

MAY & BAKER NIGERIA PLC

**CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2014**

MAY & BAKER NIGERIA PLC

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

INDEX	PAGE
Report of the independent auditors	1
Consolidated income statement and other comprehensive income	2
Consolidated statement of financial position	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6
Consolidated statement of value added	45
Financial summary	46

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF MAY & BAKER NIGERIA PLC

We have audited the accompanying consolidated financial statements of **May & Baker Nigeria Plc (“the Company”) and its subsidiaries (together, “the Group”)**, which comprise the consolidated financial position at 31 December 2014 and the consolidated statement of comprehensive income, consolidated statement of cash flows and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors’ Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Companies and Allied Matters Act, Cap C20, LFN 2004 and with the requirements of the International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011, and for such internal controls as the Directors determine are necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of **May & Baker Nigeria Plc and its subsidiaries** at 31 December 2013, and of their financial performance and cash flows for the year then ended; in accordance with the Companies and Allied Matters Act, CAP C20, LFN 2004 and in the manner required by the International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011.

The company and its subsidiaries have kept proper books of account, which are in agreement with the consolidated financial position and statement of comprehensive income as it appears from our examination of their records.

Olatunji O. Ogundeyin, FCA, FRC/2013/ICAN/02224

For: PKF Professional Services

Chartered Accountants

Lagos, Nigeria

Date: 24 March 2015

MAY & BAKER NIGERIA PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

		The Group		The Company	
	Note	2014 N'000	2013 N'000	2014 N'000	2013 N'000
Continuing operations					
Revenue	5	7,018,992	6,367,605	6,899,496	6,253,986
Cost of sales		<u>(4,459,253)</u>	<u>(4,107,078)</u>	<u>(4,384,639)</u>	<u>(4,026,568)</u>
Gross profit		2,559,740	2,260,527	2,514,857	2,227,418
Other operating income	7	68,992	215,239	68,992	215,150
Distribution, sales and marketing expense		<u>(1,250,870)</u>	<u>(1,289,873)</u>	<u>(1,214,974)</u>	<u>(1,276,041)</u>
Administrative expenses		<u>(641,332)</u>	<u>(552,092)</u>	<u>(605,870)</u>	<u>(526,047)</u>
Operating profit		736,531	633,801	763,005	640,480
Investment income	8	3,879	2,039	3,879	2,039
Other gains and losses	9	(35,364)	(16,499)	(35,364)	795
Finance costs	10	<u>(603,872)</u>	<u>(630,711)</u>	<u>(603,589)</u>	<u>(630,277)</u>
Profit/(loss) before tax		101,174	(11,370)	127,931	13,037
Tax expense	13	<u>(37,833)</u>	<u>(91,719)</u>	<u>(34,766)</u>	<u>(91,153)</u>
Profit/(loss) for the year	11	<u>63,341</u>	<u>(103,089)</u>	<u>93,165</u>	<u>(78,116)</u>
Total comprehensive income/(loss) for the year		<u>63,341</u>	<u>(103,089)</u>	<u>93,165</u>	<u>(78,116)</u>
Earnings/(loss) per share	14.				
Basic (kobo per share)		<u>6.46</u>	<u>(10.52)</u>	<u>9.51</u>	<u>(7.97)</u>
Diluted (kobo per share)		<u>6.46</u>	<u>(10.52)</u>	<u>9.51</u>	<u>(7.97)</u>

All the profit of the Group is attributable to Owners of the Parents as there are no non-controlling interests.

The accompanying notes on pages 6 to 44 form an integral part of these consolidated and separate financial statements.

