



**MORISON INDUSTRIES PLC
FINANCIAL STATEMENTS
31 DECEMBER 2015**

Corporate information

Directors

Mr Richard O.Titiloye
Mr John Adekoje (resigned wef 31 September 2015)
Mr Oputa Nwabueze(appointed wef 2 October 2015)
Mr Femi Titiloye
Engineer Charles A. Osezua (OON)
Amb.(Prof.)Dew.T.Mayson (Liberian)
Senator Muhammed A. Muhammed (OFR)
Mr Godwin O.Oteri
Mr Tayo Odeyemi

Registered Office

28/30 Morison Crescent
Oregun Industrial Area
Ikeja
Lagos

Registrar and Transfer Office

Cardinal Stone(Registrars) Limited
358, Herbert Macaulay Way
Yaba
Lagos

Auditors

BDO Professional Services
15 CIPM Avenue, Central Business District , Alausa
Ikeja
Lagos

Solicitor

S.B.Joseph & Co.
140 Borno Way
Ebute Metta
Lagos.

Bankers

Ecobank Nigeria Limited
Fidelity Bank Plc
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Union Bank of Nigeria Plc
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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MORISON INDUSTRIES PLC

We have audited the accompanying financial statements of **Morison Industries Plc** for the year ended 31 December 2015 which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

2. The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and in compliance with relevant provisions of the Financial Reporting Council of Nigeria Act No 6, 2011 and the Companies and Allied Matters Act, CAP C20 LFN, 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

3. Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

4. In our opinion, the financial statements give a true and fair view of the state of affairs of the Company's financial position as at 31 December 2015 and of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria Act No 6, 2011 and the Companies and Allied Matters Act, CAP C20 LFN, 2004.

Report on other legal requirements

5. The Companies and Allied Matters Act, CAP C20 LFN, 2004 requires that in carrying out our audit, we consider and report to you on the following matters. 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 purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Company; and
- 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.

Lagos, Nigeria
30 March 2016



Ebenezer O. Olabisi
FRC/2012/ICAN/00000000104
For: BDO Professional Services
Chartered Accountants

MORISON INDUSTRIES PLC
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 N'000	2014 N'000
Revenue	7	183,348	217,848
Cost of sales	8	<u>(114,351)</u>	<u>(140,852)</u>
Gross profit		68,997	76,996
Distribution expenses	9	(35,063)	(46,218)
Operating expenses	10	(87,230)	(127,333)
Other operating Income	11	<u>8,016</u>	<u>10,177</u>
Profit from operations		<u>(45,280)</u>	<u>(86,378)</u>
Finance income	12	-	-
Finance expenses	12	<u>(826)</u>	<u>(1,931)</u>
Net finance expenses		<u>(826)</u>	<u>(1,931)</u>
Loss before taxation		(46,106)	(88,309)
Tax expense	14	<u>(62,394)</u>	<u>5,978</u>
Loss for the year		<u>(108,500)</u>	<u>(82,331)</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss:		-	-
Items that will or may be reclassified to profit or loss:		<u>-</u>	<u>-</u>
Total other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss		<u>(108,500)</u>	<u>(82,331)</u>
Loss per share(kobo)	27	<u>(0.71)k</u>	<u>(0.54)k</u>

The accompanying notes on pages 7 to 30 form an integral part of these financial statements.

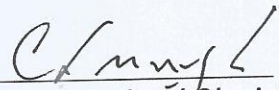
Auditors' report, pages 1 and 2.

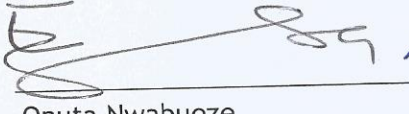
MORISON INDUSTRIES PLC

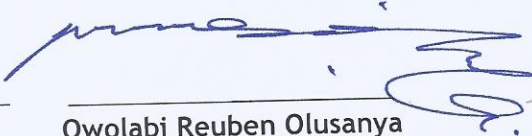
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	2015 N'000	2014 N'000
Assets			
Non-current assets			
Property, plant and equipment	16	334,128	337,262
Leased assets	17	2,922	9,788
Deferred tax assets	15	-	2,568
		<u>337,050</u>	<u>349,618</u>
Current assets			
Inventories	18	51,014	68,157
Trade and other receivables	19	26,514	26,358
Cash and cash equivalents	20	8,163	4,913
		<u>85,691</u>	<u>99,428</u>
Total assets		<u>422,741</u>	<u>449,046</u>
Liabilities			
Current liabilities			
Borrowings	21	20,000	-
Trade and other payables	22	92,766	90,462
Income tax payables	14(iv)	7,308	7,308
		<u>120,074</u>	<u>97,770</u>
Non-current liabilities			
Employees' benefit obligations	23	20,780	20,715
Deferred tax liabilities	15	59,826	-
		<u>80,606</u>	<u>20,715</u>
Total liabilities		<u>200,680</u>	<u>118,485</u>
Net assets		<u>222,061</u>	<u>330,561</u>
Equity			
Share capital	24	76,090	76,090
Share premium	25	21,489	21,489
Revenue reserves	26	124,482	232,982
Total equity		<u>222,061</u>	<u>330,561</u>

The financial statements and accompanying notes on pages 3 to 32 were approved by the Board of Directors on 29 March 2016 and signed on its behalf by:


 Titiloye Richard Olaniyi
 Chairman
 FRC/2013/ICAN/00000003887


 Oputa Nwabueze
 Managing Director


 Owolabi Reuben Olusanya
 Chief Finance Officer
 FRC/2013/ICAN/00000001664

The accompanying notes on pages 7 to 30 form an integral part of these financial statements.

Auditors' report, pages 1 and 2

MORISON INDUSTRIES PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Total Equity N'000
Balance at 1 January 2014		76,090	21,489	315,313	412,892
Comprehensive income for the year:					
Loss for the year		-	-	(82,331)	(82,331)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	(82,331)	(82,331)
Transactions with owners recorded directly in equity					
Dividends to equity holders		-	-	-	-
Total transactions with equity owners		-	-	-	-
Balance at 31 December 2014		<u>76,090</u>	<u>21,489</u>	<u>232,982</u>	<u>330,561</u>
		N'000		N'000	N'000
Balance at 1 January 2015		76,090	21,489	232,982	330,561
Comprehensive income for the year					
Loss for the year		-	-	(108,500)	(108,500)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	(108,500)	(108,500)
Transactions with owners, recorded directly in equity					
Dividends to equity holders		-	-	-	-
Total transactions with equity owners		-	-	-	-
Balance at 31 December 2015		<u>76,090</u>	<u>21,489</u>	<u>124,482</u>	<u>222,061</u>

The accompanying notes on pages 7 to 30 form an integral part of these financial statements.

