MORISON INDUSTRIES PLC

FINANCIAL STATEMENTS

31 DECEMBER 2016

BDO

Corporate information

Directors	Mr Richard O.Titiloye Mr John Adekoje (resigned wef 30 September 2015) Mr Oputa Nwabueze (appointed wef 2 October 2015) Engineer Charles A. Osezua (OON) Mr. Femi Titiloye (resigned wef 28 November 2016) 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
Solicitors	S.B.Joseph & Co. 140 Borno Way Ebute Metta Lagos.
Bankers	Ecobank Nigeria Limited Fidelity Bank Plc Stanbic IBTC Bank Plc Union Bank of Nigeria Plc Wema Bank Plc

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INDEPENDENT AUDITORS REPORT

TO THE SHAREHOLDERS OF MORISON INDUSTRIES PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Morison Industries Plc, which comprise, the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cashflows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards,issued by the International Accounting and Assurance Standards Board,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.

Basis for Opinion

2 We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements on page 3 attached as appendix to our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Ethics Standards Board Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

3 Without modifying our opinion, we draw your attention to note 34 to the financial statements which indicates that the Company incured a loss before taxation of N78 million during the year ended 31 December 2016 (2015: Loss of N108 million) and as at that date its current liabilities exceeded its current assets by N136 million (2015: Net current liabilities of N34 million). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Key Audit Matters

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

Translation of balances denominated in foreign currencies

Risk

Monetary assets and liabilities denominated in foreign currency are not translated periodically and at year end. There is a risk of misstatement of assets and liabilites .

Our response

Our audit procedures in response to the risk include, among others:

- Identified balances denominated in foreign currencies
- Obtained spot rate ruling at the reporting date
- Translated the balances at the ruling rate and compare with the book value.
- Adjusted for the difference between the translated balance and the book value in the statement of profit or loss account and other comprehensive income.

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Other Information

5. The Directors are responsible for the other information. The other information comprises the information included in the Chairman's report, and Directors report but does not include the financial statements and our auditors' report thereon.Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact; we have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

6. The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the Audit of the Financial Statements

7. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is in an appendix on page 3 of this financial statements. This description forms part of our audit report.

8. Report on other legal requirements

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 its statement of profit or loss and other comprehensive income are in agreement with the books of account.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1238242

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

Lagos, Nigeria
30 March 2017

Details of Auditors' responsibilities for the audit of the financial statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT OF THE AUDIT COMMITTEE TO THE MEMBERS OF MORISON INDUSTRIES PLC

In accordance with the provision of section 359 (6) of the Companies Allied Matters Act, (CAP C20), Laws of the Federation of Nigeria, 2004, we have examined the Auditor's Report for the year ended 31st December, 2016.

We have obtained all the information and explanation we required.

In our opinion, the Auditor's Report is consistent with our review of the scope and planning of the Audit. We are also satisfied that the Accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices.

Having reviewed the Auditor's findings and recommendations on management matters, we are satisfied with management responses thereon.

We acknowledge the cooperation of the Auditors, BDO Professional Services (Chartered Accountants), Management and Staff of the Company in performing our duties.

Dated this 29th day of March, 2017.

MAMuhammed

Senator M.A. Muhammed (OFR)
FRC/2015/ICAN/00000013636

MORISON INDUSTRIES PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 N'000	2015 N'000
Revenue	7	132,280	183,348
Cost of sales	8	(81,063)	(114,351)
Gross profit		51,217	68,997
Distribution expenses	9	(20,119)	(21,592)
Operating expenses	10	(108,501)	(100,701)
Other operating Income	11	7,973	8,016
Loss from operations		(69,430)	(45,280)
Finance income	12	-	-
Finance expenses	12	(9,155)	(826)
Net finance expenses		(9,155)	(826)
Loss before taxation	13	(78,585)	(46,106)
Tax expense	14	-	(62,394)
Loss for the year		(78,585)	(108,500)
Other comprehensive income			
Items that will not be reclassified to profit or loss:		-	-
Items that will or may be reclassified to profit or loss:		-	-
Total other comprehensive income		-	-
Total comprehensive loss		(78,585)	(108,500)
Loss per share(kobo)	27	(0.52)k	(0.71)k

The accompanying notes on pages 8 to 32 and other national disclosures on pages 33 and 34 form an integral part of these financial statements.