MAY & BAKER NIGERIA PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

		The Group		The Company	
	Note	2014 N'000	2013 N'000	2014 N'000	2013 N'000
ASSETS					
Non-current assets					
Intangible assets	15	67,296	67,296	67,296	67,296
Property, plant and equipment	16	4,279,018	4,482,882	4,270,651	4,466,454
Deposit for investment	17	245,325	245,325	245,325	245,325
Investment in subsidiaries	18	-	-	3,000	3,000
Asset held for sale	19	-	44,293	-	44,293
Total non-current assets		4,591,639	4,839,796	4,586,272	4,826,368
Current assets					
Inventories	20	1,270,045	1,520,493	1,238,994	1,455,696
Trade and other receivables	21	1,944,549	1,451,843	2,069,007	1,562,398
Cash and cash equivalents	22	246,047	283,952	191,816	248,174
Other assets	23	43,427	63,964	43,060	63,964
Total current assets		3,504,068	3,320,252	3,542,877	3,330,232
Total assets		8,095,707	8,160,048	8,129,149	8,156,600
Equity and Liabilities					
Share capital	24	490,000	490,000	490,000	490,000
Share premium account	25	1,626,094	1,626,094	1,626,094	1,626,094
Retained earnings	26	976,454	913,113	1,036,457	943,292
Total equity		3,092,548	3,029,207	3,152,551	3,059,386
Non-current liabilities					
Borrowings	27	1,562,905	1,709,293	1,562,905	1,709,293
Employee benefits	29	115,106	142,860	115,106	142,860
Deferred tax liabilities	13	175,789	180,904	174,724	180,399
Total non-current liabilities		1,853,800	2,033,057	1,852,735	2,032,552
Current liabilities					
Trade and other payables	28	1,063,864	1,120,343	1,040,990	1,089,298
Current tax liabilities	13	47,141	34,869	44,519	32,792
Borrowings	27	2,012,298	1,813,729	2,012,298	1,813,729
Other liabilities	30	26,056	128,843	26,056	128,843
Total current liabilities		3,149,359	3,097,784	3,123,863	3,064,662
Total liabilities		5,003,159	5,130,841	4,976,598	5,097,214
Total equity and liabilities		8,095,707	8,160,048	8,129,149	8,156,600

The financial statements were approved by the board of directors and authorised for issue on 24 March 2015 signed on its behalf by:

LT. GEN.T.Y. Danjuma (Rtd) GCON
Chairman
FRC/2013/NIM/00000002317

Nnamdi Okafor
Managing Director
FRC/2013/PSNIG/00000002118

Ayodeji Aboderin
Chief Finance Officer
FRC/2014/ICAN/00000008270

The accompanying notes on pages 6 to 44 form an integral part of these consolidated and separate financial statements.

MAY & BAKER NIGERIA PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital N'000	Share premium account N'000	Retained earnings N'000	Total N'000
Equity attributable to equity holders of the Group				
Balance at 1 January 2013	490,000	1,626,094	1,016,202	3,132,296
Loss for the year	-	-	(103,089)	(103,089)
Dividends	-	-	-	-
	<u>490,000</u>	<u>1,626,094</u>	<u>913,113</u>	<u>3,029,207</u>
Balance at 31 December 2013	490,000	1,626,094	913,113	3,029,207
	<u>490,000</u>	<u>1,626,094</u>	<u>913,113</u>	<u>3,029,207</u>
Balance at 1 January 2014	490,000	1,626,094	913,113	3,029,207
Profit for the year	-	-	63,341	63,341
Dividends	-	-	-	-
	<u>490,000</u>	<u>1,626,094</u>	<u>976,454</u>	<u>3,092,548</u>
Balance at 31 December 2014	<u>490,000</u>	<u>1,626,094</u>	<u>976,454</u>	<u>3,092,548</u>
Equity attributable to equity holders of the Company				
Balance at 1 January 2013	490,000	1,626,094	1,021,408	3,137,502
Loss for the year	-	-	(78,116)	(78,116)
Dividends	-	-	-	-
	<u>490,000</u>	<u>1,626,094</u>	<u>943,292</u>	<u>3,059,386</u>
Balance at 31 December 2013	490,000	1,626,094	943,292	3,059,386
	<u>490,000</u>	<u>1,626,094</u>	<u>943,292</u>	<u>3,059,386</u>
Balance at 1 January 2014	490,000	1,626,094	943,292	3,059,386
Profit for the year	-	-	93,165	93,165
Dividends	-	-	-	-
	<u>490,000</u>	<u>1,626,094</u>	<u>1,036,457</u>	<u>3,152,551</u>
Balance at 31 December 2014	<u>490,000</u>	<u>1,626,094</u>	<u>1,036,457</u>	<u>3,152,551</u>

