

ABRIDGED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2010



Chellarams Plc

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RESULTS AT A GLANCE

FINANCIAL HIGHLIGHTS

| | GROUP | | COMPANY | |
|---|---------------|---------------|---------------|---------------|
| | 2010 N'000 | 2009 N'000 | 2010 N'000 | 2009 N'000 |
| TURNOVER | 19,418,308 | 16,145,771 | 17,824,410 | 14,398,832 |
| GROSS PROFIT | 2,685,706 | 2,243,797 | 2,369,251 | 1,899,254 |
| Finance Cost | (431,952) | (422,256) | (354,705) | (340,237) |
| Exceptional Item | - | (645,162) | - | (645,162) |
| Profit/(Loss) after Exceptional items and Taxation | 446,126 | (376,898) | 417,928 | (338,927) |
| Profit/(Loss) after Exceptional items, after Tax and Minority Interest | 439,920 | (373,111) | 417,928 | (338,927) |
| (Loss)/Earnings Per Ordinary Shares (kobo) | 61k | 73k | 58k | (66k) |
| Dividend Per Ordinary Shares (kobo)(Proposed) | 8 | - | 8 | - |

NOTICE IS HEREBY GIVEN that the 61st Annual General Meeting of the Company will hold at TAHIR GUEST PALACE, IBRAHIM NATSUGUNE ROAD, NASSARAWA G.R.A, KANO on Thursday, 28th October, 2010, at 2.00 pm to transact the following business:

ORDINARY BUSINESS:

1. To receive the Audited Accounts for the year ended 31st March, 2010 together with the reports of the Directors, Audit committee and the Auditors there on.
2. To declare a dividend.
3. To re-elect Directors retiring by rotation.
4. To approve the remuneration of the Directors.
5. To authorise the Directors to fix the remuneration of the Auditors.
6. To elect members of the Audit Committee.

SPECIAL BUSINESS:

To consider and if thought fit, pass the following as Special Resolutions

7. That the Company raise additional capital of up to ₦5,000,000,000 through the issuance of Medium Term Notes, bonds and/or any other instruments in tranche, series or proportions, at such coupon or interest rates, within such maturity periods, and on such terms and conditions; by way of public offering, placing, book building process or other methods as determined by the Board of Directors subject to obtaining the approvals of relevant regulatory authorities.
8. That the Board of Directors be and is hereby authorised to enter into negotiations, agreements or contracts of any other arrangement whatsoever for the issuing of the shares and /or debt instruments and to do all such things as are required to give effect to this resolution.
9. That the Board of Directors be and is hereby authorised to take any further or other action(s) that may be required to give effect to the above resolutions.

NOTES

PROXY

A member of the Company entitled to attend and vote is entitled to appoint a proxy to vote instead of him/her. A proxy need not be a member of the Company. A proxy card is enclosed and to be effective, all instruments of proxy should be completed and deposited at the Registered Office of the Company, at Plot 110/114 Oshodi-Apapa Expressway, Isolo, Lagos, not less than 48 hours before the time for holding the Meeting.

CLOSURE OF REGISTER AND TRANSFER BOOKS

The Register of Members and Transfer Books will be closed from 14th October, 2010 to 28th of October, 2010 both dates inclusive.

AUDIT COMMITTEE

In accordance with Section 359(5) of the Companies and Allied Matters Act 1990, all nominations in writing of members for appointment to the Audit Committee should reach the Company Secretary at least 21 days before the Annual General Meeting.

DIVIDEND WARRANTS

If the dividend as recommended by the Directors is approved, the dividend warrants will be posted on 28th November, 2010, to all Shareholders whose names appear on the Register of Members at the close of Business on 14th October, 2010.