Auditors' report, pages 1 to 3

MORISON INDUSTRIES PLC

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	2016	2015
Assets		N'000	N'000
Non-current assets			
Property, plant and equipment	16	347,429	334,128
Leased assets	17	-	2,922
		347,429	337,050
Current assets			
Inventories	18	35,088	51,014
Trade and other receivables	19	28,858	26,514
Cash and cash equivalents	20	1,521	8,163
		65,467	85,691
Total assets		412,896	422,741
Liabilities			
Current liabilities			
Borrowings	21	50,000	20,000
Trade and other payables	22	145,102	92,766
Income tax payables	14(v)	7,308	7,308
		202,410	120,074
Non-current liabilities			
Employees' benefit obligations	23	7,184	20,780
Deferred tax liabilities	15	59,826	59,826
		67,010	80,606
Total liabilities		269,420	200,680
Net assets		143,476	222,061
Equity			
Share capital	24	76,090	76,090
Share premium	25	21,489	21,489
Revenue reserve	26	45,897	124,482
Total equity		143,476	222,061

The financial statements and accompanying notes on pages 4 to 34 were approved by the Board of Directors on 28 March 2017 and signed on its behalf by:

Titiloye Richard Olaniyi	Oputa Nwabueze	**Owolabi Reuben Olusanya**
Chairman	**Managing Director**	**Financial Controller**
FRC/2013/ICAN/00000003887	FRC/2016/PCNNG/00000014451	**FRC/2013/ICAN/00000001664**

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Auditors' report, pages 1 to 3

MORISON INDUSTRIES PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share Capital N'000	Share Premium N'000	Revenue Reserve N'000	Total Equity 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		76,090	21,489	124,482	222,061
		N'000		N'000	N'000
Balance at 1 January 2016		76,090	21,489	124,482	222,061
Comprehensive income for the year					
Loss for the year		-	-	(78,585)	(78,585)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	(78,585)	(78,585)
Transactions with owners, recorded directly in equity					
Dividends to equity holders		-	-	-	-
Total transactions with equity owners		-	-	-	-
Balance at 31 December 2016		76,090	21,489	45,897	143,476

The accompanying notes on pages 8 to 32 and other national disclosures on pages 33 and 34 form an integral part of these financial statements.

Auditors' report, pages 1 to 3

MORISON INDUSTRIES PLC

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 N'000	2015 N'000
Cashflows from operating activities			
Loss for the year		(78,585)	(108,500)
Adjustments for non-cash items:			
Profit on disposal of property, plant and equipment	11	(429)	(686)
Finance expenses	12	9,155	826
Income tax expense	14	-	62,394
Depreciation of property, plant and equipment	16	23,136	23,425
Depreciation of leased assets	17	-	1,299
		(46,723)	(21,242)
Decrease in inventories	18	15,926	17,143
Increase in trade and other receivables	19	(2,344)	(156)
Increase in trade and other payables	22	52,336	2,304
(Decrease)/Increase in employees' benefits obligations	23	(13,596)	65
Cash generated/ (absorbed in) from operations		5,599	(1,886)
Income taxes paid		-	-
Net cash inflow/(outflow) from operating activities		5,599	(1,886)
Cashflows from investing activities			
Purchase of property, plant and equipment	16	(33,836)	(14,729)
Proceeds from disposal of property, plant and equipment		750	691
Net cash used in investing activities		(33,086)	(14,038)
Cashflows from financing activities			
Finance expenses	12	(9,155)	(826)
Loan obtained	21	30,000	20,000
Net cash inflow from financing activities		20,845	19,174
Net (decrease)/increase in cash and cash equivalents		(6,642)	3,250
Cash and cash equivalents at the beginning of the year		8,163	4,913
Cash and cash equivalents at the end of the year	20	1,521	8,163

The accompanying notes on pages 8 to 32 and other national disclosures on pages 33 and 34 form an integral part of these financial statements.