Auditors' report, pages 1 and 2

MORISON INDUSTRIES PLC
 STATEMENT OF CASHFLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 N'000	2014 N'000
Cashflows from operating activities			
Loss for the year		(108,500)	(82,331)
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	16	23,425	19,515
Depreciation of leased assets	17	1,299	3,758
Impairment of property, plant and equipment	16	-	375
Profit on disposal of property, plant and equipment	11	(686)	(1,090)
Finance expenses	12	826	1,931
Income tax expense	14	62,394	(5,978)
		<u>(21,242)</u>	<u>(63,820)</u>
Decrease/(Increase) in inventories		17,143	(4,517)
(Increase)/decrease in trade and other receivables		(156)	58,010
Increase in trade and other payables		2,304	31,658
Increase/(decrease) in employees' benefits obligations		65	(13,958)
Cash (absorbed in)/generated from operations		<u>(1,886)</u>	<u>7,373</u>
Income taxes paid		-	(7,330)
Net cash (outflow)/inflow from operating activities		<u>(1,886)</u>	<u>43</u>
Cashflows from investing activities			
Purchase of property, plant and equipment	16	(14,729)	(28,928)
Additions to leased assets		-	(5,195)
Proceeds from disposal of property, plant and equipment		691	1,157
Net cash used in investing activities		<u>(14,038)</u>	<u>(32,966)</u>
Cashflows from financing activities			
Finance expenses	12	(826)	(1,931)
Finance lease obtained		-	3,637
Finance lease repayments	21	-	(5,434)
Loan obtained		20,000	-
Net cash inflow/(outflow) from financing activities		<u>19,174</u>	<u>(3,728)</u>
Net increase /(decrease) in cash and cash equivalents		<u>3,250</u>	<u>(36,651)</u>
Cash and cash equivalents at the beginning of the year		<u>4,913</u>	<u>41,564</u>
Cash and cash equivalents at the end of the year		<u><u>8,163</u></u>	<u><u>4,913</u></u>

The accompanying notes on pages 7 to 30 form an integral part of these financial statements.

Auditors' report, pages 1 and 2

1. **Corporate information and principal activities**

The Company was incorporated in Nigeria as a private limited liability Company on 29 June 1955 and it commenced business on the same day. It converted to a public quoted Company in 1978. Morison Investment Limited, UK, and Nigerian citizens own 40% and 60% respectively of the issued share capital of the Company.

The Company is engaged in the production and marketing of pharmaceuticals, hygiene products which include Morigade range of disinfectants and the importation and distribution of medical, surgical and hospital equipments and Consumables made by Braun & Company Limited, BSN Medical, Desoutter Medical Limited, Heraeus Medical GmbH and Smith & Nephew Limited.

2. **Basis of preparation**

(a) **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies and Allied Matters Act, CAP C20 LFN, 2004. Where the provisions of IFRS are in conflict with the requirements of the Companies and Allied Matters Act, CAP C20, 2004, IFRS supersedes.

The financial statements were authorised for issue by the Board of Directors on 29 March 2016

(b) **Basis of measurement**

The financial statements have been prepared under the historical cost concept.

(c) **Functional and presentation currency**

The Company's functional and presentation currency is the Nigerian Naira. The financial statements are presented in Nigerian Naira and have been rounded up to the nearest thousand except where otherwise stated.

(d) **Use of estimates and judgement**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3. **New standards, interpretations and amendments effective from 1 January 2015**

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for the financial year ended 31 December 2015. They have not been adopted in preparing the financial statements for the year ended 31 December 2015 and some expected to affect the Company in the period of initial application. In all cases the Company intends to apply these standards from application date as indicated in the table below:

Standards and amendments issued but yet to take effect

IFRS Reference	Title and Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IFRS 14 Issued in January 2014	Regulatory Deferral Accounts	IFRS 14 applies to entities that conduct 'rate-regulated activities' i.e. activities that are subject to rate regulation. The rate regulation is a framework that establishes prices for goods and/or services that are subject to the oversight/approval of a 'rate regulator'. The Standard permits an entity in the rate regulated industry to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.	1 January 2016	The provision of the standard will not have any impact on the Company's financial statements when it becomes effective in 2016 as the Company is not operating in a rate regulated industry.
IFRS 15 Issued in May 2014	Revenue from contracts with customers	IFRS 15 contains comprehensive guidance for accounting for revenue and will replace existing requirements which are currently set out in a number of Standards and Interpretations. The standard introduced significantly more disclosures about revenue recognition and it is possible that new and/or modified internal processes will be needed in order to obtain the necessary information. The Standard requires revenue recognised by an entity to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework: (i) Identify the contract(s) with a customer (ii) Identify the performance obligations in the contract (iii) Determine the transaction price (iv) Allocate the transaction price to the performance obligations in the contract (v) Recognise revenue when (or as) the entity satisfies a performance obligation.	1 January 2018	The Board is currently reviewing the impact the standard may have on the preparation and presentation of the financial statements when the standard is adopted. Consideration will be given to the following: (i) At what point in time the company recognises revenue from each contract whether at a single point in time or over a period of time; (ii) whether the contract needs to be 'unbundled' into two or more components; (iii) how should contracts which include variable amounts of consideration be dealt with; (iv) what adjustments are required for the effects of the time value of money; (v) what changes will be required to the company's internal controls and processes.

IFRS Reference	Title and Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IFRS 9 (2014) (issued July 2014)	Financial Instruments	<p>Classification and measurement</p> <p>Financial assets will either be measured</p> <ul style="list-style-type: none"> - at amortised cost, - fair value through other comprehensive income (FVTOCI) or - fair value through profit or loss (FVTPL). <p>Impairment: The impairment model is a more 'forward looking' model in that a credit event no longer has to occur before credit losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income (FVTOCI), an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.</p> <p>Hedging The new hedge accounting model introduced the following key changes:</p> <ul style="list-style-type: none"> -Simplified effectiveness testing, including removal of the 80-125% highly effective threshold -More items will now qualify for hedge accounting, e.g. pricing components within a non-financial item, and net foreign exchange cash positions -Entities can hedge account more effectively the exposures that give rise to two risk positions (e.g. interest rate risk and foreign exchange risk, or commodity risk and foreign exchange risk) that are managed by separate derivatives over different periods -Less profit or loss volatility when using options, forwards, and foreign currency swaps -New alternatives available for economic hedges of credit risk and 'own use' contracts which will reduce profit or loss volatility. 	Annual reporting periods commencing on or after 1 January 2018	The first time application of IFRS 9 will have a wide and potentially very significant impact on the accounting for financial instruments. The new impairment requirements are likely to bring significant changes for impairment provisions for trade receivables, loans and other financial assets not measured at fair value through profit or loss. Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

4. **Critical accounting estimates and judgements**

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience as well as other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

i) ***Income and deferred taxation***

Morison Industries Plc usually incurs significant amounts of income taxes payable, and also recognises changes to deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws and regulations. The quality of these estimates is highly dependent upon management's ability to properly apply at times a very complex sets of rules, to recognise changes in applicable rules and, in the case of deferred tax assets, management's ability to project future earnings from activities that may apply loss carry forward positions against future income taxes.

ii) ***Impairment of property, plant and equipment***

Morison Industries Plc assesses assets or groups of assets for impairment annually or whenever events or changes in circumstances indicate that carrying amounts of those assets may not be recoverable. In assessing whether a write-down of the carrying amount of a potentially impaired asset is required, the asset's carrying amount is compared to the recoverable amount. Frequently, the recoverable amount of an asset proves to be the Company's estimated value in use.