BY ORDER OF THE BOARD

I. A. ONALEYE

COMPANY SECRETARY

Plot 110/114 Oshodi-Apapa Expressway, Isolo, Lagos
30th September, 2010

| | |
|---|---|
| Chairman: | Asiwaju Solomon Kayode Onafowokan OON (Asiwaju of Remo Kingdom) |
| Managing Director: | Chief Suresh M. Chellaram (British) |
| Other Directors | Otunba Richard Adeniyi Adebayo Mr Kishore Bhambhani (Indian) Mr. Aditya S. Chellaram (British) Alhaji Ahmed Adamu Abdulkadir Mr. Suhas S. Kulkarni (Indian) |
| Secretary and Registered Office: | I.A. Onaleye FCA Plot 110/114 Oshodi-Apapa Expressway Isolo Lagos |
| Auditors: | PKF Pannell Kerr Forster Chartered Accountants Toloye House 362, Ikorodu Road Mende, Maryland, Lagos. |
| Registrar and Transfer Office: | Union Registrars Limited 2, Burma Road, Apapa, Lagos. |

STATEMENT OF ACCOUNTING POLICIES

Year Ended 31 March 2010

The significant accounting policies adopted in the preparation of these financial statements are set below:

1. **Basis of Preparation**
The Consolidated Financial Statements are prepared in compliance with Nigerian Statements of Accounting Standards (SAS). The financial statements are presented in the functional currency, Nigeria Naira, rounded to the nearest thousand and prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.
2. **Basis of Consolidation**
The Group financial statements incorporate the financial statements of Chellarams Plc and its subsidiaries, Chellarams Retail Limited, Dynamic Industries Limited, United Technical and Allied Services Limited and Cheltek Industries Limited, all made up to 31 March, each year.
All inter-company balances and transactions, including unrealized inter-company profits are eliminated on consolidation. The equity and net income attributable to non controlling interests are shown as separate items in the consolidated financial statements.
3. **Property, Plant and Equipment**
Property, plant and equipment are stated at the cost/valuation, less depreciation on a straight line basis over the estimated useful life of the assets, taking into consideration any residual value, excluding the costs of day-to-day servicing. Property, plant and equipment also include assets for which construction works have not been completed.
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.
4. **Depreciation of Property, Plant and Equipment**
Depreciation is provided on straight-line basis to write off the assets over their estimated useful lives. Annual depreciation is calculated at fixed percentages of cost. Assets under construction are not depreciated.

The principal annual rates of depreciation, which are consistent with those previous years, are:

| | |
|--|---------------------------------------|
| Buildings on freehold and long leasehold | - 2% |
| Lands except investment properties | - Over the unexpired period of leases |
| Short leaseholds | - 25% |
| Motor Vehicles | - 10% |
| Plant and Machineries | - 10% |
| Furniture and Fittings | - 15% |
| Office Equipment | - 15% |

Depreciation is not calculated on property, plant and equipment until they are brought into use.
5. **Investments**
Investments are classified as investment property, long-term investments, short-term investments and investment in subsidiaries.
- 5.1 **Investment Property**
Investment property is the company's investment in land and building held primarily for generating income and not occupied substantially for use, or in the operations of, the company or another company in the company's group. Investment property is stated at the cost and/or valuation basis.
- 5.2 **Long Term Investments**
Long-term investments portfolios are stated at cost less provision for diminution in value.
- 5.3 **Short Term Investments**
Investments in quoted companies are regarded as short-term investments and they are stated at cost and provision is made for permanent diminution in value. Dividend income is stated net of withholding tax and reported in Profit and Loss account when received.
- 5.4 **Investments in Subsidiaries**
Investments in subsidiaries are stated at cost.
6. **Inventories**
Stocks in trade are valued at the lower of cost or an average cost basis, net of provision for obsolescence, and net realizable value if appropriate.
Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.
7. **Receivables**
Trade and other receivables are recognized and carried at original invoice amounts less an allowance for any un-collectible amounts. Specific provision is made where there is objective evidence that the collection of any debts will be considered to be doubtful of collection.
Debts considered irrecoverable are written off.
8. **Foreign Currencies Translation**
The Financial Statements are presented in Naira, which is the Company's functional and presentation currency. Income and expenses denominated in foreign currencies are translated to the Naira at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency balances are converted to the Naira at the applicable rates of exchange ruling at the balance sheet date. Any profits or losses arising on the conversion of foreign currencies are included in the profit and loss account.
9. **Leases**
Finance leases are recognized at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. The amounts for the reduction of the outstanding liability due in the next financial year is recognized as creditors; amount due within one year. Capitalized leased assets are depreciated on same basis with the company's depreciation policy.
Operating lease payments are recognized as an expense in the income statement in the year to which they relate.

