

MORISON INDUSTRIES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2013**

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MORISON INDUSTRIES PLC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013.

The Directors of Morison Industries Plc are responsible for the preparation of the financial statements that present the true and fair view of the financial position of the company as at 31 December, 2013 and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards (IFRS).

In preparation of the financial statements, the Directors are responsible for:

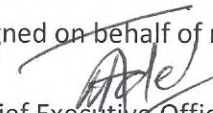
- Properly selecting and applying accounting policies;
- Presentation of information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient, to enable users understand the impact of particular transactions, and conditions on the company's financial performance and financial position; and
- Doing an assessment of the company's ability to continue as a going concern.

The Directors are responsible for;

- Designing, implementing and maintaining an effective and sound system of internal controls in the company;
- Maintaining adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company, and which enable them ensure that the financial statements of the company comply with IFRS;
- Maintaining statutory accounting records in compliance with the Nigerian legislations and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the company ;and
- Preventing and detecting fraud and other irregularities.

The financial statements of the company for the year ended 31 December, 2013 were approved by management on 20 March, 2014.

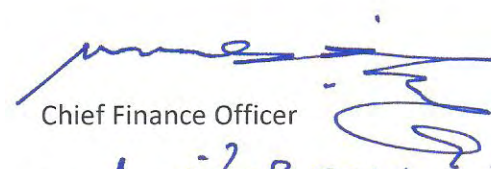
Signed on behalf of management of the company


Chief Executive Officer

Date

8/4/2014

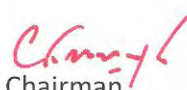
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Chief Finance Officer

Date

April 08, 2014

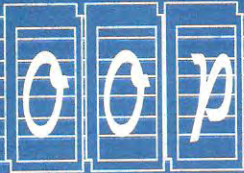
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Chairman

Date

08-04-14

FRC/2013/ICAN/00000003887



Omogoroye Okin Popoola & Co.

(Chartered Accountants)

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MORISON INDUSTRIES PLC

Report on the Financial Statements

We have audited the accompanying financial statements of **MORISON INDUSTRIES PLC** which comprise the statements of financial position as at 31 December 2013, the income statement, statement of changes in equity, cash flow statement for the year ended 31 December 2013, a summary of significant accounting policies and other explanatory information set out on pages 8 to 28.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Act CAP C20 LFN 2004, the Financial Reporting Council of Nigeria Act No 6, 2011, the International Financial Reporting Standards, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

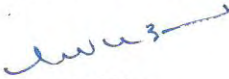
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether 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' judgment, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **MORISON INDUSTRIES PLC** as at 31 December 2013 and the financial performance and cash flows for the year then ended in accordance with the Companies and Allied Matters Act Cap C20 LFN 2004, the Financial Reporting Council of Nigeria Act No 6, 2011 and the International Financial Reporting Standards.


G.W. Okin
FRC/2013/ICAN/00000002915
For: Omogoroye Okin Popoola & Co
Chartered Accountants
Lagos, Nigeria
20 March, 2014



MORISON INDUSTRIES PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, 2013

	Note	2013 N' 000	2012 N' 000
Revenue	4	339,303	406,869
Cost of sales	5	<u>(235,920)</u>	<u>(247,108)</u>
Gross profit		103,383	159,761
Distribution expenses	6	(83,719)	(71,320)
Selling and administrative expenses	7	(110,249)	(90,707)
Other income	8	84,084	13,639
Finance costs	9	<u>(7,599)</u>	<u>(5,028)</u>
(Loss)/profit before taxation		(14,100)	6,345
Income tax expenses	12	<u>(7,965)</u>	<u>(4,331)</u>
Total comprehensive (loss)/income for the year after tax		<u>(22,065)</u>	<u>2,014</u>
Earnings per share (kobo):			
Based on (loss)/profit after tax		<u>(14.50)</u>	<u>1.32</u>

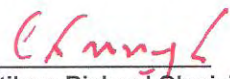
The notes on pages 8 to 27 form an integral part of these financial statements.