The estimated future cash flows applied are based on reasonable and supportable assumptions and represent management's best estimates of the range of economic conditions that will exist over the remaining useful life of the cash flow generating assets.

iii) ***Legal proceedings***

The Company reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Company's management as to how it will respond to the litigation, claim or assessment.

iv) ***Estimates of useful life and residual value***

The estimates of useful lives and residual values of property, plant and equipment impact the annual depreciation charge. The useful lives and residual values are based on management experience and the condition of the assets. Consideration is given to management's intended usage policy for the assets in the future and potential market prices of similar assets.

5. **Summary of significant accounting policies**

The Company's accounting policies set out below have been applied consistently to all period presented in these financial statements.

(a) ***Foreign currency transactions***

In preparing the financial statements of the Company, transactions in currencies other than the entity's presentation currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions and any exchange differences arising are included in the profit or loss account of the reporting period.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary 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 translated using the exchange rate of the transaction (i.e not retranslated).

(b) **Revenue**

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, the sale price and costs can be measured reliably, and it is probable that the economic benefits will flow to the company.

Revenue is measured based on the price specified in the sales contract, net of discount, value added tax and estimated returns at the time of sale.

(c) **Cost of Sales**

Cost of sales includes the cost of manufacturing inventory, costs related to transportation, impairment and inventory write downs.

(d) **Finance income and finance expenses**

Finance income comprises interest income on short term deposits with banks. Interest income on short term deposits is recognised and accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is recognised in the statement of profit or loss and other comprehensive income as it accrues, using the effective interest method.

Finance expenses comprise interest on finance lease and borrowings

(e) **Property, plant and equipment**

i) **Recognition and measurement**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income and operating expenses respectively in the statement of profit or loss and other comprehensive income.

ii) **Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is then derecognised. The costs of the day-to-day servicing and maintenance of an item of property, plant and equipment are recognised in the statement of profit or loss and other comprehensive income during the period in which they are incurred.

iii) **Depreciation**

Depreciation is calculated on items of property, plant and equipment to write down the cost of each asset to its residual value over its estimated useful life. No depreciation is charged on items of property, plant and equipment until they are available for use.

The principal annual rates used for this purpose, which are consistent with those for the previous years are as follows:

Class of assets	%
Leasehold improvement	Over the period of the lease
Plant ,machiney and equipment	10
Computer equipment	33 1/3
Motor vehicles:	
Delivery Vans	33 1/3
Cars	25

The company allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of amortisation and useful lives of the assets are reviewed annually and adjusted if appropriate.

iv) **Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gains 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 profit or loss component of the statement of comprehensive income within 'Other income or operating expenses' in the year that the asset is derecognised.

(f) **Impairment of non-financial assets**

Non-financial assets other than inventories are reviewed at each reporting date for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they have separately identifiable cash flows (cash-generating units).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation increase.

(g) **Inventories**

Inventories include locally manufactured products, healthcare products, raw materials and Packaging. Inventories are valued at the lower of cost and net realisable value.

Cost is determined using the weighted average method of valuation. Cost comprises direct material and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. If carrying value exceeds net realisable amount, a write down is recognised. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Adequate provision is made for slow moving, obsolete and defective inventories to ensure that the value at which inventories is carried at the reporting date is reflective of anticipated future sales patterns.

(h) **Financial instruments**

i) **Financial assets**

Financial assets are initially recognised at fair value plus directly attributable transaction costs. Subsequent remeasurement of financial assets is determined by their designation that is revisited at each reporting date.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The company's financial assets comprise of loans and receivables.

At each reporting date, the Company assesses whether its financial assets have been impaired. Impairment losses are recognised in the income statement where there is objective evidence of impairment.

ii) **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Financial assets classified as loans and receivables are subsequently measured at amortized cost using the effective interest method less any impairment losses. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents.

iii) Trade and other receivables

Trade receivables are stated at original invoice value less any allowance for doubtful debts. Allowances are made where there is evidence of a risk of non-recovery, taking into account ageing, previous experience and past records of the customer.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Discounting is ignored if insignificant. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that debtor will enter bankruptcy and default or delinquency in payment, are the indicators that a trade and other receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income within administrative cost.

The amount of the impairment provision is the difference between the asset's nominal value and the recoverable value, which is the present value of estimated cash flows, discounted at the original effective interest rate. Changes to this provision are recognised under administrative costs. When a trade receivable is uncollectable, it is written off against the provision for trade receivables. Any recovery of amounts for which a provision allowance was made are credited to other income.

iv) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, bank balances, investments in money market instruments with maturity dates of less than three months and are risk free.

v) Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expires, or when it transfers substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the profit or loss.

vi) Financial liabilities and equity instruments

Financial liabilities are initially recognised at fair value when the Company becomes a party to the contractual provisions of the liability. Subsequent measurement of financial liabilities is based on amortized cost using the effective interest method. The Company's financial liabilities includes trade and other payables.

Financial liabilities are presented as if the liability is due to be settled within 12 months after the reporting date. Other financial liabilities which contractually will be settled more than 12 months after the reporting date are classified as non-current.

vii) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

viii) De-recognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in statement of profit or loss and other comprehensive income.

(i) **Offsetting financial instruments**

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

(j) **Impairment of financial instrument**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss and other comprehensive income.

(k) **Prepayments**

Prepayments are payments made in advance relating to the following year and are recognised and carried at original amount less amounts utilised in the statement of profit or loss and other comprehensive income.

(l) **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest rate; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings to be settled within 12 months period are classified as current liabilities while borrowings to be settled over 12 months are classified as non-current liabilities.

(m) **Provisions**

Provision is recognised when the company has a present obligation, whether legal or constructive, as a result of a past event for which it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimates can be made of the amounts of the obligations in accordance with IAS 37.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted where the effect is material.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The unwinding of the discount is recognised as a finance cost.

(n) **Finance leases**

Finance leases are stated at the present value of minimum lease payments and the assets are capitalized and depreciated using the rate applicable to these classes of assets. Lease finance charge is amortized over the period of the lease

Assets on operating lease are accounted for over the lease period and the rentals are accrued evenly over the respective period of the lease and treated as expenses in the statement of comprehensive income.

(o) **Employee benefits**

(i) **Short term employee benefits**

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided. The Company recognises wages, salaries, bonuses and other allowances for current employees in the statement of profit or loss and other comprehensive income as the employees render such services.

A liability is recognised for the amount expected to be paid under short - term benefits, if the company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) **Defined contribution plans**

The company has both defined benefits and defined contribution plans.

The company operates a defined contribution pension scheme for members of staff which is independent of its finances and is managed by Pension Fund Administrators. The scheme is funded by contributions from employees and the company at 8% and 10% respectively each of employee's relevant emoluments, in accordance with the provisions of the Pension Reform Act 2014. In addition, full provision is made in the financial statements for liabilities at the financial position date in respect of employee's terminal gratuities based on current relevant emoluments. For defined benefits plans, the level of benefit provided is based on the length of service and earning of the person entitled.