Distinguished Shareholders, Ladies and Gentlemen,

I welcome you all most sincerely to the 61st Annual General Meeting of your Company and to present to you the Group's result for the year ended 31st March, 2010 as contained in this Annual Report and Accounts.

THE ECONOMIC ENVIRONMENT

Your Company had continued to make steady progress, but unfortunately, at great cost, given the unsettling economic and business environment in which we operated during the year under review. Cost of funds remain high and the current relative improvement in the supply of electricity was achieved after the Company's year end under review.

As stated in my statement to you at the last Annual General Meeting, the ripple effect of the collapse of many financial institutions across the globe, wide spread job losses, the restructuring of the Nigerian banks among other factors had contributed to the dearth of credits. These coupled with imported inflation and its attendant impact on cost of sales, in the face of continuing decline in corporate and household consumer spending aptly described the challenging business climate under which your Company operated..

In spite of the reported growth in the national gross domestic product, the near stability of the Country's exchange rate, and the deepening of the political process, the growing security threats exacerbated by kidnapping in some strategic geopolitical zones in the Country equally impacted negatively on the economy and our business.

The activities of one of our major subsidiaries was seriously affected by Governments policy inconsistencies on importation and tariff during the year under review .

REVIEW OF THE GROUP'S OPERATIONS AND FINANCIAL RESULTS.

I hereby present to you the Annual Report and Audited Financial Statements of the Group for the Year ended 31st March, 2010

Your Company and its Subsidiaries recorded a consolidated turnover of =N=19.42 billion, a 20% increase over the figure for the previous year. The Group profit after taxation and before minority interest was =N=446 million, a marked improvement of more than =N=800 million over the comparative result achieved in the previous year. Shareholders' fund rose to =N=2.84 billion.

In spite of these challenges, your Company was able to achieve a commendable result that reversed the loss of the previous year and posted a positive net profit on the basis of which your Board of Directors is proposing a Dividend payment subject of course to your approval at this Meeting

SUBSIDIARIES/DIVISIONAL PERFORMANCE

The Distributive Trade Division continued to be the core of our business accounting for about 75% of total turnover. The operations of the manufacturing units in the packaging of the Company's "Real" and Oldenburger"

powdered milk contributed significantly in ameliorating the disappointing results of Chelltek Industries Limited whose operations were negatively impacted upon by policy inconsistencies. The same factor that affected the latter equally informed the Board's decision to divest a substantial proportion of its equity in Chellarams Retail Limited.

United Technical and Allied Services Limited (UTAS) and Dynamic Industries Limited continued to achieve commendable results.

The Group was able to expand its brand by obtaining the franchise of "KFC" through Devyanni International Limited, a company in which it has a 42.50% equity holding.

HUMAN CAPITAL AND INDUSTRIAL RELATIONS

Your Company continues to attract qualified staff with a vast majority of its employees having a minimum of a first degree.

Our training centre is now fully operational and adequate in-house training programmes are frequently arranged for all categories of staff. In addition to this, staff are sponsored to attend courses within and outside the Country.

Frequent interactions between Staff and Management, dialogue and mutual respect continue to engender industrial peace and harmony within the Group.

MURLI T.CHELLARAM FOUNDATION

This Foundation set up in memory of our immediate past Chairman, Mr.Murli Tahilram Chellaram had continued to receive commendations from students and beneficiaries of its scholarship scheme.

One of its beneficiaries was an award winning graduand at a recent convocation of a top medical school in the United States of America

Its operation had equally been expanded to include philanthropic activities and donations to the needy and educational institutions. Members of staff and their families continue to benefit under this scheme.

DIVIDEND

The Directors are recommending for your approval, at today's meeting, a dividend of 8 kobo per 50k Kobo Share held by members, subject to the deduction of appropriate withholding tax.