MORISON INDUSTRIES PLC

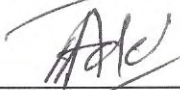
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER, 2013

	Notes	2013 N' 000	2012 N' 000
ASSETS			
Non current assets			
Property, plant and equipment	13	328,291	390,628
Leased assets	10	8,351	-
Total non current assets		336,642	390,628
Current assets			
Inventories	14	63,640	69,305
Trade receivables	15	70,222	92,613
Other receivables and prepayment	16	14,147	25,198
Cash and cash equivalents	17	41,564	8,346
Total current assets		189,573	195,462
TOTAL ASSETS		526,215	586,090
EQUITY AND LIABILITIES			
Equity			
Share capital	18	76,090	76,090
Share premium		21,489	21,489
Revaluation reserve	19	-	386,020
Retained earnings	20	315,313	(48,642)
Total equity		412,892	434,957
Non Current liabilities			
Deferred tax	21	10,167	8,560
Employees' retirement benefits	22	13,958	23,054
Total non- current liabilities		24,125	31,614
Current liabilities			
Trade payables		5,542	15,766
Other payables	24	51,970	61,077
Unclaimed dividend	23	5,632	5,632
Employees' retirement benefits	22	14,056	-
Obligation under finance lease	25	4,117	-
Current tax payables	12	7,881	2,144
Borrowings	26	-	34,900
		89,198	119,519
TOTAL EQUITY AND LIABILITIES		526,215	586,090

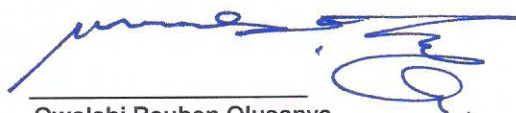
The financial statements on pages 4 to 28 were approved by the Board of Directors on 20 March, 2014 and signed on its behalf by:


Titiloye Richard Olaniyi
Chairman

FRC/2013/ICAN/00000003887


Adekoje John Okanlawon
Managing Director

FRC/2013/PCNNG/00000003679


Owolabi Reuben Olusanya
Chief Finance Officer

FRC/2013/ICAN/00000001664

The notes on pages 8 to 27 form an integral part of these financial statements.

MORISON INDUSTRIES PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER, 2013

	Note	2013 N' 000	2012 N' 000
Cash flow from operating activities			
Cash receipts from customers		366,628	383,500
Cash payments to suppliers and employees		(402,841)	(369,351)
Tax paid		(621)	-
Net cash provided by operating activities	28	<u>(36,834)</u>	<u>14,149</u>
Cash flows from investing activities			
Purchase of property plant and equipment	10&13	(28,320)	(12,245)
Proceeds on disposal of property plant and equipment		136,318	1,130
Interest received		436	10
		<u>108,434</u>	<u>(11,105)</u>
Cash flows from financing activities			
Interest paid		(7,599)	(5,028)
Finance lease obtained		7,717	-
Finance lease payment		(3,600)	-
Loan obtained		35,000	2,399
Loan payment		(69,900)	-
Net cash provided by financing activities		<u>(38,382)</u>	<u>(2,629)</u>
Net increase in cash and cash equivalents		33,218	415
Cash and cash equivalents at the beginning of the year		8,346	7,931
Cash and cash equivalents at the end of the year	17	<u>41,564</u>	<u>8,346</u>

The notes on pages 8 to 27 form an integral part of these financial statements.

MORISON INDUSTRIES PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2013

	Share capital N'000	Share premium N'000	Retained earnings N'000	Revaluation reserve	Total equity N'000
Balance as at 1 January 2012	76,090	21,489	(50,656)	386,020	432,943
Comprehensive income for the year	-	-	2,014	-	2,014
Balance as at 31 December 2012	<u>76,090</u>	<u>21,489</u>	<u>(48,642)</u>	<u>386,020</u>	<u>434,957</u>
Comprehensive Income for the year	-	-	(22,065)	-	(22,065)
Transferred to retained earnings	-	-	386,020	(386,020)	-
Balance as at 31 December 2013	<u><u>76,090</u></u>	<u><u>21,489</u></u>	<u><u>315,313</u></u>	<u><u>-</u></u>	<u><u>412,892</u></u>

The notes on pages 8 to 27 form an integral part of these financial statements.

MORISON INDUSTRIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

1 General Information

1.1 Legal Form

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.