(p) **Taxation**

i) **Current income tax**

The income tax expense for the period comprises current and deferred tax expense. Tax is recognised in the statement of comprehensive income 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 substantially enacted at the reporting date in Nigeria where the Company operates and generates taxable income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, but it further excludes items that are never taxable or deductible. The Company is subject to the following types of current income tax:

- Company Income Tax - This relates to tax on revenue and profit generated by the Company during the year, to be taxed under the Companies Income Tax Act, Cap C21, LFN 2004 as amended to date
- Tertiary Education Tax - Tertiary education tax is based on the assessable income of the Company and is governed by the Tertiary Education Trust Fund (Establishment) Act, LFN 2011 (Amended)

ii) **Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is provided for using the liability method, which represents taxation at the current rate of corporate tax on all timing differences between the accounting values and their corresponding tax written down values. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the amount will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) **Share capital, reserves and dividends**

i) **Share capital**

Share capital represents the nominal value of shares that have been issued.

ii) **Reserves**

Reserves include all current and prior periods' retained earnings.

iii) **Dividends**

Dividends on ordinary shares are recognised in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

iv) **Earnings per Share**

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to equity owners of Morison Industries Plc by the weighted average number of ordinary shares outstanding during the period.

(r) **Related party transactions**

Related parties include the related companies, the directors and any employee who is able to exert significant influence on the operating policies of the Company. Key management personnel are also considered related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Company considers two parties to be related if, directly or indirectly one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

Where there is a related party transactions with the Company, the transactions are disclosed separately as to the type of relationship that exists with the Company and the outstanding balances necessary to understand their effects on the financial position and the mode of settlement.

6. **Financial risk management**

(a) **Financial Risk Management Disclosure**

Morison Industries Plc continued in the period under review to enhance its corporate governance standards by improving on the level of risk management disclosure in the financial statements.

The overall responsibility for risk management lies with the Board of Directors. The Internal Audit Unit performs the independent assessment of the effectiveness of Internal controls and procedures and reports independently through the Internal Audit Manager to the Managing Director and Audit Committee Members. The Audit Committee members also review the internal audit programme and the internal control procedures.

The Board of Directors, having recognized that an appropriate level of timely disclosure is beneficial to all stakeholders, has given its full support to this process to boost the confidence of the users of the financial statements of the company with the aim of enhancing the level and quality of disclosure at all times even as a regulatory framework for its risk management disclosure is evolving.

The company has a risk management framework which highlights key risk areas (Regulatory, Financing, Credit, Reputational, Compliance and Operational). This is to give a clear view of the major risks we believe are faced by Morison Industries Plc and the role of the Board of Directors and Management in managing these risks.

(b) Regulatory Risk

There have been constant changes in government policies on banning and un-banning certain components or allowing importation of some finished goods that are available locally. These inconsistent policies could result in losses as they give unfair advantage to foreign manufacturers whose cost of production is very low. Morison Industries Plc liaises constantly with the Manufacturers' Association of Nigeria which is doing a lot to ensure that Manufacturers are informed of impending changes and implications of new pronouncements.

(c) Financing Risk

The cost of funds is very high and is inimical to the growth of the manufacturing industry. The banks are also not willing to grant credit to manufacturing companies because the sector is considered high risk. This is affecting the capacity utilization and working capital. We have limited our operations to what the internally generated funds could support and also plan to raise funds from capital market when the market stabilises. We also enjoy some credit terms with our foreign suppliers to support our operations.

(d) Credit Risk

Some customers' default in paying for goods and services as and when due. The effect is that there is high risk of bad debt. We continuously monitor the activities of our distributors and review from time to time the facility granted them. We extend credit to only suitable and well-identified customers and withdraw such credits where there is any doubt as to their ethical standard and records as we also ensure that there are penalties for non-compliance with the company's credit policies.

(e) Compliance Risk

Changes in rules and regulations and the introduction of new legislations have placed greater emphasis on the need to monitor compliance with legal and regulatory requirements. The risk of non-compliance with the legal and regulatory requirements ranges from potential financial loss occasion by regulatory sanctions as well as damage to the Company's reputation. Morison Industries Plc ensures it meets minimum requirements to avoid penalties and monitors compliance with the assistance of our legal personnel.

(f) Reputational Risk

The industry is suffering heavily from the activities of fakers who imitate the original product. The consumers are discouraged from patronizing the original product because they bought fake products that did not give them value. The effect of the activities of the fakers is that the company is unable to sell its products and thereby suffers heavy losses. We check the activities of the fakers through the use of holograms, constant improvement and change in packaging. We also endeavour to sell directly to end users.

(g) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. This includes legal risk but excludes reputational risk. The Company recognizes the significance of operational risk, which is inherent in all areas of our business. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

The company is committed to the management of operational risks by ensuring effective control of operations, providing early warning signals of deterioration in the company's Internal Control System and raising awareness of operational risk from top to the bottom.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance department. The Board receives monthly reports from the Company's Finance Director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Company's Finance Director also reviews the risk management policies and processes and reports their findings to the Board.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Market risk - Foreign exchange risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables

(ii) Financial instruments by category

Financial assets

Cash and cash equivalents
 Trade and other receivables
 Total financial assets

Financial assets

	2015 N'000	2014 N'000
	8,163	4,913
	26,514	26,358
	<u>34,677</u>	<u>31,271</u>

Total financial liabilities

**Financial liabilities
at amortised cost**

	2015 N'000	2014 N'000
	92,766	90,462

Trade and other payables

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from cash deposit with banks and on prepaid expenses

The Management has established a credit policy not to sell to any customer when deposit has not been made for goods. The Company's review includes external ratings, when available, and in some cases bank references.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015 N'000	2014 N'000
Cash and cash equivalents	8,163	4,913
Trade and other receivables	26,514	26,358
	<u>34,677</u>	<u>31,271</u>

In order to mitigate the credit risk arising from deposits with banks, banks with good reputation are accepted by the Company for business transactions.

Cash in bank and short-term deposits

An amount of cash and short term investments is held with the following financial institutions:

Cash in bank	N'000	N'000
Ecobank Nigeria Limited	244	1,150
Fidelity Bank Plc	5	-
Stanbic IBTC Bank Plc	1,159	2,335
Union Bank of Nigeria Plc	6,444	314
Union Homes Savings and Loans	12	12
Wema Bank Plc	6	6
	<u>7,870</u>	<u>3,817</u>

(b) **Market risk**

Market risk concerns the risk that Company income or the value of investments in financial instruments is adversely affected by changes in market prices, such as exchange rates and interest rates. The objective of managing market risks is to keep the market risk position within acceptable boundaries while achieving the best possible return.

Foreign exchange risk

The Company imports its goods from United States of America, South Africa, France and China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the South African Rand. Foreign exchange risk arises on recognized assets and liabilities, principally trade receivables, cash and cash equivalents and trade payables.