Auditors' report, pages 1 to 3

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.

The financial statemens were authorised for issue by the Board of Directors on 28 March 2017.

(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 2016

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 9 (2014) (issued Jul 2014)	Financial Instruments	Classification and measurement Financial assets will either be measured - at amortised cost, - fair value through other comprehensive income (FVTOCI) or - fair value through profit or loss (FVTPL). 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. Hedging The new hedge accounting model introduced the following key changes: -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.

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 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 introduces 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.

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:

(a) *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.

(b) *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.

(c) *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.

(d) 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

(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	331/3
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

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

	Financial assets	
	2016	**2015**
	N'000	**N'000**
Cash and cash equivalents	1,521	8,163
Trade receivables	8,265	8,410
Total financial assets	9,786	16,573

Total financial liabilities

	Financial liabilities at amortised cost	
	2016	**2015**
	N'000	**N'000**
Trade and other payables	145,102	92,766

(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:

	2016	2015
	N'000	N'000
Cash and cash equivalents	1,521	8,163
Trade receivables	8,265	8,410
	9,786	16,573

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	348	244
Fidelity Bank Plc	152	5
Stanbic IBTC Bank Plc	740	1,159
Union Bank of Nigeria Plc	259	6,444
Union Homes Savings and Loans	12	12
Wema Bank Plc	6	6
	1,517	7,870

(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,France and Great Britain and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the British Pounds. 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.

	2016		2015	
	Dollar	Pound	Dollar	Pound
Cash and cash equivalents		-		
Trade and other receivables	-	-	-	-
Trade and other payables	17,419	25,225	-	66,225
Net exposure	17,419	25,225	-	66,225

Sensitivity analysis of foreign exchange risk

The following significant exchange rates applied during the year;

	Average rate		Year end spot rate	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	N'000	N'000	N'000	N'000
US dollar	250.50	182.00	304.50	196.50
UK Pound	332.88	276.30	374.56	291.19

At 31 December 2016, if the currency had weakened/strengthened by 1% against the US Dollars with all other variables held constant, post-tax profit for the the year would have been N37,128 (31 December 2015: N192,281) higher/lower, mainly as a result of foreign exchange gains/losses on translation of UK Pound-denominated cash and bank and trade 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 2016					
Trade and other payables	-	145,102	-	-	145,102
As at 31 December 2015					
Trade and other payables	-	92,766	-	-	92,766

(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 2016 and at 31 December 2015 were as follows:

	2016	2015
	N'000	N'000
Borrowings	50,000	20,000
Less: cash and cash equivalents	(1,521)	(8,163)
Net debt	48,479	11,837
Total equity	143,476	222,061
Debt-to-adjusted capital ratio (%)	34%	5%

7. Revenue and Profit

Analysis by activities:	2016 Revenue N'000	2016 Cost of sales N'000	2016 Gross profit N'000	2015 Revenue N'000	2015 Cost of sales N'000	2015 Gross profit N'000
Pharmaceuticals	13,398	8,458	4,940	48,619	30,322	18,297
LMP-Agro-Allied	71,021	64,305	6,716	92,803	57,880	34,923
LMP-Consumers	11,879	3,926	7,953	6,347	3,959	2,388
Others/Contracts	35,982	4,374	31,608	35,579	22,190	13,389
	132,280	81,063	51,217	183,348	114,351	68,997

8. **Cost of sales**

Cost of sales includes:	2016 N'000	2015 N'000
Materials consumed	52,119	69,912
Production salaries and wages (Note 13(b))	10,547	8,082
Repairs and maintenance	4,309	4,258
Electricity	4,212	3,415
Depreciation of property, plant and equipment (Note 16(e))	2,259	13,995
Provision for obsolete and expired inventory (Note 18)	-	6,246
Obsolete and damaged inventory written off	127	5,582
Office expenses	4,334	1,670
Oil and gas	3,156	1,191
	81,063	114,351