1.2 Principal Activities

The Company is engaged in the production and marketing of pharmaceuticals, hygiene products including the Morigad range of Disinfectants and the importation & distribution of medical, surgical and hospital equipment, instruments and consumables made by Braun & Company Limited, BSN Medical, Desoutter Medical Limited, Heraeus Medical GmbH and Smith & Nephew Limited.

The Company's production facilities are also made available for third party activities under contract manufacture arrangements.

Braun & Company Limited, established since 1848 in the U.K has an extensive range of innovative medical and security products. They are field-leaders in the production of ultrasound medical equipment, medical oxygen concentrators and anesthesia instrument. Their products are exported to over 60 countries worldwide including the USA where they have a subsidiary Company – Braun International (USA) LLC.

BSN Medical is a worldwide health care Company involved in manufacturing and marketing of quality medical/orthopedic products, consumables and devices.

Desoutter Medical Limited is the UK's leading manufacturer of surgical power tools. They specialize in the development, production and worldwide distribution of powered instruments for most bone cutting surgical procedures and for all surgical specialties as evidenced in their global market share.

Heraeus Medical GmbH is the biomaterials and medical products business segment of the globally active precious metal and technology Group, HERAEUS, with firm roots in Germany. Heraeus Medical concentrates on medical products for orthopedic surgery as well as traumatology and biosurgery. An industry leader for bone cements, the company develops, produces, and globally markets biomaterials used to anchor joint prostheses to bone and to stabilize spinal fractures.

Smith & Nephew Limited is a worldwide healthcare group based in United Kingdom, with strong presence in all the world's major markets including Nigeria. The company is the world leader in orthopedic, Advanced Wound Care and Endoscopy. They are listed on both the London and New York Stock Exchanges.

MORISON INDUSTRIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

2. Basis of preparation and adoption of International Financial Reporting Standards (IFRS)

2012 is the year of adoption of the International Financial Reporting Standards ("IFRS") in Nigeria as directed by the Financial Reporting Council of Nigeria. Our Board of Directors had accordingly adopted the IFRS for the use by the company. The Financial Statements being presented were prepared in compliance with the provisions of the IFRS particularly IAS 34.

Application of new International Financial Reporting Standards (IFRS)

IFRS affecting amounts reported in the current year.

The following IFRS have been applied in the current year and have affected the amounts being reported in these financial statements.

IAS 1- Presentation of financial statement

IAS 2- Inventories

IAS 7- Statement of cash flow

IAS 16- Property, Plant and Equipment

IAS 17- Accounting for lease

IAS 18- Accounting for revenue

IAS 33- Earnings per share

IAS 36- Impairment of assets

IAS 37- Provision, contingent liabilities and contingent assets

IAS 38- Intangible assets

IAS 1 covers the form and content of financial statements. The main components are:

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flow
- Notes to the Financial Statements.

IAS 2 covers inventories which are assets held for sale in the ordinary course of business. It includes goods purchased and held for resale, finished goods, work in progress, materials and supplies awaiting use in the production process. In determining the cost of inventories, weighted valuation method was used. Exchange rate differences in relation to inventories were expensed.

Inventory is stated in the financial statements at the lower of cost and net realizable value.

Statement Regarding Status of Compliance with IFRSs

The company's financial statements for the year ended 31 December, 2012 were its first full financial statements prepared in accordance with IFRS. The company's financial statements are presented in accordance and in compliance with, International Financial Reporting Standards (IFRS) and International Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these statements.

The following is the summary of significant accounting policies adopted by the Company in the preparation of its Financial Statements:

Basis of Preparation

The financial statements are prepared using the Fair Value Accounting in line with the International Financial Reporting Standards ("IFRS").

Going Concern Status

The Directors believe that there are no threats from any source that could negatively affect the company's business in the foreseeable future. Therefore these financial statements are prepared on a going concern basis.

Financial Period

These financial statements cover the financial period from 1st January to 31st December 2013 with comparatives for the year ended 31st December 2012 as required by IFRS.

3. Summary of Significant Accounting Policies

3.1 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.

3.2 Cost of Sales:

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

3.3 Cash and Cash Equivalent:

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

3.4 Property, Plant and Equipment:

Property, plant and equipment are stated at fair value less accumulated depreciation and accumulated impairment loss.