MAY & BAKER NIGERIA PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group		The Company	
	2014	2013	2014	2013
Note	N'000	N'000	N'000	N'000
Cash flows from operating activities				
Cash received from customers	6,630,679	6,528,530	6,624,301	6,431,150
Cash paid to suppliers and employees	(6,090,881)	(5,185,067)	(5,907,968)	(5,200,602)
Taxes paid	(30,676)	(42,069)	(28,714)	(42,069)
Net cash from operating activities	766,997	1,301,394	748,152	1,188,479
Cash flows from Investing activities				
Proceeds from sale of fixed assets	2,459	2,736	2,459	2,736
Interest received	3,504	1,499	3,504	1,499
Purchase of fixed assets	(276,172)	(267,620)	(276,063)	(265,205)
Net cash used in investing activities	(270,209)	(263,385)	(270,100)	(260,970)
Cash flows from financing activities				
Unclaimed dividends returned	-	27,072	-	27,072
Term loans obtained	554,219	418,372	554,219	512,514
Loans repaid	(931,396)	(493,211)	(931,396)	(493,211)
Interest paid	(603,872)	(630,711)	(603,589)	(630,277)
Net cash used in financing activities	(981,049)	(678,478)	(980,766)	(583,902)
Net (decrease)/increase in cash and cash equivalents	(484,261)	359,531	(502,715)	343,607
Cash and cash equivalents at beginning of year	(381,003)	(740,534)	(416,781)	(760,388)
Cash and cash equivalents at 31 December 2013	(865,264)	(381,003)	(919,496)	(416,781)
Reconciliation of cash and bank balances to cash and cash equivalents				
Cash and bank balance	246,047	283,952	191,816	248,174
Bank overdrafts and commercial papers	(1,111,312)	(664,955)	(1,111,312)	(664,955)
	(865,266)	(381,003)	(919,496)	(416,781)

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

1.1 Description of business

May & Baker Nigeria Plc was incorporated as a private limited liability Company in Nigeria on September 4, 1944 and commenced business on the same date. It was listed on the Nigerian Stock exchange in 1994. The Company is involved in the manufacture, sale and distribution of human pharmaceuticals, human vaccines and consumer products. Registered business address is 3/5 Sapara Street, Industrial Estate, Ikeja , Lagos, Nigeria

1.2 Composition of Financial Statement

These financial statements comprise statement of financial position, statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows and the notes to the financial statements as at 31 December 2013 and 31 December 2012 for both the Group and the Company.

1.3 Accounting convention

The financial statements have been prepared using the historical cost convention, as modified by the revaluation of certain items, as stated in the accounting policies.

1.4 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

2. Adoption of new and revised standards

2.1 Accounting standards and interpretations issued but not yet effective

Below are new and amended International Financial Reporting Standards which have not been early adopted by the Company and that might affect future reporting periods, on the assumption that the Company will continue with its current activities.

a) IFRS 9: Financial instruments

IFRS 9 introduces new requirements for classifying and measuring financial assets and replaces in its entirety IAS 39. Such requirements include the classification of financial assets into two categories only - amortised cost and fair value. Also, most of the requirements related to financial liabilities in IAS 39 remain unchanged excluding the requirement that changes in the fair value of financial liabilities as a result of own credit risk should be recognised in other comprehensive income and not in the income statement. At the IASB's July 2014 meeting, the IASB decided to postpone the mandatory application of IFRS 9 to annual periods beginning on or after 1 January 2018 with early application permitted.

b) IFRS 15: Revenue from Contracts with Customers

To recognize revenue, a company would apply the following five steps: Identify the contract(s) with the customer, Identify the performance obligations in the contract, Determine the transaction price, Allocate the transaction price; Recognize revenue when a performance obligation is satisfied. A company would recognize an asset for the incremental costs of obtaining a contract if those costs are expected to be recovered. For many contracts, such as many straight forward retail transactions, IFRS 15 will have little, if any, effect on the amount and timing of revenue recognition. A company will be able to recognize revenue over time only if the criteria specified in IFRS 15 are met. In all other cases, a company will recognize revenue at the point in time when the customer obtains control of the promised good or service. Application of IFRS 15 is mandatory to annual periods beginning on or after 1 January 2017.