FIVE BILLION NAIRA BOND ISSUE.

In order to reduce its cost of operations and to further take advantage of continuing business opportunities which are being hampered by lack of long term investible funds in the Economy, the Board and Management had decided, subject to your approval to raise additional capital of up to =N=5,000,000,000 through the issuance of Medium Term Notes and Bonds.

I solemnly solicit your support in this regard.

THE FUTURE

Inspite of the challenges in the Economy, your Company continues to have abiding fate in the future growth and development of the economy.

Your Company in partnership with some overseas investors will soon commission an Independent Power Project for the supply of electricity to the Head Office at Isolo and the adjoining factories at commercially viable rates.

It had acquired its own property to meet its increasing operations, in Kano and had expanded its operations by opening up a new branch in Maiduguri to serve the North Eastern part of the Country and the neighbouring Countries of Chad, Niger and Northern Cameroon.

It is about finalising the acquisition of 49% shareholding in African Tourism Corporate Travels Limited, the franchise holders of American Express Travel Services in Nigeria. Your Company is poised to increase the local content of its chemical products and continue to expand its range of products by acquiring more franchises.

CONCLUSION

The excellent contribution and co-operation of my colleagues on the Board is greatly appreciated. On behalf of all of us, we also thank our numerous customers for their inestimable patronage and loyalty.

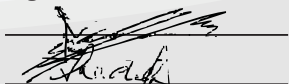
To my loyal shareholders accept our appreciation for your support and invaluable contributions to the continued growth of the Company. We thank the Almighty God for sparing our lives to witness this Meeting. Amen

Thank you.

ASIWAJU SOLOMON K ONAFOWOKAN, OON
Chairman

| | Notes | GROUP | | COMPANY | |
|--|-------------|------------------|------------------|------------------|------------------|
| | | 2010 N'ooo | 2009 N'ooo | 2010 N'ooo | 2009 N'ooo |
| ASSETS | | | | | |
| Property, Plant and Equipment | | | | | |
| Fixed Assets | 2.1 | 1,988,543 | 1,691,171 | 1,701,727 | 1,311,250 |
| Assets Under Finance Lease | 2.2 | 108,049 | 138,309 | 108,049 | 138,309 |
| Investment Property | 2.3 | 984,600 | 984,600 | 984,600 | 984,600 |
| | | 3,081,192 | 2,814,080 | 2,794,376 | 2,434,159 |
| Deferred Charges | 3 | - | 17,692 | - | - |
| Long-Term Investments | 4.2 | 170,779 | 4,704 | 300,977 | 199,415 |
| Deferred Taxation | 14.3 | 234,012 | 219,492 | 244,956 | 187,746 |
| Current Assets | | | | | |
| Inventories | 5 | 3,270,611 | 3,290,954 | 2,931,189 | 2,728,668 |
| Trade Debtors | | 976,397 | 1,232,481 | 777,497 | 1,004,548 |
| Due from Subsidiary Companies | | - | - | 98,251 | 309,390 |
| Other Debtors and Prepayments | 6 | 1,622,895 | 1,130,665 | 1,535,216 | 1,015,543 |
| Short Term Investment | 4.1 | 9,316 | 38,154 | 9,316 | 38,154 |
| Cash and Bank Balances | 7 | 55,148 | 80,573 | 41,420 | 52,215 |
| | | 5,934,367 | 5,772,827 | 5,392,889 | 5,148,518 |
| Creditors: Amount Due Within One Year | | | | | |
| Trade Creditors | | 1,535,014 | 858,634 | 1,261,852 | 602,679 |
| Due to Subsidiary Companies | | - | - | - | 2,109 |
| Other Creditors and Accruals | 8 | 360,543 | 435,208 | 239,055 | 199,137 |
| Bank Import Finance | | 2,439,975 | 3,134,581 | 2,390,818 | 3,134,581 |
| Commercial Papers | | 500,000 | 150,000 | 500,000 | 150,000 |
| Bank Overdrafts | 9 | 955,736 | 1,451,243 | 877,346 | 1,295,686 |
| Term Loans | 11 | 196,222 | 289,293 | 176,429 | 24,188 |
| Finance Lease | 12 | 28,429 | 61,823 | 9,354 | 61,823 |
| Dividend Payable | 13 | 66 | 36,856 | 64 | 36,856 |
| Taxation Payable | 14.1 | 38,379 | 69,143 | 14,996 | 51,647 |
| | | 6,054,364 | 6,486,781 | 5,469,914 | 5,558,706 |
| Net Current Liabilities. | | (119,997) | (713,954) | (77,025) | (410,188) |
| Total Assets Less Net Current Liabilities | | 3,365,986 | 2,342,014 | 3,263,285 | 2,411,132 |
| Provision for Liabilities and Charges | | | | | |
| Staff Retirement Benefits | 15 | (71,951) | (79,001) | (62,780) | (65,332) |
| Creditors: Amount Due After One Year | | | | | |
| Due to Associated Company | | - | (1,743) | - | (1,743) |
| Term Loans | 11 | (443,654) | (36,507) | (433,758) | - |
| Finance Lease | 12 | (13,549) | (7,832) | (12,595) | (7,832) |
| | | (457,203) | (46,082) | (446,353) | (9,575) |
| Net Assets | | 2,836,832 | 2,216,931 | 2,754,152 | 2,336,225 |
| CAPITAL AND RESERVES | | | | | |
| Share Capital | 16.2 | 361,463 | 361,463 | 361,463 | 361,463 |
| Revaluation Reserve | 17 | 1,318,073 | 1,318,073 | 1,318,073 | 1,318,073 |
| Capital Reserve on Consolidation | 18 | - | 23,074 | - | - |
| General Reserve | 19 | 1,106,882 | 498,052 | 1,074,616 | 656,689 |
| Shareholders' Fund | | 2,786,418 | 2,200,662 | 2,754,152 | 2,336,225 |
| Non-Controlling Interest | 20 | 50,414 | 16,269 | - | - |
| | | 2,836,832 | 2,216,931 | 2,754,152 | 2,336,225 |