The major categories of property, plant and equipment are depreciated on a straight line basis as follows

Leasehold property	-	over the life of the lease
Plant, Machinery and Equipment	10%	p.a
Computer Equipment	-	331/3% p.a
Motor Vehicles:		
Delivery vans	-	331/3% p.a
Cars	-	25% p.a

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

3.5 Impairment of Non-Financial Assets.

At the end of each financial year, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered any impairment loss. Where any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if it exists). 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 immediately recognized in the income statement, unless the particular asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease subject to availability of surplus in the revaluation reserve.

Whenever an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. Any reversal of an impairment loss is recognized immediately in the income statement, unless the particular asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.6 Inventories

Inventories are stated at the lower of cost and net realizable 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. Cost is calculated using the weighted average method. Net realizable 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.

3.7 Trade 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. When a trade receivable is considered to be uncollectable it is written off, firstly against any allowance available and then to income account. Any recoveries of amounts for which a previous allowance was made are credited to the income account.

3.8 Foreign Currencies Translation

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates. The functional currency of Morison Industries Plc is the Nigerian Naira. Assets and liabilities denominated in foreign currencies are converted to Naira at the applicable rates of exchange at the financial statement date. All differences arising from there are dealt with in the income statement.

3.9 Taxation

Income tax comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary timing differences arising from the difference between the tax bases of assets and liabilities and their carrying amount in the financial statements. Deferred income tax is determined using tax rates enacted or substantively enacted, at the end of the reporting period and are expected to apply when the deferred tax asset is realised or liability is settled.

3.10 Pension Fund and Gratuity Scheme

Employees Benefits:

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 7.5% each of employee's relevant emoluments, in accordance with the provisions of the Pension Reform Act 2004.

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.

3.11 Provision

Provision is recognized 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.

Financial instruments and fair values

Measurement categories

As explained in note 3, financial assets and liabilities have been classified into categories that determine their basis of measurement. Those categories are:

Loans and receivables and for liabilities, amortized cost.

The following table shows the carrying values of assets and liabilities for each of these categories at 31 December, 2013 and 31 December, 2012.

	31-Dec 2013 N'000	31-Dec 2012 N'000
Assets		
Cash and cash equivalent	41,564	8,346
Trade receivables	70,222	92,613
Liabilities		
Trade payables	5,542	15,766
Borrowings (Palm Services Ltd)	-	34,900

Fair values

The following table summarizes the fair value of financial assets and liabilities at 31 December 2013 and 31 December 2012.

	31-Dec 2013 N'000	31-Dec 2012 N'000
Assets		
Cash and cash equivalent	41,564	8,346
Trade receivables	70,222	92,613
Liabilities		
Trade payables	5,542	15,766
Borrowings (Palm Services Ltd)	-	34,900

The carrying values of cash and cash equivalents, trade receivables and trade payables approximate their fair value.

No financial assets are past due except for trade receivables. As at 31 December 2013, trade receivables of N70.222m (**2012: N92.613m**) were fully performing. The aging analysis of the latter two categories of receivables is as follows:

	2013	2012
	N'000	N'000
<i>Past due but not impaired</i>		
Up to 3 months	7,917	37,457
3 to 6 months	62,305	55,156
Over 12 months	14,030	1,164
<i>Impaired</i>		
Over 12 months	(14,030)	(1,164)
	<u>70,222</u>	<u>92,613</u>

The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	2013	2012
	N'000	N'000
Start of year	1,164	2,592
Provision for impairment	12,866	983
Provision written off	-	(2,411)
End of year	<u>14,030</u>	<u>1,164</u>

A provision for impairment is generally recorded for trade receivable balances outstanding for more than 365 days. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

(c) Liquidity risk

Cash flow forecasting is performed by the **finance department** which monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the company's debt financing plans and compliance with internal financial position ratio targets.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period from the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	31 December 2013		
	< 3 months	3 – 12 months	Over 1 year
	N'000	N'000	N'000
Trade payables	5,542	-	-
Borrowings (Palm Services Ltd)	-	-	-
	31 December 2012		
	< 3 months	3 – 12 month	Over 1 year
	N'000	N'000	N'000
Trade payables	15,766	-	-
Borrowings (Palm Services Ltd)	29,900	-	5,000

3.12 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.