c) Amendments to IFRS 5: Changes in methods of disposal

Amendments clarify that if an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution to owners, or vice-versa, then the change in classification is considered a continuation of the original plan of disposal. These amendments are applicable to annual periods beginning on or after 1 January 2016.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

d) Amendments to IAS 16 & 38: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to both IAS 16 and IAS 38 clarifying that when applying the principle of “the basis of depreciation and amortisation is the expected pattern of consumption of the future economic benefits of an asset”, revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets. Additionally further clarified the basis for the calculation of depreciation and amortisation. These amendments are applicable to annual periods beginning on or after 1 January 2016.

e) Amendments to IFRS 7: Mandatory Effective Date and Transition Disclosures

Entities are either permitted or required to provide modified disclosures on transition from IAS 39 to IFRS 9 on the basis of the entity's date of adoption and if the entity chooses to restate prior periods. Amendments also require reclassification disclosures in IFRS 7 (as amended by IFRS 9 (2009)) on transition from IAS 39 to IFRS 9 regardless as to whether they would normally be required due to a change in business model. These amendments are applicable to annual periods beginning on or after 1 January 2015.

f) Amendments to IAS 1: Disclosure Initiative

Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures. These amendments are applicable to annual periods beginning on or after 1 January 2016.

2.2 New and effective standards and interpretations.

The following represent amendments to International and Financial Reporting Standards and interpretations which are effective for annual periods beginning on or after 1 January 2014 including amendments early adopted. These amendments and interpretations have been adopted where applicable in preparing the financial statements.

a) Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities

The amendments clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realisation and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.

b) Amendment to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

c) Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities

Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement.

d) Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting

Amends IAS 39 Financial Instruments: Recognition and Measurement, makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

e) Amendments to IAS 19: Defined Benefit Plans: Employee Contributions

Additional guidance added to IAS 19 Employee Benefits on accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The amendments are intended to provide relief in that entities are allowed to deduct employee or third party contributions from service cost in the period in which the service is rendered.

f) Amendments to IFRS 13: Short-term receivables and payables

Amendments clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting if the effect of not discounting is immaterial.

g) IFRIC 21: Levies

Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The liability is recognised progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

3. Significant accounting policies

The principal accounting policies adopted are set out below.

3.1 Foreign currency translation

Foreign currency transactions are booked in the functional currency of the Group (naira) at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are retranslated into the functional currency at rates of exchange ruling at the reporting period. Exchange differences are included in the Statement of profit or loss and other comprehensive income. 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 not retranslated.

3.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiary acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3.3 Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

3.4 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.4a Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- i. the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ii. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- iii. the amount of revenue can be measured reliably;
- iv. it is probable that the economic benefits associated with the transaction will flow to the Group; and
- v. the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- vi. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

3.4b Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is 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.

3.4c Rental income

Refer to the leasing policy in note 3.10

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

3.5 Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Manufacturing start-up costs between validation and the achievement of normal production are expensed as incurred. Advertising and promotion expenditure is charged to profit or loss as incurred. Shipment costs on inter-company transfers are charged to cost of sales; distribution costs on sales to customers are included in distribution expenditure. Restructuring costs are recognised and provided for, where appropriate, in respect of the direct expenditure of a business reorganisation where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken.

3.6 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

3.7 Legal and other dispute

Provision is made for the anticipated settlement costs of legal or other disputes against the Group where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome. In addition, provision is made for legal or other expenses arising from claims received or other disputes. In respect of product liability claims related to certain products, there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. The Group may become involved in legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be included but no provision would be made. Costs associated with claims made by the Group against third parties are charged to profit or loss as they are incurred. When the group is virtually certain of receiving reimbursement from a third party (in the form of insurance, a shared liability agreement etc.) to compensate for any lost financial benefit from such disputes, they should recognise a receivable as an asset.