9. **Distribution expenses**

	N'000	N'000
Advertisement	2,517	1,079
Discount allowed and commission	830	483
Salaries, bonuses and commission (Note 13(b))	15,116	17,916
Transportation	1,656	2,114
	20,119	21,592

10. **Operating expenses**

	N'000	N'000
Audit fees	2,000	2,000
Salaries and wages (Note 13(b))	20,433	17,592
Provision for trade receivables (Note 19(a))	837	86
Provision for other receivables (Note 19(e))	-	201
Bank charges	290	252
Depreciation on property, plant and equipment (Note 16(e))	20,877	9,430
Depreciation on leased assets (Note 17)	-	1,299
Directors' emoluments	12,251	14,908
Directors' fees	600	600
Electricity	1,800	1,279
Unrealised foreign exchange loss	5,634	5,701
Provision for gratuity (Note 23)	-	9,189
Insurance, licence and fees	2,140	1,743
Computer expenses	910	580
Land use charges	423	268
Office expenses	9,992	7,858
Postages and telephones	1,818	1,612
Professional fees	2,372	2,237
Rent and rates	950	1,137
Repairs and renewals	2,400	4,279

	2016 N'000	2015 N'000
Secretariat expenses	7,004	7,046
Security expenses	2,572	2,453
Travelling expenses	1,920	4,103
Vehicle running expenses	5,372	4,848
PAYE-Back duty tax	5,906	-
	108,501	100,701

11. **Other operating income**

(a) This comprises:

	N'000	N'000
Bad debts recovered	768	493
Sales of empty drums and scraps	-	1,030
Rental and freight	6,713	575
Profit on disposal of property, plant and equipment	429	686
Obsolete materials sold	63	5,232
	7,973	8,016

12. **Finance income/ expenses**

	N'000	N'000
Finance income	-	-
Finance expenses comprise:		
Interest on finance lease	-14	-431
Interest on borrowings	-9,141	-395
Net finance expenses	-9,155	-826

13. **Loss before taxation**

	N'000	N'000
Loss before taxation is arrived at after charging:		
Audit fees	2,000	2,000
Depreciation of property, plant and equipment	23,136	23,425
Depreciation of leased assets	-	1,299
Directors' emoluments:		
- Fees	600	600
Unrealised foreign exchange loss	5,634	5,701
Provision for obsolete and expired inventory	-	6,246
Obsolete and damaged inventory written off	-	5,582
and after crediting:		
Profit on disposal of property, plant and equipment	429	686

(a) **Staff costs and other expenses**

	N'000	N'000
Salaries	38,470	35,677
Provision for gratuity	-	9,189
Defined contribution pension costs(Note 22(f))	7,626	7,913
	46,096	52,779

(b) Apportionment of salaries and wages to statement of profit or loss and other comprehensive income are as follows:

	N'000	N'000
Cost of sales (Note 8)	10,547	8,082
Distribution expenses (Note 9)	15,116	17,916
Operating expenses (Note 10)	20,433	17,592
Gratuity (Note 23)	-	9,189
	46,096	52,779

(c) **Directors**

	N'000	N'000
The aggregate emoluments of the Directors were:		
Fees	600	600
Other emoluments	4,921	14,908
	5,521	15,508

	2016	2015
	N'000	N'000
(i) Chairman's emoluments (excluding pension contributions) totalled	1,600	1,600
(ii) Emoluments of the highest paid director (excluding pension contributions) amounted to:	5,500	4,718
	7,100	6,318

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
	6	6

(d) **Employees**

	Number	Number
Staff numbers and costs:		
(i) The average number of persons employed (excluding Directors) in the Company during the year were as follows:		
Management	4	4
Senior	21	19
Junior	10	12
	35	35

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

	N'000	N'000
Wages, salaries, commission and allowances	46,096	52,779

(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	-	-
N400,001 - N500,000	10	12
N500,001 and above	25	23
	35	35