Foreign exchange risk arises when future recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. Management has set up a policy to manage foreign exchange risk and imposes strict limits on the maximum exposures that can be entered into. The Company does not hedge against foreign currency exposures. The tables below summarise the Company's exposure to foreign currency arising from financial instruments. The Company's financial assets and liabilities are included in the table categorised by currency at their carrying amount.

	2015		2014	
	Dollar '000	Pound '000	Dollar '000	Pound '000
Cash and cash equivalents	-	-	-	-
Trade and other receivables	-	-	-	-
Trade and other payables	-	66,225	-	-
Net exposure	-	<u>66,225</u>	-	-

Sensitivity analysis of foreign exchange risk

The following significant exchange rates applied during the year;

	Average rate		Year end spot rate	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	N'000	N'000	N'000	N'000
US dollar	182.00	161.35	196.50	167.50
UK Pound	276.30	276.30	291.19	261.47

At 31 December 2015, if the currency had weakened/strengthened by 1% against the UK Pound with all other variables held constant, post-tax profit for the the year would have been N192,841(31 December 2014:) higher/lower, mainly as a result of foreign exchange gains/losses on translation of UK Pound-denominated trade receivables, cash and bank and trade and other payables.

(c) Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 15 days.

The Board receives rolling 12-month cash flow projections, on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The liquidity risk of the Company is managed by the Company's Financial Controller.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 3 months	Between 3 and 12 months	Between 1 and 5 year	Between Over 5 years	Total
	N'000	N'000	N'000	N'000	N'000
As at 31 December 2015					
Trade and other payables	-	92,766	-	-	92,766
As at 31 December 2014					
Trade and other payables	-	90,462	-	-	90,462

(d) Capital management

The Board of Director's policy is to maintain a strong capital base so as to maintain customer, investor, creditor and market confidence and to support future development of the business. The Board of Directors monitors the debt to capital ratio. The Board of Diectors also monitors the level of dividend to be paid to holders of ordinary shares. The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the benefits of a sound capital position. There were no changes in the Company's approach to capital management during the year. The company is not subject to externally imposed capital requirements.

The debt-to-adjusted-capital ratio at 31 December 2015 and at 31 December 2014 were as follows:

	2015	2014
	N'000	N'000
Borrowings	20,000	-
Less: cash and cash equivalents	(8,163)	(4,913)
Net debt	11,837	(4,913)
Total equity	222,061	330,561
Debt to adjusted capital ratio (%)	5%	(1%)

7. Revenue and Profit	2015			2014		
	Revenue	Cost of sales	Gross profit	Revenue	Cost of sales	Gross profit
Analysis by activities:	N'000	N'000	N'000	N'000	N'000	N'000
Pharmaceuticals	48,619	30,323	18,296	77,515	58,243	19,272
LMP-Agro-Allied	92,803	57,880	34,923	85,002	64,454	20,548
LMP-Consumers	6,347	3,959	2,388	6,934	3,123	3,811
Others/Contracts	35,579	22,190	13,389	48,397	15,032	33,365
	<u>183,348</u>	<u>114,351</u>	<u>68,997</u>	<u>217,848</u>	<u>140,852</u>	<u>76,996</u>
8. <u>Cost of sales</u>				2015		2014
Cost of sales includes:				N'000		N'000
Materials consumed				69,912		100,084
Production salaries and wages				8,082		11,283
Repairs and maintenance				4,258		6,381
Electricity				3,415		2,396
Depreciation of property, plant and equipment				13,995		14,988
Impairment of property, plant and equipment				-		375
Provision for obsolete and expired inventory (Note 18)				6,246		-
Obsolete and damaged inventory written off				5,582		427
Office expenses				1,670		2,511
Oil and gas				1,191		2,407
				<u>114,351</u>		<u>140,852</u>
9. <u>Distribution expenses</u>				N'000		N'000
Advertisement				1,079		5,602
Discount allowed and commission				483		1,578
Salaries, bonuses and commission				27,917		33,685
Staff pension-employer's contribution				3,470		3,152
Transportation				2,114		2,201
				<u>35,063</u>		<u>46,218</u>
10. <u>Operating expenses</u>				N'000		N'000
Audit fees				2,000		3,000
Provision for other receivables (Note 19(e))				201		3,715
Provision for trade receivables (Note 19(a))				86		48,140
Bank charges				252		537
Depreciation on property, plant and equipment				9,430		4,527
Depreciation on leased assets				1,299		3,758
Directors' emoluments				14,908		15,212
Directors' fees				600		500
Electricity				1,279		1,565
Foreign exchange loss				5,701		-
Provision for gratuity (Note 23)				9,189		-
Insurance, licence and fees				1,743		2,469
IT expenses				580		809
Land use charges				268		6,462
Office expenses				7,858		2,250
Postages and telephones				1,612		1,456
Professional fees				2,237		2,283
Rent and rates				1,137		573
Repairs and renewals				4,279		3,262
Salaries and wages				4,121		6,975

	2015	2014
	N'000	N'000
Secretariat expenses	7,046	5,761
Security expenses	2,453	2,364
Travelling expenses	4,103	5,836
Vehicle running expenses	4,848	5,879
	<u>87,230</u>	<u>127,333</u>
11. Other operating income		
(a) This comprises:	N'000	N'000
Bad debts recovered	493	273
Sales of empty drums and scraps	1,030	-
Product/contract manufacture receipts	-	1,272
Rental and freight	575	-
Profit on disposal of property, plant and equipment	686	1,090
Foreign exchange gain	-	127
Provisions no longer required	-	6,623
Rent receivable	-	792
Obsolete materials sold	5,232	-
	<u>8,016</u>	<u>10,177</u>
12. Finance income/ expenses	N'000	N'000
Finance income	-	-
Finance expenses comprise:		
Interest on finance lease	(431)	(1,931)
Interest on borrowings	(395)	-
	<u>(826)</u>	<u>(1,931)</u>
Net finance expenses	<u>(826)</u>	<u>(1,931)</u>
13. Loss before taxation	N'000	N'000
Loss before taxation is arrived at after charging:		
Audit fees	2,000	3,000
Depreciation of property, plant and equipment	23,425	19,515
Depreciation of leased assets	1,299	1,299
Directors' emoluments:		
Fees	600	500
Others	14,908	15,212
Profit on disposal of property plant and equipment	686	1,090
Provision for obsolete and expired inventory	6,246	-
Obsolete and damaged inventory written off	5,582	427
	<u>52,779</u>	<u>55,095</u>
(a) Staff costs and other expenses	N'000	N'000
Salaries	35,677	47,671
Provision for gratuity	9,189	-
Defined contribution pension costs(Note 22(f))	7,913	7,424
	<u>52,779</u>	<u>55,095</u>
(b) Directors	N'000	N'000
The aggregate emoluments of the Directors were:		
Fees	600	500
Other emoluments	14,908	15,212
	<u>15,508</u>	<u>15,712</u>