3.8 Pensions and other post-employment benefits

Defined Contribution scheme

The Group operates a defined contribution based retirement benefit scheme for its staff, in accordance with the Pension Reform Act of 2004 with employee and employer contributing 7.5% each of the employee's relevant emoluments. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

In addition to the pension scheme, the Company operates a gratuity scheme payable to employees that have served a minimum of five years of service. The benefits are calculated based on employees salary for each qualifying year. The Company discharges its obligation to employees once payment is made to the fund managers

3.9 Property plant and equipment

Property, plant and equipment is carried in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment.

The cost of acquisition comprises the acquisition price plus ancillary and subsequent acquisition costs, less any reduction received on the acquisition price. The cost of self-constructed property, plant and equipment comprises the direct cost of materials, direct manufacturing expenses, and appropriate allocations of material and manufacturing overheads. Where an obligation exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the related future payments is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized.

If the construction phase of property, plant or equipment extends over a long period, the interest incurred on borrowed capital up to the date of completion is capitalized as part of the cost of acquisition or construction in accordance with IAS 23 (Borrowing Costs).

Expenses for the repair of property, plant and equipment, such as on-going maintenance costs, are normally recognized in profit or loss. The cost of acquisition or construction is capitalized if a repair (such as a complete overhaul of technical equipment) will result in future economic benefits.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. Freehold land is not depreciated. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

The following depreciation periods, based on the estimated useful lives of the respective assets, are applied throughout the Group:

Classes	Useful lives (range)
Buildings	33.33 years
Plant, machinery and fittings	10-20 years
Office equipment and furniture	3-10 years
Trucks and motor vehicles	3-8 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.10 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

3.11 Impairment of non-current assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.12 Financial Assets

The Group's financial assets include:

- Cash and cash equivalents
- Fixed deposits
- Other investments

3.12a Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with maturities of three months or less when acquired and held for meeting short-term cash commitments and not for investment or other purposes. They are readily convertible into known amounts of cash and are held at amortised cost.

3.12b Fixed deposits

Fixed deposits, comprising principally funds held with banks and other financial institutions, are initially measured at fair value, plus direct transaction costs, and are subsequently remeasured to amortised cost using the effective interest rate method at each reporting date. Changes in carrying value are recognised in profit or loss.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

3.12c Other investments

Held to maturity

Investments with fixed or determinable payment and fixed maturity dates that management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at fair value and subsequently at amortized cost using the effective interest method less any impairment.

Available for sale

Liquid investments and other investments are classified as available for-sale investments and are initially recorded at fair value plus transaction costs and then re-measured at subsequent reporting dates to fair value. Unrealised gains and losses on available-for-sale investments are recognised directly in other comprehensive income. Impairments arising from the significant or prolonged decline in fair value of an equity investment reduce the carrying amount of the asset directly and are charged to profit or loss. On disposal or impairment of the investments, any gains and losses that have been deferred in other comprehensive income are reclassified to profit or loss.

Dividends on available for sale (AFS) equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available for sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Held for trading

Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as held for trading and included in current assets. These are initially measured at fair value and at subsequent reporting dates, these investments are remeasured at their fair values with realized and unrealized gains and losses arising from changes in fair value included in profit or loss for the period in which they arise. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

3.13 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

3.14 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.15 Financial liabilities

Financial liabilities are recognised when the Group becomes party to the contractual provisions of an instrument and are initially recognised at fair value adding transaction costs.

Financial liabilities (including borrowings and trade payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.15 Financial liabilities (continued)

The Group derecognises financial liabilities when, and only when, the Group'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 profit or loss.

3.16 Other receivables and liabilities

Accrued items and other non-financial assets and liabilities are carried at cost. They are charged/credited to profit or loss according to performance of the underlying transaction.

3.17 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants relating to property, plant and equipment are treated as deferred revenue and released to profit or loss over the expected useful lives of the assets concerned.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

3.18 Inventories

In accordance with IAS 2 (Inventories), inventories encompass assets held for sale in the ordinary course of business (finished goods and goods purchased for resale), in the process of production for such sale (work in process) or in the form of materials or supplies to be consumed in the production process or in the rendering of services (raw materials and supplies). Inventories are stated at the lower of cost and net realizable value. The net realizable value is the achievable sale proceeds under normal business conditions less estimated cost to complete and selling expenses. Costs of inventories are determined on a first-in-first-out basis.