14. **Income tax payable**

	N'000	N'000
(i) **Statements of profit or loss account**		
Company income tax	-	-
Education tax	-	-
Deferred tax (Note 15)	-	62,394
	-	62,394

(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:

	2016 N'000	2015 N'000
Loss before taxation	(78,585)	(46,106)
Tax at the statotury corporation tax rate of 30%	(23,576)	(13,832)
Effect of income that is exempt from taxation	(129)	(206)
Effect of expenses that are not deductible in determining taxable profit	10,654	13,844
Balancing charge	129	215
Deferred tax provision	-	62,394
Current year adjusted loss	12,922	
Investment and capital allowance absorbed	-	(21)
Income tax expense recognised in profit or loss for continuing operations	-	62,394
Effective rate	0%	(135%)

The tax rate used for 2016 and 2015 reconciliation above is the corporate tax rate of 30% and tertiary education tax rate of 2% payable by corporate entities in Nigeria on taxable profits under the tax laws in the country for the year ended 31 December 2016.

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	2,008
Education tax	-	-
Capital gain tax	5,300	5,300
	7,308	7,308
Payments during the year:		
Income tax	-	-
Education tax	-	-
Capital gain tax	-	-
	-	-
Provision for the year:		
Income tax	-	-
Education tax	-	-
	-	-
Balance at the end of the year	7,308	7,308

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 2016 N'000	Recognised in net income N'000	Balance as at 31 December 2016 N'000
Deferred tax liabilities			
Excess of carrying amount over tax written down value	62,394	15,946	78,340
Deferred tax assets			
Unrealised foreign exchange loss	(2,568)	765	-1,803
Unabsorbed capital allowance	-	-19,454	-19,454
Unutilised tax losses	-	-32,347	-32,347
	-2,568	-51,036	-53,604
Deferred tax liabilities	59,826	-35,090	24,736

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 by N261,134,215 (2015:N207,980,000) resulting to deferred tax liability of N78,340,265 (2015:N62,394,000). The Company had unrelieved losses of N107,824,853(2015:N64,753,740), unutilised capital allowance of N64,847,461(2015:N33,417,689) and unrealised foreign exchange loss of N5,634,000(2015:N8,560,000) resulting into deferred tax assets of N53,604,577(2015:N2,568,000) and net deferred tax liabilities of N24,735,688

Deferred tax liabilities	2016 N'000	2015 N'000
Balance at the beginning of the year	59,826	(2,568)
Provision during the year	-	62,394
Balance at the end of the year	59,826	59,826

The deferred tax assets of N53,604,577 in the year was not recognised in the financial statements because there is no probability that the company would be able to utilise it in the foreseeable future.

16) **Property, plant and equipment**

	Leasehold land and buildings	Plant, machinery and equipment	Computer and equipment	Motor Vehicles	Capital work in progress	Total
Cost	N'000	N'000	N'000	N'000	N'000	N'000
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 asset (Note 17)	-	-	-	11,135	-	11,135
At 31 December 2015	325,000	29,922	2,227	40,305	46,976	444,430
At 1 January 2016	325,000	29,922	2,227	40,305	46,976	444,430
Additions	-	3,833	-	-	30,003	33,836
Disposals	-	-	-	(2,195)	-	(2,195)
Transfer from leased assets (Note 17)	-	-	-	5,195	-	5,195
Reclasifications (Note 16(a))	58,320	14,006	-	-	(72,326)	-
At 31 December 2016	383,320	47,761	2,227	43,305	4,653	481,266
Accumulated depreciation						
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
On disposals	-	(117)	(71)	(5,609)	-	(5,797)
Transfer from leased assets (Note 17)	-	-	-	5,568	-	5,568
At 31 December 2015	55,913	14,661	2,131	37,222	-	109,927
At 1 January 2016	55,913	14,661	2,131	37,222	-	109,927
Charge for the year	15,473	3,631	83	3,949	-	23,136
Disposals	-	-	-	(1,874)	-	(1,874)
Transfer from leased assets (Note 17)	-	-	-	2,273	-	2,273
At 31 December 2016	71,386	18,292	2,214	41,570	-	133,462
Impairment						
At 1 January 2015	-	375	-	-	-	375
Impairment	-	-	-	-	-	-
At 31 December 2015	-	375	-	-	-	375
At 1 January 2016	-	375	-	-	-	375
Impairment	-	-	-	-	-	-
At 31 December 2016	-	375	-	-	-	375
Carrying amounts at						
31 December 2016	N311,934	N29,094	N13	N1,735	N4,653	N347,429
31 December 2015	N269,087	N14,886	N96	N3,083	N46,976	N334,128