3.13 Segment Reporting

The company's business is presented by product segments that are subject to similar risks and returns. Segment results include items directly attributable to a segment as well those that can be allocated on a reasonable basis.

3.14 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.

3.15 Dividends

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

3.16 Financial Instrument

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the company classifies its financial instruments in the following categories:

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company's loans and receivables comprise trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables and commercial paper. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

3.17 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.

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.

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.

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.

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.

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.

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.

4.	Revenue and Profit Analysis by activities:	2013			2012		
		Revenue N'000	Cost of Sales N'000	Gross Profit N'000	Revenue N'000	Cost of Sales N'000	Gross Profit N'000
	Pharmaceuticals	81,152	50,356	30,796	76,341	63,575	12,766
	Locally manufactured goods	256,991	184,827	72,164	307,667	158,551	149,116
	Others	1,160	737	423	22,861	24,982	(2,121)
		<u>339,303</u>	<u>235,920</u>	<u>103,383</u>	<u>406,869</u>	<u>247,108</u>	<u>159,761</u>

MORISON INDUSTRIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

	2013 N' 000	2012 N' 000
5 Cost of Sales		
Materials consumed	185,261	199,281
Production salaries & wages	10,825	8,227
Repairs and maintenance	7,519	7,298
Electricity	2,815	2,568
Royalty	2,900	3,723
Depreciation	15,030	13,838
Sundry expenses	3,918	4,573
Oil and gas	7,651	7,600
	<u>235,920</u>	<u>247,108</u>
6 Distribution expenses:		
Salaries, bonuses and commission	57,963	41,832
Advertisement	14,177	16,648
Discount allowed and commission	2,892	2,805
Transportation	5,582	6,415
Staff pension-employer's contribution	3,106	3,620
	<u>83,719</u>	<u>71,320</u>
7 Selling and administrative expenses		
Sales and marketing expenses	23,700	13,732
IT expenses	1,337	848
Depreciation	9,672	8,430
Bad and doubtful receivables	12,866	5,765
Gratuity	14,982	4,405
Bank charges	2,431	3,374
General administrative expenses	45,261	54,153
	<u>110,249</u>	<u>90,707</u>
8 Other income		
Rent receivable	2,526	2,526
Profit on disposal of fixed assets	78,714	488
Bank interest received	436	10
Profit on foreign exchange rate	279	-
Empty drums proceeds	104	500
Product/contract manufacture receipts	2,025	10,115
	<u>84,084</u>	<u>13,639</u>
9 Finance costs		
Interest on loan	<u>7,599</u>	<u>5,028</u>

MORISON INDUSTRIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

10	Leased assets		Motor vehicles
			N'000
	Cost/valuation:		-
	At 1 January		11,135
	Additions		-
	Disposal		<u>11,135</u>
	At 31 December		
	Depreciation:		-
	At 1 January		2,784
	Charge for the year		-
	Charge on disposal		<u>2,784</u>
	At 31 December		
	Net book value:		<u>8,351</u>
	At 31 December, 2013		<u>-</u>
	At 31 December, 2012		
		2013	2012
		N'000	N'000
11	(Loss)/profit before taxation		
	This is stated after charging		
	Directors emoluments:		
	Fees	500	500
	Others	5,901	4,500
	Obsolete Inventory	146	190
	Depreciation	24,702	22,268
	Audit fee	3,000	3,000
	Profit on disposal of property plant & equipment	78,714	488
	Royalty	<u>2,900</u>	<u>3723</u>
12	Taxation		
	Income statement		
	Taxation based on the profit for the year:		
	Income tax	-	-
	Education tax	455	600
	Capital gain tax	5,882	-
	Under charge in prior year	21	-
	Deferred taxation (Note 21)	<u>1,607</u>	<u>3,731</u>
		<u>7,965</u>	<u>4,331</u>

MORISON INDUSTRIES PLC

NOTES TO THE FIANACIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

	2013 N' 000	2012 N' 000
Financial position		
At January	2,144	1,544
Charge for the year	6,358	600
Payment during the year	(621)	-
At the end of the year	<u>7,881</u>	<u>2,144</u>

The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act, CAP C21, LFN 2004 as amended to date and the Education Tax Act, CAP E4, LFN 2004. Deferred taxation is computed using the liability method.