3.19 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.19.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.19.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. For any temporary differences arising on business combinations where the Group can control the reversal of the temporary difference and it is not expected to reverse in the near future, the deferred tax asset/liability is not recognised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.19.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.20 Discounting

Where the effect of the time value of money is material, balances are discounted to present values using appropriate rates of interest. The unwinding of the discounts is recorded in finance income and finance costs.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

3.21 Noncurrent asset held for sale

Non-current assets are classified as assets held for sale and stated at the lower of their previous carrying amount and fair value less costs to sell if their carrying value is to be recovered principally through a sale transaction rather than through continuing use. The condition of being recovered through sale is only met when: "the sale is highly probable, the non-current asset is available for immediate sale in its present condition, management is committed to the sale and the sale is expected to qualify for recognition as a completed sale within one year from the date of classification."

3.22 Borrowing costs

are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.23 Dividends

Dividends are recognised as a liability in the financial statement in the year in which the dividend is approved by the shareholders.

3.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

3.25 Earnings per share

Earnings per share are calculated by dividing profit for the year by the number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by dividing profit for the year by the fully-diluted number of ordinary shares outstanding during the period.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical accounting judgement

The following are the critical judgements and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

4.1.1 Revenue recognition

In the application of the Group's policy that states that revenues are recognized when significant risks and rewards has been transferred to the buyer, Management has ensured that revenues are recognised when goods are delivered to Customers. When goods remain in the Company's facility as a result of delayed transportation arrangement by the Customer, the Customers are aware based on practice and signed contract notes that the risks and reward of such goods remain with them.

4.1.2 Indefinite useful life of Intangible assets

During the year, the directors reconsidered the recoverability of the Group's intangible asset (trade mark) and assessed if the useful life is still indefinite, the trademark conveys an irrevocable right of use to the Company. Management's assessment for recoverability includes active sales from the products, competition and current market share of the products, it is believed that the asset is fully recoverable.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Useful life of Property, plant and Equipment

Property plant and equipment represent the most significant proportion of the asset base of the Company, accounting for over 60 % of the Company's total assets. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance and have been properly done.

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or it's residual value would result in the reduced depreciation charge in the profit or loss.

The useful lives and residual values of the of property, plant and equipment are determined by management.

4.2.2 Allowance for doubtful receivables

Judgment is exercised to make allowance for trade receivables doubtful of recovery by reference to the financial and other circumstances of the debtor in question. Based on the credit terms and historical experience regarding trade receivables, the Company makes both individual and collective impairment allowance for doubtful debt.

4.2.3 Allowance for obsolete inventory

Management continuously assesses inventory items for obsolescence based on the standard operating practice of the Company.

4.2.4 Fair valuation of loan

To obtain the fair value of a loan obtained at below market interest rate, the Group used a valuation technique that include inputs that are based on observable market data Management believes that the key assumptions used in the determination of the fair value are appropriate.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

	The Group		The Company	
	2014	2013	2014	2013
	N'000	N'000	N'000	N'000
5. Revenue				
An analysis of the Group's revenue is as follows:				
Sale of Goods	<u>7,018,992</u>	<u>6,367,605</u>	<u>6,899,496</u>	<u>6,253,986</u>
Total revenue	<u>7,018,992</u>	<u>6,367,605</u>	<u>6,899,496</u>	<u>6,253,986</u>

6. Segment information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on both the types of goods or services delivered or provided and the market where the goods or services are delivered or provided. The Group's reportable segments under IFRS

- Foods - This segment is involved in the production of package foods including noodles.
- Pharmaceuticals - This segment is involved in the production and sale of human pharmaceuticals and human vaccines.
- Beverage - This segment is involved in the production of beverage drinks including bottled water.

	The Group		The Company	
	2014	2013	2014	2013
	N'000	N'000	N'000	N'000
6.1 Segment revenue				
Pharmaceuticals	5,016,060	4,807,681	4,896,563	4,694,061
Beverage	51,489	61,129	51,489	61,129
Foods	<u>1,951,444</u>	<u>1,498,795</u>	<u>1,951,444</u>	<u>1,498,795</u>
	<u>7,018,992</u>	<u>6,367,605</u>	<u>6,899,496</u>	<u>5,484,925</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year.