(a) Included as part of leasehold land and buildings and plant, machinery and equipment are items completed on the capital work in progress amounting to N72;326,000 reclassified during the year.

(b) There were no restrictions on title and no item of property, plant and equipment was pledged as securities for any payble.
(c) There was no asset on lease during the year (2015:N2,922,000).
(d) No impairment loss was recognised during the year
(e) Depreciation charged to profit or loss and other comprehensive income are apportioned as follows:

	2016	2015
	N'000	N'000
Cost of sales (Note 8)	2,259	13,995
Operating expenses (Note 10)	20,877	9,430
	23,136	23,425

17) **Leased assets**

	Motor vehicle	Total
Cost	N'000	N'000
Balance at the beginning of the year	16,330	16,330
Additions	-	-
Transfer to property, plant and equipment (Note 16)	(11,135)	(11,135)
Balance at the end of the year	5,195	5,195
Balance at the beginning of the year	5,195	5,195
Additions	-	-
Transfer to property, plant and equipment (Note 16)	(5,195)	(5,195)
Balance at the end of the year	-	-
Accumulated depreciation		
Balance at the beginning of the year	6,542	2,784
Charge for the year	1,299	3,758
Transfer to property, plant and equipment (Note 16)	(5,568)	
Balance at the end of the year	2,273	6,542
Balance at the beginning of the year	2,273	2,273
Charge for the year	-	-
Transfer to property, plant and equipment (Note 16)	(2,273)	(2,273)
Balance at the end of the year	-	-
Carrying amounts at		
31 December 2016	-	-
31 December 2015	N2,922	N2,922

18. **Inventories**

	N'000	N'000
Raw materials	10,942	18,153
Finished goods	30,392	39,107
	41,334	57,260
Provision for obsolete inventory (Note 8)	(6,246)	(6,246)
	35,088	51,014

(a) No inventory was pledged as security for borrowings.

(b) The amount of inventory recognised in cost of sales during the year was N52,119,000 (2015: N70,301,000)

	2016	2015
19. Trade and other receivables	N'000	N'000
Trade receivables	70,778	70,086
Provision for trade receivables (Note 19(a))	(62,513)	(61,676)
Total financial assets other than cash and cash equivalents	8,265	8,410
Other receivables and prepayments (Note19(d))	20,593	18,104
	28,858	26,514

(a) Provision for trade receivables	N'000	N'000
Balance at the beginning of the year	61,676	62,170
Provision for the year (Note 10)	837	86
Write off during the year	-	(580)
Balance at the end of the year	62,513	61,676

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.

(b) *The age analysis of trade receivables is as follows:*	N'000	N'000
Past due < 90days	2,463	6,669
Past due 90-180 days	3,186	1,741
Past due 180-360 days	2,616	-
Past due 360days and above	62,513	61,676
	70,778	70,086

(c) *The carrying value of trade and other receivables classified as loans and receivables approximates fair value.*

	N'000	N'000
Neither past due nor impaired	8,265	6,669
Past due but not impaired	-	1,741
Collectively impaired	62,513	61,676

(d) Other receivables and prepayments:	N'000	N'000
Staff receivables	711	1,048
Withholding tax receipts	11,703	9,130
Withholding tax receivables	12,654	12,607
Other receivables	1,157	1,435
	26,225	24,220
Provision for other receivables (Note 19(e))	(7,197)	(7,197)
	19,028	17,023
Prepayments (Note 19(f))	1,565	1,081
	20,593	18,104