Signed on behalf of the Board of Directors by:

 } Directors

| | Notes | GROUP | | COMPANY | |
|--|-------|---------------------|---------------|---------------------|---------------|
| | | 2010 N'000 | 2009 N'000 | 2010 N'000 | 2009 N'000 |
| Turnover | 28.1 | 19,418,308 | 16,145,771 | 17,824,410 | 14,398,832 |
| Cost of Sales | | <u>(16,732,602)</u> | (13,901,974) | <u>(15,455,159)</u> | (12,499,578) |
| Gross Profit | | 2,685,706 | 2,243,797 | 2,369,251 | 1,899,254 |
| Distribution and Administrative Expenses | | <u>(1,974,374)</u> | (1,836,903) | <u>(1,748,267)</u> | (1,495,564) |
| Other Income | 21 | 136,253 | 116,317 | 105,759 | 69,804 |
| Finance Cost | 22 | <u>(431,952)</u> | (422,256) | <u>(354,705)</u> | (340,237) |
| Profit Before Exceptional Item and Taxation | | 415,633 | 100,955 | 372,039 | 133,257 |
| Exceptional Item | | - | (645,162) | - | (645,162) |
| Profit/(Loss) After Exceptional Item and Before Taxation | | 415,633 | (544,207) | 372,039 | (511,905) |
| Taxation | 14.2 | <u>30,492</u> | 167,309 | <u>45,889</u> | 172,978 |
| Profit/(Loss) After Taxation Transferred to General Reserve | | 446,126 | (376,898) | 417,928 | (338,927) |
| Non Controlling Interest | 20 | <u>(6,205)</u> | 3,787 | - | - |
| Profit/(Loss) After Taxation and Non Controlling Interest | | 439,920 | (373,111) | 417,928 | 338,927 |
| Earnings/(Loss) Per Share (Kobo) | 31.1 | 61 | (73) | 58 | (66) |