The company is not liable to income tax for the year as there were no taxable profits because of the effects of unrelieved losses and unabsorbed capital allowances.

Also, the company is exempted from minimum tax provisions of Section 33(2) of the Companies Income Tax Act, CAP C21, LFN 2004 because it has more than 25% foreign equity.

MORISON INDUSTRIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

13 Property, plant and equipment	Leasehold land and buildings N'000	Plant, machinery and equipment N'000	Computer equipment N'000	Motor vehicles N'000	Capital work - in- progress N'000	Total N'000
Cost:						
At 1 January	385,000	19,409	1,648	58,565	1,313	465,935
Additions	-	9,865	440	900	5,980	17,185
Disposal	(60,000)			(17,496)		(77,496)
At 31 December	<u>325,000</u>	<u>29,274</u>	<u>2,088</u>	<u>41,969</u>	<u>7,293</u>	<u>405,624</u>
Depreciation:						
At 1 January	15,380	2,834	338	56,755	-	75,307
Charge for the year	15,277	5,026	1,008	607	-	21,918
Charge on disposal	(2,396)			(17,496)		(19,892)
At 31 December	<u>28,261</u>	<u>7,860</u>	<u>1,346</u>	<u>39,866</u>	<u>-</u>	<u>77,333</u>
Net book value:						
At 31 December, 2013	<u>296,739</u>	<u>21,414</u>	<u>742</u>	<u>2,103</u>	<u>7,293</u>	<u>328,291</u>
At 31 December, 2012	<u>369,620</u>	<u>16,575</u>	<u>1,310</u>	<u>1,810</u>	<u>1,313</u>	<u>390,628</u>

13.1 Impairment of property, plant and equipment

There are no indications of impairment at the end of the accounting period. Thus, the directors are of the opinion that allowance for impairment is not required.

13.2 Depreciation for the year included in expenses

	2013 N'000	2012 N'000
Cost of sales	15,030	13,934
Administrative expenses	<u>9,672</u>	<u>8,334</u>
	<u>24,702</u>	<u>22,268</u>

MORISON INDUSTRIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

	2013 N'000	2012 N'000
14 Inventories		
Raw materials	37,598	32,344
Work in progress	3,194	-
Finished goods	22,848	36,961
	<u>63,640</u>	<u>69,305</u>
There was no write down of inventories to net realizable value during the year.		
No inventory was pledged as security for borrowings.		
15 Trade receivables		
Trade receivables	84,252	93,777
Provision for doubtful receivables	(14,030)	(1,164)
	<u>70,222</u>	<u>92,613</u>
15.1 Provision for doubtful receivables		
At 1 January	1,164	2,592
Additions	12,866	983
Written off	-	(2,411)
At 31 December	<u>14,030</u>	<u>1,164</u>
16 Other receivables and prepayments		
Staff receivables	368	443
Prepaid insurance	19	551
Deposit for plant and equipment	-	3,817
Other debtors balances	231	-
Receivables from suppliers	3,551	10,919
Withholding tax receipts	5,062	-
Withholding tax recoverable	11,911	16,973
	<u>21,143</u>	<u>32,703</u>
Provision for other receivables and prepayments	(6,996)	(7,505)
	<u>14,147</u>	<u>25,198</u>
16.1 Provision for other receivables and prepayments		
Other receivables	-	509
Withholding tax recoverable	6,996	6,996
	<u>6,996</u>	<u>7,505</u>
17 Cash and cash equivalents		
Cash in hand	3,233	888
Bank balances	38,332	7,458
	<u>41,564</u>	<u>8,346</u>