(e) Provision for other receivables	N'000	N'000
Balance at the beginning of the year	7,197	10,711
Provision during the year (Note 10)	-	201
Write off during the year	-	(3,715)
Balance at the end of the year	7,197	7,197

(f) Prepayments	N'000	N'000
Insurance	1,565	1,081

20. **Cash and cash equivalents**

	2016	2015
Cash and cash equivalents comprise:	N'000	N'000
Cash at bank	1,517	7,870
Cash in hand	4	293
Cash and cash equivalents for the purpose of cash flows	1,521	8,163

21. **Borrowings**

	N'000	N'000
The book value and fair value of borrowings are as follows:		
Balance at the beginning of the year	20,000	-
Additions during the year	30,000	20,000
Repayments	-	-
Balance at the end of the year	50,000	20,000

(b) In 2015, the company obtained loans in form of commercial paper for the sum of N20million, from Palm Services Limited. Additional N20million was obtained in 2016, 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.

In 2016,N10million loan in form of commercial papers were obtained from Engineer Charles Osezua payble over 90 days

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 Engineer Charles Osezua, a Director in Morison Industries Plc.

22. **Trade and other payables**

	N'000	N'000
Trade payables	35,503	23,599
Other payables (Note 22(a))	91,581	53,445
Due to related company (Note 22(d))	9,800	9,800
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	136,884	86,844
Other payables-tax (Note 22(g))	8,218	5,922
	145,102	92,766

(a) **Other payables**

	N'000	N'000
Finance lease obligations (Note 22 (b))	-	381
Unclaimed dividend (Note 22(c))	5,632	5,632
Accruals (Note 22(e))	41,620	25,267
Pension payable (Note 22(f))	24,226	19,328
Rent received in advance	13,733	-
Advance customer deposit	3,558	402
Other payables	2,812	2,435
	91,581	53,445

(b) **Finance lease obligations**

	N'000	N'000
Balance at the beginning of the year	381	2,320
Additions	-	-
Repayments	(381)	(1,939)
Balance at the end of the year	-	381

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.

	2016	2015
(c) **Unclaimed dividend**	N'000	N'000
Balance at the beginning and the end of the year	5,632	5,632
(d) **Due to related company**	N'000	N'000
Morison Investment Limited	9,800	9,800

Morison Investment Limited, United Kingdom 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, 2016 (2015: Nil).

(e) **Accruals**	N'000	N'000
Wages	3,930	840
Sundry accruals	23,815	14,820
Audit fees	2,300	2,800
Secretarial expenses	1,548	4,240
Directors' fees	2,772	2,172
Interest expense	7,255	395
	41,620	25,267

(f) **Pension payable**	N'000	N'000
Balance at the beginning of the year	19,328	16,128
Contributions for the year (Note 13(a))	7,626	7,913
Remittances	(2,728)	(4,713)
Balance at the end of the year	24,226	19,328

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

(g) **Other payables-tax**	N'000	N'000
Value Added Tax	4,347	2,910
Withholding Tax	2,569	2,611
PAYE	1,302	401
	8,218	5,922

23. **Employees' benefits obligations**	N'000	N'000
Balance at the beginning of the year	20,780	20,715
Provision for the year (Notes 10 and 13(b))	-	9,189
Payments during the year	(13,596)	(9,124)
Balance at the end of the year	7,184	20,780

24. **Share capital**		
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	152,180	152,180

25. **Share premium**		
Balance at the beginning and end of the year	21,489	21,489

	2016	2015
	N'000	N'000
26. **Revenue reserve**		
Balance at the beginning of the year	124,482	232,982
Transfer from statement of comprehensive income	(78,585)	(108,500)
Balance at the end of the year	45,897	124,482

27. **Loss per ordinary share**

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.

	'000	'000
Loss for the year attributable to ordinary shareholders	(N78,585)	(N108,500)
Weighted average number of ordinary shares in issue (thousands)	152,180	152,180
Loss per share	(0.52)k	(0.71)k

28. **Related party transactions**

(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 Note 22(d) to the financial statements.

