOTES TO THE ACCOUNTS

### 11. RELATED PARTIES

Related parties include the shareholder and key management personnel of the company and entities in which a substantial interest is directly or indirectly owned by Key Management personnel of the company and the parent company.

In Nigerian Naira	For the Year Ended 31st March 2017	For the Year Ended 31st March 2017
Loan Receivable - Alkem Laboratories Ltd	37,198,380.26	
Purchases - Alkem Laboratories Ltd	6,699,186.62	15,059,682.48
Trade Payables - Alkem Laboratories Ltd	497,273,201.92	321,951,663.92
Loan Payable - Alkem Laboratories Ltd	314,546,041.95	178,853,047.82

### 12. Compensation to Key Managerial Personnel

Key Management Personnel comprise the Pharmacist Director and Superintend Pharmacist, in total 2 employees as on 31<sup>st</sup> March, 2017. Total compensation to Key Management Personnel included in the administrative expenses in the statement of comprehensive income for the year ended 31<sup>st</sup> Mar 2017 and the amount is NGN 2,240,000.00. Compensation to managerial personnel includes salaries and other payments in accordance with the internal policies of the company.

### 13. Financial Risk Management

In the course of its ordinary business activities the company is exposed to market risk and credit risk, as well as the liquidity risk. The company is not engaged in speculative financial activities. The company does not hedge its market exchange risk and interest rate risk. The main financial instruments of the company consist of cash and cash equivalents, trade receivables and payables.

Management reviews and agrees policies for managing each of these risks which are summarised below.

This section also examines the sensitivity analysis, which is designed to demonstrate the sensitivity of the Company's financial statements to changes in market variables, as well as to show the potential impact on the statement of comprehensive income and equity. Financial instruments affected by market risk include receivables and payables. Sensitivity analysis was prepared for the reporting period ended 31<sup>st</sup> March 2017, using the amounts owed, as well as other financial assets and liabilities, available as of the reporting date.

#### 14. Market Risk

Market risk represents the possible fluctuations in the value of a financial instrument as a result of changes in market prices. The company manages its market risk through periodic estimation of potential losses that may arise due to adverse changes in market conditions, which are considered in the planning of procurement.

#### 15. Currency Risk

As a result of interest bearing loans, borrowings and trade payables denominated in the USD the company's statement of Profit and loss and other comprehensive income can be affected significantly by movement in the USD/NGN exchange rates.

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rates with all other variables held constant, of the company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

In Nigerian Naira	Increase/Decrease in USD	Effect on Profit Before Tax	Effect on Equity
31st Mar 2017	+10%	(77,462,086.37)	(77,462,086.37)
	-10%	77,462,086.37	77,462,086.37
31st Mar 2016	+10%	(33,100,630.13)	(33,100,630.13)
	-10%	33,100,630.13	33,100,630.13

#### 16. Liquidity Risk

Liquidity risk is the risk that the company may face difficulties in raising funds for the repayment of liabilities arising from financial instruments. Liquidity risk may result from the inability to immediately sell a financial asset at a price close to its fair value.

The company regularly monitors the need for liquidity and the management ensures the availability of funds in an amount sufficient to settle any existing obligations.

In Nigerian Naira	31st Mar 2017				Total
	Due on Demand	< 3 Months	3 to 12 Months	1 to 5 Years	
<b>Financial Assets</b>					
Cash & Cash Equivalents	12,432,489.62				12,432,489.62
Trade Receivables				26,320,448.24	26,320,448.24

Loans & Advances	343,911.00	37,198,380.26	37,542,29	
<b>Financial Liabilities</b>	<b>12,432,489.62</b>	<b>343,911.00</b>	<b>63,518,828.50</b>	<b>76,295,22</b>
Trade Payables	12,943,820.55	484,329,381.37	497,273,20	
Loans		314,546,041.95	314,546,04	
Other Liabilites	1,250,000.00	800,000.00	2,050,00	
	14,193,820.55	799,675,423.32	813,869,24	
	<b>12,432,489.62</b>	<b>(13,849,909.55)</b>	<b>(736,156,594.82)</b>	<b>(737,574,014</b>