MORISON INDUSTRIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

	2013 N'000	2012 N'000
18 Share capital		
Authorised:		
Ordinary shares of 200,000,000 at 50k each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of 152,178,750 at 50k each	<u>76,090</u>	<u>76,090</u>
19 Revaluation reserve		
At 1 January	386,020	386,020
Transferred to retained earnings	<u>(386,020)</u>	<u>-</u>
At 31 December	<u>-</u>	<u>386,020</u>
The revaluation surplus was transferred to the retained earnings during the year in line with the company's adoption of the cost model for IFRS implementation.		
20 Retained earnings		
At 1 January	(48,642)	(50,656)
Transfer from revaluation reserve (note 19)	386,020	-
(Loss)/profit from continuing activities	<u>(22,065)</u>	<u>2,014</u>
At 31 December	<u>315,313</u>	<u>(48,642)</u>
21 Deferred taxation		
At 1 January	8,560	4,829
Charge in the year (Note 12)	<u>1,607</u>	<u>3,731</u>
At 31 December	<u>10,167</u>	<u>8,560</u>
22 Employees' retirement benefit		
At 1 January	23,054	21,422
Additions	14,982	3,600
Payments	<u>(10,022)</u>	<u>(1,968)</u>
At 31 December	<u>28,014</u>	<u>23,054</u>
Due within one year transferred to current liabilities	<u>14,056</u>	<u>-</u>
Due more than one year	<u>13,958</u>	<u>23,054</u>
During the year the board of directors decided to stop the gratuity scheme. This balance relates to gratuities payable to employees when they retire.		
23 Unclaimed dividend		
At 1 January	5,632	6,228
Payment for the year	<u>-</u>	<u>(596)</u>
At 31 December	<u>5,632</u>	<u>5,632</u>

MORISON INDUSTRIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

	2013 N'000	2012 N'000
24 Other payables and accruals		
Sundry payables	8,117	9,005
Staff pension (Note 24.1)	10,917	13,708
Value added tax	1,775	1,684
Morison Investment Ltd (Note 27)	18,359	15,659
Accrued expenses	12,802	21,021
	<u>51,970</u>	<u>61,077</u>
24.1 Staff pension		
At 1 January	13,708	10,543
Provision for the year	9,042	7,971
Remittance to Pension Fund Administrators	(11,833)	(4,806)
At 31 December	<u>10,917</u>	<u>13,708</u>
25 Finance lease obligations		
At 1 January	-	-
Additions	7,717	-
Repayments	(3,600)	-
	<u>4,117</u>	<u>-</u>
At 31 December	<u>4,117</u>	<u>-</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 being nil.		
26 Borrowings		
At 1 January	34,900	32,501
Additions	35,000	2,399
Payments made during the year	(69,900)	-
At 31 December	<u>-</u>	<u>34,900</u>

Balance was due to Palm Services Limited, a related company to Morison Industries Plc for commercial paper issued for its operations.

MORISON INDUSTRIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

27 Technical license agreement

Morison Investment Limited, United Kingdom continues to provide technical and trade mark support to Morison Industries Plc under an approved technical services and royalty agreement. The royalty payable under the agreement is computed at 1 % of net sales of the affected products. The amount charged for the year ended 31 December, 2013 was N2.9m (2012: N3.7m).

	2013 N'000	2012 N'000
28 Reconciliation of net (loss)/profit to net cash provided		
by operating activities		
(Loss)/profit after taxation	<u>(22,065)</u>	<u>2,014</u>
Adjustment for non cash and operating items:		
Depreciation	24,702	22,268
Profit on disposal of non-current assets	(78,714)	(488)
Non-current assets written off (net)	-	(1,097)
Interest received	(436)	(10)
Interest payable and similar charges	7,599	5,028
Changes in assets and liabilities		
Decrease in inventories	5,665	25,634
Decrease/ (increase) in trade receivable	22,391	(36,510)
Decrease/(increase) in other receivables and prepayments	11,051	(6,817)
(Decrease) in trade payables	(10,224)	(276)
(Decrease)in other payables and accruals	(9,107)	(964)
(Decrease)/increase in unclaimed dividend	-	(596)
Increase in staff terminal benefits	4,960	1,632
Increase in tax payable	5,737	600
Increase in deferred taxation	<u>1,607</u>	<u>3,731</u>
Total adjustments	<u>(14,769)</u>	<u>12,135</u>
Net cash provided by operating activities	<u>(36,834)</u>	<u>14,149</u>

MORISON INDUSTRIES PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

	2013 N'000	2012 N'000
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29 Information regarding directors and employees

29.1 Directors

Emoluments:

Chairman

Other directors

1,600 1,600

6,300 3,400

7,900 5,000

As Director:

Fees

Non-Executive

Executive

500 500

1,500 1,500

5,900 3,000

7,900 5,000

The number of directors excluding chairman whose emolument were within the following ranges were:

N	N	Number	
100,001 - 150,000		4	4
1,050,001 - 1,060,000		1	1
2,470,001 - 3,700,000		1	1

The highest paid director received N3.683m (2012 - N3.0m)

29.2 Employees

The number of employees in receipt of emoluments

(excluding allowances) within the following ranges were:

N	N		
250,001 - 400,000		25	30
400,001 - 700,000		18	23
700,000 and above		11	9
		<u>54</u>	<u>62</u>

The average number of persons employed by the company during the financial year and the relevant staff costs were as follows:

Managerial staff	7	6
Senior staff	22	26
Junior staff	25	30
	<u>54</u>	<u>62</u>

MORISON INDUSTREIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

	2013	2012
	N'000	N'000
Total staff cost		
Salaries and allowances	64,538	52,564
Pension contribution	3,106	3,620
Gratuity	14,982	4,405
	<u>82,626</u>	<u>60,589</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 at 31 December 2013.

31. Guarantees and other financial obligations

31.1 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.

31.2 Other contingencies

Capital expenditure authorised by the Directors but not provided for in these financial statements was Nil (2012 - Nil).

31.3 Litigations

Judgment was given against the company in 2006 for the sum of N10 million in a long outstanding legal matter at the Federal High Court, Lagos. The Company has fully paid the judgment debt of N10 million as at 31 December 2013. However, the company's appeal against the judgment is still pending at the Court of Appeal.

32. Earnings per share

Earnings per share (EPS) are based on profit/ (loss) after taxation and the number of issued and fully paid ordinary shares at the end of each financial year.

	2013	2012
	N'000	N'000
(Loss)/profit for the year attributable to shareholders	(22,065)	2,014
(Loss)/profit per share (kobo)	(14.50)	1.32
Number of ordinary shares in issue	152,178,750	152,178,750

MORISON INDUSTREIS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013

33. Subsequent events

The Directors are of the opinion that there were no post financial position events which could have had a material effect on the state of affairs of the Company as at 31 December 2013 and the financial performance for the year ended on that date, which has not been adequately provided for or disclosed in these financial statements.

34. Major suppliers

The company's suppliers are both local and foreign and some of the major suppliers are:

Foreign:

Smith & Nephew (Pty) Limited
BSN Medicals
Desoutter Medical
Hastand Export
Cayley Chemical Corp.

Local:

K. C. Kentuga
Enkay Plastic Limited
Twin Star Industries Limited
Adefolorunsho Ventures

The company is not associated with its suppliers.

35. Comparative figures

Certain comparative figures have been restated in line with the presentation in the current year for a meaningful comparison.

36. The financial statements were approved by the Board of Directors on 20 March, 2014.

MORISON INDUSTRIES PLC

FINANCIAL SUMMARY AS AT 31 - DECEMBER

	2013 N'000	2012 N'000	2011 N'000
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Non-current assets	336,642	390,628	400,196
Current assets	189,573	195,462	177,354
	526,215	586,090	577,550
EQUITY AND LIABILITIES			
Share capital	76,090	76,090	76,090
Share premium	21,489	21,489	21,489
Revaluation reserve	-	386,020	386,020
Retained earnings	315,313	(48,642)	(50,656)
Non current liabilities	24,125	31,614	26,251
Current liabilities	89,198	119,519	118,356
	526,215	586,090	577,550
STATEMENT OF COMPREHENSIVE INCOME			
Revenue	339,303	406,689	205,801
(Loss)/profit before taxation	(14,100)	6,345	(28,401)
(Loss)/profit after taxation	(22,065)	2,014	(26,137)
PER SHARE DATA (KOBO):			
Basic	(14.50)	1.32	(17)
Diluted	-	-	-
Net assets	271	286	285

Notes:

Basic (loss)/ earnings per share are based on (loss)/profit after taxation and the number of ordinary share capital issued and fully paid at the end of each financial year.

Net assets per share are based on net assets and the number of issued and fully paid ordinary shares at the end of each financial year.