	2015	2014
(i) Chairman's emoluments (excluding pension contributions) totalled	1,600	1,600
(ii) Emoluments of the highest paid director (excluding pension contributions) amounted to:	4,718	17,700
	<u>6,318</u>	<u>19,300</u>

The table below shows the number of Directors(excluding the Chairman) whose remuneration(excluding pension contributions)in respect of services to the company fall within the bands shown below:

	Number	Number
(iii) Up to N150,000	4	4
N150,001 - N300,000	-	-
N300,001 and above	2	2
	<u>6</u>	<u>6</u>

(c) **Employees**

Staff numbers and costs:

	Number	Number
(i) The average number of persons employed (excluding Directors) in the Company during the year were as follows:		
Management	4	5
Senior	19	22
Junior	<u>12</u>	<u>14</u>
	<u>35</u>	<u>41</u>

(ii) The aggregate payroll costs of these persons were as follows:

	N'000	N'000
Wages, salaries, commission and allowances	<u>40,120</u>	<u>51,943</u>

(iii) The table below shows the number of employees of the Company (other than Directors) who earned over N100,000 during the year and which fell within the bands stated below:

	Number	Number
Up to N150,000	-	-
150,0001 - N300,000	-	-
N300,001 - N400,000	-	14
N400,001 - N500,000	12	5
N500,001 and above	<u>23</u>	<u>22</u>
	<u>35</u>	<u>41</u>

14. **Income tax payable**

	N'000	N'000
(i) Statements of profit or loss account		
Company income tax	-	-
Education tax	-	-
Underprovision in prior year Income tax	-	6,757
	<u>-</u>	<u>6,757</u>
Provision/(write back) on deferred tax	<u>62,394</u>	<u>(12,735)</u>
	<u>62,394</u>	<u>(5,978)</u>

(ii) **Income tax recognised in profit or loss**

The Company is not liable to income tax and minimum tax because it has no total profit and is exempted from minimum tax in accordance with the provisions of Companies Income Tax Act CAP C21 LFN 2004 (as amended).

The company is not liable to education tax because it has no assessable profit in accordance with the provisions of the Education Tax Act, CAP E4 LFN, 2004 which is 2% of the assessable profit for the year.

(iii) The income tax expense for the year can be reconciled to the accounting profit as per the statement of profit or loss and other comprehensive income as follows:

	2015 N'000	2014 N'000
Loss before taxation	<u>(46,106)</u>	<u>(88,309)</u>
Tax at the statutory corporation tax rate of 30%	(13,832)	-
Effect of income that is exempt from taxation	(206)	-
Effect of expenses that are not deductible in determining taxable profit	13,844	-
Balancing charge	215	-
Deferred tax provision	62,394	(12,735)
Investment and capital allowance absorbed	(21)	-
Underprovision in prior year-Income tax	-	<u>6,757</u>
Income tax expense recognised in profit or loss for continuing operations	<u>62,394</u>	<u>(5,978)</u>
Effective rate	<u>(135%)</u>	<u>7%</u>
iv) Income tax recognised in other comprehensive income		
No tax was recognised in other comprehensive income tax during the year		
v) Statement of financial position	N'000	N'000
Balance at the beginning of the year		
Income tax	2,008	1,544
Education tax	-	455
Capital gain tax	<u>5,300</u>	<u>5,882</u>
	<u>7,308</u>	<u>7,881</u>
Payments during the year:		
Income tax	-	(6,293)
Education tax	-	(455)
Capital gain tax	<u>-</u>	<u>(582)</u>
	<u>-</u>	<u>(7,330)</u>
Provision for the year:		
Income tax - under provision in prior year	-	6,757
Education tax	<u>-</u>	<u>-</u>
Balance at the end of the year	<u>7,308</u>	<u>7,308</u>

15 **Deferred taxation**

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting year:

	Balance as at 1 January 2015 N'000	Recognised in net income N'000	Balance as at 31 December 2015 N'000
Deferred tax liabilities/(assets)			
Excess of carrying amount over tax written down value	-	62,394	62,394
Unrealised exchange loss	<u>(2,568)</u>	<u>-</u>	<u>(2,568)</u>
Deferred tax assets	<u>(2,568)</u>	<u>62,394</u>	<u>59,826</u>

As a result of accelerated capital allowances, the carrying amount of property, plant and equipment at the statement of financial position date exceeded their corresponding tax written down together with the total value of unrelieved losses and capital allowance resulting into deferred tax liability of N59,826,464 (2014:Deferred tax assets of N2,568,000).

Deferred tax liabilities/(assets)	2015 N'000	2014 N'000
Balance at the beginning of the year	(2,568)	10,167
Provision/(write back) during the year	62,394	(12,735)
Balance at the end of the year	<u>59,826</u>	<u>(2,568)</u>

16) Property, plant and equipment

	Leasehold land and buildings	Plant, machinery and equipment	Computer equipment	Motor Vehicles	Capital work in progress	Total
<u>Cost</u>	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2014	325,000	29,274	2,088	41,969	7,293	405,624
Additions	-	3,309	384	-	25,235	28,928
Disposals	-	(2,884)	(110)	(7,190)	-	(10,184)
At 31 December 2014	<u>325,000</u>	<u>29,699</u>	<u>2,362</u>	<u>34,779</u>	<u>32,528</u>	<u>424,368</u>
At 1 January 2015	325,000	29,699	2,362	34,779	32,528	424,368
Additions	-	281	-	-	14,448	14,729
Disposals	-	(58)	(135)	(5,609)	-	(5,802)
Transfer from leased assets (Note 17)	-	-	-	11,135	-	11,135
At 31 December 2015	<u>325,000</u>	<u>29,922</u>	<u>2,227</u>	<u>40,305</u>	<u>46,976</u>	<u>444,430</u>
<u>Accumulated depreciation</u>						
At 1 January 2014	28,261	7,860	1,346	39,866	-	77,333
Charge for the year	14,130	3,853	812	720	-	19,515
On disposals	-	(2,817)	(110)	(7,190)	-	(10,117)
At 31 December 2014	<u>42,391</u>	<u>8,896</u>	<u>2,048</u>	<u>33,396</u>	<u>-</u>	<u>86,731</u>
At 1 January 2015	42,391	8,896	2,048	33,396	-	86,731
Charge for the year	13,522	5,882	154	3,867	-	23,425
Disposals	-	(117)	(71)	(5,609)	-	(5,797)
Transfer from leased assets (Note 17)	-	-	-	5,568	-	5,568
At 31 December 2015	<u>55,913</u>	<u>14,661</u>	<u>2,131</u>	<u>37,222</u>	<u>-</u>	<u>109,927</u>
<u>Impairment</u>						
At 1 January 2014	-	-	-	-	-	-
Impairment	-	375	-	-	-	375
On disposals	-	-	-	-	-	-
At 31 December 2014	<u>-</u>	<u>375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375</u>
At 1 January 2015	-	375	-	-	-	375
Impairment	-	-	-	-	-	-
On disposals	-	-	-	-	-	-
At 31 December 2015	<u>-</u>	<u>375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375</u>
<u>Carrying amounts at</u>						
31 December 2015	<u>N269,087</u>	<u>N14,886</u>	<u>N96</u>	<u>N3,083</u>	<u>N46,976</u>	<u>N334,128</u>
31 December 2014	<u>N282,609</u>	<u>N20,428</u>	<u>N314</u>	<u>N1,383</u>	<u>N32,528</u>	<u>N337,262</u>