In Nigerian Naira	31st Mar 2016				
	Due on Demand	< 3 Months	3 to 12 Months	1 to 5 Years	Total
<b>Financial Assets</b>					
Cash & Cash Equivalents	15,884,266.53				15,884,26
Trade Receivables		10,684,928.15	8,954,006.25	28,196,513.71	47,835,44
Loans & Advances		1,148,740.00			1,148,74
<b>Financial Liabilities</b>	<b>15,884,266.53</b>	<b>11,833,668.15</b>	<b>8,954,006.25</b>	<b>28,196,513.71</b>	<b>64,868,45</b>
Trade Payables			18,764,515.51	303,187,148.41	321,951,66
Loans				178,853,047.82	178,853,04
Other Liabilites			11,415,110.09		11,415,11
	-	-	30,179,625.60	482,040,196.23	512,219,82
	<b>15,884,266.53</b>		<b>(21,225,619.35)</b>	<b>(453,843,682.52)</b>	<b>(447,351,367</b>

**18. Credit Risk**

Credit Risk is the risk that one party to a financial instrument would not be able to fulfill an obligation to cause the other party to incur a financial loss. The company is exposed to credit risk from its operating activities. Management of the company believes that the recent international credit crisis and the subsequent changes in the credit ratings of local banks is not a justification for an emergency credit risk. Accordingly, bank accounts do not require a provision for impairment.

At the current level of operations management believes that the company has established appropriate credit control procedures and monitoring of consumers that enables the company to carry out transactions with recognised, creditworthy third parties. The company constantly monitors the existing accounts receivable. Credit risks are analysed through the procedure of individual impairment.

With respect to credit risk arising from the company's other financial assets, which comprise cash and cash equivalents, trade and other receivables, the company's exposure to credit risk arises from default of the counterparty, and the maximum exposure is equal to the carrying value of these instruments.

**19. Fair value of Financial Instruments**

Fair value is the amount at which the instrument could be exchanged as a result of the current transaction between willing parties under the terms other than a forced sale or liquidation.

Management believes that the carrying values of the financial assets and liabilities of the company, consisting of cash and cash equivalents, trade and other receivables and payables, as well as other taxes payable and other current liabilities, is not significantly different from their fair values as of 31<sup>st</sup> Mar 2017 and 2016

**20. Contingent Liabilities**

In the ordinary course of the business, the company is subject to various lawsuits and claims. Management believes that the ultimate liability, if any, associated with such processes or claims would not have a significant negative impact on the financial position or financial performance of the company.

The Company estimates the probability of occurrence of essential obligations under the specific circumstances and reflects the appropriate provision in its financial statements only in those cases when it is more likely than not that the events leading to a liability, would actually take place, and the amount of the commitment can be reasonably estimated. In these financial statements the company did not reflect any provision for any of the above potential liabilities.

**21. Taxation**

The tax legislation and regulations of Nigeria are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and

national tax authorities are not rare. The currently existing system of penalties and interest related to reported and discovered violations of Nigeria's tax laws are severe. Penalties include fines usually in the amount of 50% of the taxes additionally assessed. As a result the amount of penalties and interest may be several times the amount of any assessed taxes. Fiscal periods remain open for review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Due to uncertainties associated with Nigeria's tax system, the ultimate amount of taxes, penalties and interest, if any, may exceed the amount expensed to date and accrued as of 31<sup>st</sup> March, 2017. Management believes that as of 31<sup>st</sup> March, 2017 its interpretation of the relevant legislation is appropriate and it is probable that the company's tax position will be confirmed.

## **22. Subsequent Events**

There are no subsequent events that could have a significant impact on the financial statements of the company.

## **23. Approval of Financial Statements**

The Financial Statements of the company for the year ended 31<sup>st</sup> March, 2017 were approved by Management on 28<sup>th</sup> April, 2017.