| | 2010 N'ooo | 2009 N'ooo | 2008 N'ooo | 2007 N'ooo | 2006 N'ooo |
|--|-------------------|-------------------|-------------------|-------------------|------------------|
| Employment of Funds | | | | | |
| Property, Plant and Equipment | 3,081,192 | 2,814,080 | 2,786,071 | 2,148,860 | 1,931,010 |
| Deferred Charges | - | 17,692 | 23,438 | 22,733 | 26,866 |
| Investments | 170,779 | 4,704 | 4,704 | 72,033 | 82,283 |
| Deferred Taxation | 234,012 | 219,492 | 43,083 | 43,580 | (63,658) |
| Net Current Assets/(Liabilities) | (119,997) | (713,954) | 142,371 | 363,747 | 165,981 |
| Staff Retirement Benefits | (71,951) | (79,001) | (69,244) | (40,189) | - |
| Creditors: Amount due after a year | (457,203) | (46,082) | (274,873) | (323,250) | (126,830) |
| | <u>2,836,832</u> | <u>2,216,931</u> | <u>2,655,550</u> | <u>2,287,514</u> | <u>2,015,652</u> |
| Funds Employed | | | | | |
| Share Capital | 361,463 | 361,463 | 180,732 | 180,732 | 180,732 |
| Bonus Issue Reserve | - | - | 180,732 | - | - |
| Revaluation Reserve | 1,318,073 | 1,318,073 | 1,318,073 | 1,147,473 | 1,147,473 |
| Capital Reserve on Consolidation | - | 23,074 | 23,074 | 23,074 | 23,074 |
| General Reserve | 1,106,882 | 498,052 | 932,117 | 925,858 | 664,123 |
| Non -Controlling Interest | 50,414 | 16,269 | 20,822 | 10,377 | 250 |
| | <u>2,836,832</u> | <u>2,216,931</u> | <u>2,655,550</u> | <u>2,287,514</u> | <u>2,015,652</u> |
| Turnover | <u>19,418,308</u> | <u>16,145,771</u> | <u>14,526,294</u> | <u>11,176,801</u> | <u>8,857,989</u> |
| Profit Before Taxation | 415,633 | 100,955 | 311,323 | 215,587 | 107,497 |
| Exceptional Item | - | (645,162) | - | - | - |
| Taxation | 30,492 | 167,309 | (54,918) | 62,006 | (34,997) |
| Profit/(Loss) After Taxation | 446,125 | (376,898) | 256,405 | 277,593 | 72,500 |
| Non-Controlling Interest | (6,205) | 3,787 | (11,209) | (10,093) | 19,455 |
| Profit After Exceptional Item, Taxation and Non-controlling Interest | <u>439,920</u> | <u>(373,111)</u> | <u>245,196</u> | <u>267,500</u> | <u>91,955</u> |
| Dividend | - | 54,219 | 54,219 | - | 36,146 |
| Earnings/(Loss) Per Shares (kobo) | 61 | (73) | 68 | 74 | 25 |
| Dividend Per Share (kobo) | - | 15 | 15 | - | 10 |

Notes on the Abridged Financial Statements

The financial statements published above are not full financial statements but an abridged version of the full individual financial statements of the Company for the year ended 31st March 2010.

The full individual statements to which the abridged financial statements relate deal solely with the company's own affairs and shall be delivered with the Annual Return to the Corporate Affairs Commission after they have been laid before the Annual General Meeting.

The Company's Auditors, Messrs PKF Pannell Kerr Forster have made a report under section 359 of the Companies and Allied Matters Act, 1990 on the Company's full financial statements for the financial year ended 31st March 2010 from which these abridged financial statements have been made.

The report of the Auditors was unqualified (meaning that it was a report, without qualification, to the effect that in the opinion of the Auditors, the Company's financial statements had been properly prepared).

NOTE: Copies of the full Annual Report and Accounts for the year ended 31st March 2010 shall be distributed at the Annual General Meeting slated for TAHIRGUEST PALACE, Kano on thursday 28th October, 2010 at 2.00 pm and will also be made available on request.