(b) During the year the company obtained loans in form of commercial papers amounting to N40,000,000 from Palm Services Limited and N10,000,000 from Engineer Charles Osezua. These loans were obtained on an arms length basis.

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 of the company includes executive and non-executive directors and members of the Executive Committee.

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

	2016	2015
Short-term employee benefits	-	14,908
Defined benefits scheme cost	-	-
Contribution to compulsory Pension Fund Scheme	-	-
		14,908

30. **Substantial Interest in shares**

No individual shareholder other than Morison Investment Limited U.K. (40%) and Mr. Julius O. Titiloye (5.39%) held more than 5% of the issued share capital of the company as at 31 December 2016.

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 contingent liabilities in respect of legal actions against the Company, the monetary amount of which cannot be quantified. No provision has been made in these financial statements in respect of the legal actions as the directors, having taken legal advice, do not believe that any material liability will eventually be borne by the Company.

33. **Events after the reporting date**

No events or transactions have occurred since 31 December 2016 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 2016

34. **Going concern**

(a) The financial statements have been prepared on a going concern basis. The Company made a loss before taxation of N78million during the year ended 31 December 2016 (2015: Loss of N108 million) and at that date its current liabilities exceeded its current assets by N136million (2015: N34 million).

(b) Further, the validity of the going concern basis depends on the willingness of the Company's shareholders to continue their support by providing adequate working capital facilities and the Company's bankers and major creditors continuing to provide adequate support. In the absence of such financial support from its shareholders, bankers and major creditors, the going concern basis would be invalid and adjustments would have to be made to reduce the value of assets to their recoverable amounts and provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

STATEMENT OF VALUE ADDED

OTHER NATIONAL DISCLOSURE

	2016 N'000	%	2015 N'000	%
Revenue	132,280		183,348	
Other income	7,973		8,016	
	140,253		191,364	
Less: Bought-in-materials and services:				
Local	(140,451)		(7,172)	
Foreign	-		(151,969)	
Value (consumed)/added	(198)	100	32,223	100
% Value (consumed)/added as a percentage of revenue	(1)%		17%	
Distributed as follows:				
To pay employees' salaries, wages and fringe benefits				
Wages, salaries and benefits	46,096	23,280	52,779	164
To pay providers of fund - interest expenses	9,155	4,624	826	2
To provide for maintenance of property, plant and equipment				
Depreciation of property, plant and equipment	23,136	11,685	23,425	72
Depreciation of leased assets	-	-	1,299	4
To pay taxes to Government				
Taxation	-	-	62,394	194
Results for the year				
Loss for the year	(78,585)	(39,689)	(108,500)	(336)
	(198)	(100)	32,223	100

FIVE-YEAR FINANCIAL SUMMARY

	IFRS 31 December				
	2016	2015	2014	2013	2012
Statement of profit or loss					
	N'000	N'000	N'000	N'000	N'000
Revenue	132,280	183,348	217,848	339,303	406,689
Loss before taxation	(78,585)	(46,106)	(88,309)	(14,100)	6,345
Taxation	-	(62,394)	5,978	(7,965)	(4,331)
Loss after taxation	(78,585)	(108,500)	(82,331)	(22,065)	2,014

	IFRS				NGAAP
Statement of financial position					
	N'000	N'000	N'000	N'000	N'000
Non-current assets	347,429	337,050	349,618	336,642	390,628
Current assets	65,467	85,691	99,428	189,573	195,462
Total assets	412,896	422,741	449,046	526,215	586,090
Current liabilities	202,410	120,074	97,770	89,198	119,519
Non-current liabilities	67,010	80,606	20,715	24,125	31,614
Total liabilities	269,420	200,680	118,485	113,323	151,133
Net assets	143,476	222,061	330,561	412,892	434,957
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
Retained earnings	45,897	124,482	232,982	315,313	(48,642)
Total equity	143,476	222,061	330,561	412,892	434,957