	Motor vehicle N'000	Total N'000
17) Leased assets		
<u>Cost</u>		
At 1 January 2014	11,135	11,135
Additions	5,195	5,195
At 31 December 2014	16,330	16,330
At 1 January 2015	16,330	16,330
Additions	-	-
Transfer to property, plant and equipment (Note 16)	(11,135)	(11,135)
At 31 December 2015	5,195	5,195
<u>Accumulated depreciation</u>		
At 1 January 2014	2,784	2,784
Charge for the year	3,758	3,758
At 31 December 2014	6,542	6,542
At 1 January 2015	6,542	6,542
Charge for the year	1,299	1,299
Transfer to property, plant and equipment (Note 16)	(5,568)	(5,568)
At 31 December 2015	2,273	2,273
<u>Carrying amounts at</u>		
31 December 2015	N2,922	N2,922
31 December 2014	N9,788	N9,788
	2015	2014
18. <u>Inventories</u>	N'000	N'000
Raw materials	18,153	49,017
Finished goods	39,107	19,140
	57,260	68,157
Provision for obsolete inventory (Note 8)	(6,246)	-
	51,014	68,157
(a) No inventory was pledged as security for borrowings.		
(b) The amount of inventory recognised in cost of sales during the year was N70,301,000 (2014: N100,084,000)		
19. <u>Trade and other receivables</u>	N'000	N'000
Trade receivables	70,086	70,978
Provision of trade receivables (Note 19(a))	(61,676)	(62,170)
Total financial assets other than cash and cash equivalents classified as loans and receivables.	8,410	8,808
Other receivables and prepayments (Note 19(d))	18,104	17,550
	26,514	26,358
(a) <u>Provision for trade receivables</u>	N'000	N'000
Balance at the beginning of the year	62,170	14,030
Provision for the year (Note 10)	86	48,140
Write off during the year	(580)	-
Balance at the end of the year	61,676	62,170

Trade receivables represents receivables from customers for goods sold and other trading services rendered to them. Trade receivables are stated at amortised cost as at the statement of financial position date.

	2015	2014
	N'000	N'000
(b) <i>The age analysis of trade receivables is as follows:</i>		
Past due < 90days	6,669	4,225
Past due 90-180 days	1,741	752
Past due 180-360 days	-	3,831
Past due 360days and above	61,757	62,170
	<u>70,167</u>	<u>70,978</u>
(c) <i>The carrying value of trade and other receivables classified as loans and receivables approximates fair value.</i>		
	N'000	N'000
Neither past due nor impaired	-	-
Past due but not impaired	-	-
Collectively impaired	-	-
(d) Other receivables and prepayments:	N'000	N'000
Staff receivables	1,048	281
Receivables from suppliers	-	5,190
Withholding tax receipts	9,130	7,074
Withholding tax receivables	12,607	12,980
Other receivables	1,435	1,523
	<u>24,220</u>	<u>27,048</u>
Provision for other receivables (Note 19e)	(7,197)	(10,711)
	<u>17,023</u>	<u>16,337</u>
Prepayments (Note 19(f))	1,081	1,213
	<u>18,104</u>	<u>17,550</u>
(e) Provision for other receivables	N'000	N'000
Balance at the beginning of the year	10,711	6,996
Provision during the year (Note 10)	201	3,715
Write off during the year	(3,715)	-
Balance at the end of the year	<u>7,197</u>	<u>10,711</u>
(f) Prepayments	N'000	N'000
Insurance	<u>1,081</u>	<u>1,213</u>
20. Cash and cash equivalents		
Cash and cash equivalents comprise:	N'000	N'000
Cash at bank	7,870	3,817
Cash in hand	293	1,096
Cash and cash equivalents for the purpose of cash flow	<u>8,163</u>	<u>4,913</u>
21. Borrowings	N'000	N'000
The book value and fair value of borrowings are as follows:		
Balance at the beginning of the year	-	-
Additions during the year	20,000	-
Repayments	-	-
Balance at the end of the year	<u>20,000</u>	<u>-</u>
(b) During the year, the company obtained loans for the sum of N20million in form of commercial papers from Palm Services Limited payable over 90 days with effect from date of draw down.		
The facility attracts the following conditions:		
i) Interest rate of 18.5% per annum		
ii) No collateral was obtained as the commercial papers were obtained from Palm Services Limited, a related Company to Morison Industries Plc.		

	2015	2014
	N'000	N'000
22. Trade and other payables		
Trade payables	23,599	21,639
Other payables (Note 22(a))	53,445	53,944
Due to related company (Note 22(d))	9,800	10,000
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	86,844	85,583
Other payables-tax and security payments (Note 22(g))	5,922	4,879
	<u>92,766</u>	<u>90,462</u>
(a) Other payables	N'000	N'000
Finance lease obligations (Note 22 (b))	381	2,320
Unclaimed dividend (Note 22(c))	5,632	5,632
Accruals (Note 22(e))	25,267	24,469
Pension payable (Note 22(f))	19,328	16,128
Other payables	2,837	5,395
	<u>53,445</u>	<u>53,944</u>
(b) Finance lease obligations	N'000	N'000
Balance at the beginning of the year	2,320	4,117
Additions	-	3,637
Repayments	(1,939)	(5,434)
Balance at the end of the year	<u>381</u>	<u>2,320</u>
The Company has the option to buy the leased assets at the end of the lease term; the fair value at the same date will be nil.		
(c) Unclaimed dividend		
	N'000	N'000
Balance at the beginning and the end of the year	<u>5,632</u>	<u>5,632</u>
(d) Due to related company	N'000	N'000
Morison Investment Limited	<u>9,800</u>	<u>10,000</u>
Morison Investment Limited, United Kingdom has stopped providing technical and trade mark support to Morison Industries Plc on 15 June 2012 due to the non-approval of the renewal of the technical services and royalty agreement by the National Office for Technology Acquisition and Promotion. No amount was charged for the year ended 31 December, 2015 (2014: Nil).		
(e) Accruals	N'000	N'000
Wages	840	1,441
Sundry accruals	14,820	16,829
Audit fees	2,800	3,300
Secretarial expenses	4,240	827
Directors' fees	2,172	2,072
Interest expense	395	-
	<u>25,267</u>	<u>24,469</u>
(f) Pension payable	N'000	N'000
Balance at the beginning of the year	16,128	10,917
Contributions for the year (Note 13(a))	7,913	7,424
Remittances	(4,713)	(2,213)
Balance at the end of the year	<u>19,328</u>	<u>16,128</u>

The Company operates a defined contributory pension scheme for eligible employees. Both employer and employees contribute 8% and 10% respectively of the employees' basic, housing and transport allowances in line with the provisions of the Pension Reform Act, 2014 (as amended).