**ALKEM LABORATORIES (NIGERIA) LIMITED**  
**STATEMENT OF VALUE ADDED**  
**FOR THE YEAR ENDED 31ST MARCH 2017**

	2017 =N=	%	2016 =N=	%
Sales	7,649,368		84,535,000	
Less Brought in goods and services	<u>(319,306,076)</u>		<u>(146,469,733)</u>	
Value Added	<u>(311,656,708)</u>	100	<u>(61,934,733)</u>	100
	=====	=====	=====	=====
<b>Applied as follows:</b>				
To pay employees:-				
Salaries, Wages, Pension, benefits	2,916,085	(1)	27,666,521	(45)
To pay provider of capital:-				
Interest on loan and overdraft	362,515	(0)	416,059	(1)
To pay government:-				
Corporation Tax	-	-	-	-
For future growth and development:-				
Depreciation	1,470,655	(0)	3,175,606	(5)
Profit / loss retained	<u>(316,405,963)</u>	102	<u>(93,192,919)</u>	150
	<u>(311,656,708)</u>	100	<u>(61,934,733)</u>	100
	=====	=====	=====	=====

Value added represents the wealth created by the effort of both the company and those of its employees. This statement shows the allocation of that wealth between the employees, shareholders, government and the retained by the company for future creation of wealth.

**ALKEM LABORATORIES (NIGERIA) LIMITED**  
**FIVE YEAR FINANCIAL SUMMARY**  
**FOR THE YEAR ENDED 31ST MARCH 2017**

<b>ASSETS</b>	<b>2017 =N='000</b>	<b>2016 =N='000</b>	<b>2015 =N='000</b>	<b>2014 =N='000</b>	<b>2013 =N='000</b>
Fixed Assets	276	2,945	6,442	12,126	6,219
Current Assets	51,458	63,546	177,521	165,962	219,868
Preliminary expenses	-	-	-	-	-
	<u>51,734</u>	<u>66,491</u>	<u>183,963</u>	<u>178,088</u>	<u>226,087</u>
	=====	=====	=====	=====	=====
<b>LIABILITIES</b>					
Current Liabilities	(499,323)	(373,878)	(398,157)	(221,260)	(210,785)
Import finance	(314,545)	(138,341)	(138,341)	(138,342)	(138,952)
Taxation	-	-	-	-	(894)
	<u>(813,868)</u>	<u>(512,219)</u>	<u>(536,498)</u>	<u>(359,602)</u>	<u>(350,631)</u>
	=====	=====	=====	=====	=====
<b>TOTAL ASSETS</b>					
<b>LESS LIABILITIES</b>	<u>(762,134)</u>	<u>(445,728)</u>	<u>(352,535)</u>	<u>(181,514)</u>	<u>(124,544)</u>
	=====	=====	=====	=====	=====
<b>SHAREHOLDERS FUNDS</b>					
Share Capital	27,156	27,156	27,156	27,156	27,156
Revenue Reserve	<u>(789,290)</u>	<u>(472,884)</u>	<u>(379,691)</u>	<u>(208,670)</u>	<u>(151,700)</u>
	<u>(762,134)</u>	<u>(445,728)</u>	<u>(352,535)</u>	<u>(181,514)</u>	<u>(124,544)</u>
	=====	=====	=====	=====	=====
<b>PROFIT &amp; LOSS ACCOUNT</b>					
Turnover	7,649	84,535	146,722	179,958	217,225
	=====	=====	=====	=====	=====
Loss before tax	(316,453)	(93,192)	(171,022)	(57,863)	(32,618)
Taxation	-	-	-	-	(893)
	<u>(316,453)</u>	<u>(93,192)</u>	<u>(171,022)</u>	<u>(57,863)</u>	<u>(33,511)</u>
	=====	=====	=====	=====	=====
<b>MEMORANDA</b>					
Autorised Share capital	50,000	50,000	50,000	50,000	50,000
Share Issued	27,156	27,156	27,156	27,156	20,000
	=====	=====	=====	=====	=====
Earnings per share	(6.33)	(1.86)	(3.42)	(1.14)	(0.67)
	=====	=====	=====	=====	=====

**Notes:**

- 0.1 Earnings per share are based on the issued shares at 31st March 2017  
0.2 Earnings per share are based on profit after taxation.