(g)	<u>Other payables-tax and security payments</u>	N'000	N'000
	Value Added Tax	2,910	2,026
	Withholding Tax	2,611	2,800
	PAYE	401	53
		5,922	4,879
23.	<u>Employees' benefits obligations</u>	N'000	N'000
	Balance at the beginning of the year	20,715	28,014
	Provision for the year	9,189	-
	Payments during the year	(9,124)	(7,299)
	Balance at the end of the year	20,780	20,715
24.	<u>Share capital</u>	2015	2014
	Authorised	'000	'000
	Value		
	Ordinary shares of N0.50 each	N100,000	N100,000
	Number		
	Ordinary shares of N0.50 each	200,000	200,000
	Issued and fully paid:		
	Value		
	Ordinary shares of N0.50 each	N76,090	N76,090
	Number		
	Ordinary shares of N0.50 each	152,178	152,178
25.	<u>Share premium</u>		
	Balance at the beginning and end of the year	21,489	21,489
26.	<u>Revenue reserve</u>	N'000	N'000
	Balance at the beginning of the year	232,982	315,313
	Transfer from statement of comprehensive income	(108,500)	(82,331)
	Balance at the end of the year	124,482	232,982
27.	<u>Loss per ordinary share</u>		
	Loss per ordinary share is calculated by dividing net results attributable to shareholders by the weighted average number of ordinary shares in issue during the year.		
		2015	2014
		'000	'000
	Loss for the year attributable to ordinary shareholders	(N108,500)	(N82,331)
	Weighted average number of ordinary shares in issue (thousands)	152,178	152,178
	Loss per share	(0.71)k	(0.54)k
28.	<u>Related party transactions</u>		
	(a) During the year, the Company carried out transactions with Morison Investment Limited. These transactions were conducted on an arms length basis in the ordinary course of business. The amount of outstanding balances at the year end are as disclosed in Notes 22(d) to the financial statements.		

- (b) During the year the company obtained loans in form of commercial papers amounting to N20,000,000 from Palm Services Limited a company in which Mr Richard Titiloye has a controlling interest. These loans were obtained on an arms length basis. There were no amounts outstanding to or from the company at financial position date (2014 - NIL).

29. **Transactions with key management personnel**

- (a) Key management staff are those persons who have authority and responsibility for planning, directing and controlling the activities of the company.

Key management includes directors (executive and non-executive) and members of the Executive Committee.

- (b) The compensation paid or payable to key management for employee services is shown below:

	2015	2014
Short-term employee benefits	-	-
Defined benefits scheme cost	-	-
Contribution to compulsory Pension Fund Scheme	-	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

30. **Substantial Interest in shares**

No individual shareholder other than Morison Investment Limited U.K. (40%) and Mr. Julius O. Titiloye (5.65%) held more than 5% of the issued share capital of the company as at 31 December 2015.

31. **Financial Commitments**

The Directors are of the opinion that all known liabilities and commitments which are relevant in assessing the company's state of affairs have been taken into consideration in the preparation of the financial statements under review.

32. **Contingent liabilities**

There were no contingent liabilities at the statement of financial position date (2014:Nil).

33. **Events after the reporting date**

No events or transactions have occurred since 31 December 2015 which would have material effect upon the financial statements at the date or which need to be mentioned in the financial statements in order not to make them misleading as to the financial position or results of operations as at 31 December 2015

MORISON INDUSTRIES PLC
 VALUE ADDED STATEMENT
 FINANCIAL STATEMENTS, 31 DECEMBER 2015
 NON - IFRS STATEMENT

31

	2015 N'000	%	2014 N'000	%
Revenue	183,348		217,848	
Other income	<u>8,016</u>		<u>10,177</u>	
	191,364		228,025	
Less: Bought-in-materials and services:				
Local	(7,998)		(12,056)	
Foreign	<u>(151,969)</u>		<u>(229,062)</u>	
Value added/(absorbed in)	<u>31,397</u>	<u>100</u>	<u>(13,093)</u>	<u>(100)</u>
% Value added/(absorbed in) as a percentage of revenue	<u>17%</u>		<u>(6%)</u>	
Distributed as follows:				
To pay employees' salaries, wages and fringe benefit				
Wages, salaries and benefits	52,779	168	51,943	397
To provide for maintenance of property, plant and equipment				
Depreciation of property, plant and equipment	23,425	75	19,515	149
Depreciation of leased assets	1,299	4	3,758	29
To pay taxes to Government				
Taxation	62,394	199	(5,978)	(46)
Results for the year				
Loss for the year	<u>(108,500)</u>	<u>(346)</u>	<u>(82,331)</u>	<u>(629)</u>
	<u>31,397</u>	<u>100</u>	<u>(13,093)</u>	<u>(100)</u>

MORISON INDUSTRIES PLC
FIVE-YEAR FINANCIAL SUMMARY
NON - IFRS STATEMENT

	← 31 December →				
	← 2015	2014	2013	2012	2011
	← IFRS →				NGAAP
Statement of profit or loss					
	N'000	N'000	N'000	N'000	N'000
Revenue	<u>183,348</u>	<u>217,848</u>	<u>339,303</u>	<u>406,689</u>	<u>205,801</u>
Loss before taxation	(46,106)	(88,309)	(14,100)	6,345	(28,401)
Taxation	<u>(62,394)</u>	<u>5,978</u>	<u>(7,965)</u>	<u>(4,331)</u>	<u>21,264</u>
Loss after taxation	<u>(108,500)</u>	<u>(82,331)</u>	<u>(22,065)</u>	<u>2,014</u>	<u>(26,137)</u>
Statement of financial position					
	N'000	N'000	N'000	N'000	N'000
Non-current asset	337,050	349,618	336,642	390,628	400,196
Current assets	<u>85,691</u>	<u>99,428</u>	<u>189,573</u>	<u>195,462</u>	<u>177,354</u>
Total assets	<u>422,741</u>	<u>449,046</u>	<u>526,215</u>	<u>586,090</u>	<u>577,550</u>
Current liabilities	120,074	97,770	89,198	119,519	118,356
Non-current liabilities	<u>80,606</u>	<u>20,715</u>	<u>24,125</u>	<u>31,614</u>	<u>26,251</u>
Total liabilities	<u>200,680</u>	<u>118,485</u>	<u>113,323</u>	<u>151,133</u>	<u>144,607</u>
Net assets	<u>222,061</u>	<u>330,561</u>	<u>412,892</u>	<u>434,957</u>	<u>432,943</u>
Equity					
Share capital	76,090	76,090	76,090	76,090	76,090
Share premium	21,489	21,489	21,489	21,489	21,489
Revaluation reserve	-	-	-	386,020	386,020
Retained earnings	<u>124,482</u>	<u>232,982</u>	<u>315,313</u>	<u>(48,642)</u>	<u>(50,656)</u>
Total equity	<u>222,061</u>	<u>330,561</u>	<u>412,892</u>	<u>434,957</u>	<u>432,943</u>