	The Group		The Company	
	2014	2013	2014	2013
	N'000	N'000	N'000	N'000
6.2 Segment Profit				
Pharmaceuticals	2,274,473	1,873,467	2,229,590	1,843,637
Beverage	(1,686)	187,608	(1,686)	184,329
Foods	<u>286,953</u>	<u>199,452</u>	<u>286,953</u>	<u>199,452</u>
Total segment profit	2,559,740	2,260,527	2,514,857	2,227,418
Other operating income (Note 7)	68,992	215,239	68,992	215,150
Investment Income (Note 8)	3,879	2,039	3,879	2,039
Other gains and losses (Note 9)	(35,364)	(16,499)	(35,364)	795
Central administration costs and directors' salaries	(1,892,202)	(1,841,965)	(1,820,845)	(1,802,088)
Finance costs	<u>(603,872)</u>	<u>(630,711)</u>	<u>(603,589)</u>	<u>(630,277)</u>
(Loss)/profit before tax	<u>101,174</u>	<u>(11,370)</u>	<u>127,931</u>	<u>13,037</u>

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

6.3 Segment accounting policies

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the gross profit earned by each segment without allocation of central administration costs and directors' salaries, selling, marketing and distribution expenses, other operating income, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6.4 Segment assets and liabilities

The Chief Executive Officer does not assess segment performance based on reports on segment assets and liabilities.

6.5 Information about major customers

There are no customers that represent more than 10% of the total revenue of any of the reported segments.

Geographical information

The Group operates in Lagos and West, East and North principal geographical areas. The Group's revenue from continuing operations from external customers by location of operations are as follows:

	Revenue from External Customers N'000	Revenue from External Customers N'000
East	2,395,829	2,126,355
West	1,734,874	1,563,497
Lagos	1,577,386	1,375,877
North	1,310,904	1,188,257
	<u>7,018,993</u>	<u>6,253,986</u>

The Group		The Company	
2014 N'000	2013 N'000	2014 N'000	2013 N'000

7. Other operating income

Income on contract manufacturing	263	5,183	263	5,094
Other Income	12,814	-	12,814	-
Sale of scraps	395	-	395	-
Bad debt recoveries	55,520	210,056	55,520	210,056
	<u>68,992</u>	<u>215,239</u>	<u>68,992</u>	<u>215,150</u>

8. Investment income

Rent received	375	540	375	540
Interest income	3,504	1,499	3,504	1,499
	<u>3,879</u>	<u>2,039</u>	<u>3,879</u>	<u>2,039</u>

The interest income is earned on short term investments (fixed deposits) with various commercial banks in Nigeria. The investments are not designated at fair value through profit or loss, rather they are carried at amortised cost.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

	The Group		The Company	
	2014	2013	2014	2013
	N'000	N'000	N'000	N'000
9. Other gains and losses				
Scrapped assets written off	(44,303)	-	(44,303)	-
Profit on disposal of property, plant and equipment	2,413	2,644	2,413	2,644
Incorporation expenses written off	-	(17,294)	-	-
Foreign exchange (loss)/gain	6,526	(1,849)	6,526	(1,849)
	<u>(35,364)</u>	<u>(16,499)</u>	<u>(35,364)</u>	<u>795</u>
10. Finance cost				
Interest on bank overdrafts and loans	208,081	308,692	207,798	308,258
Interest on loans from related party	395,791	322,019	395,791	322,019
	<u>603,872</u>	<u>630,711</u>	<u>603,589</u>	<u>630,277</u>
11. Profit /(Loss) for the year is attributed to:				
Owners of the bussiness	63,341	(103,089)	93,165	(78,116)
	<u>63,341</u>	<u>(103,089)</u>	<u>93,165</u>	<u>(78,116)</u>
All profit/(loss) is attributable to owners of the parent as all the subsidiaries are wholly owned.				
11b Profit/(loss) for the year is attributable to:				
Profit/(loss) for the year from continuing operations has been arrived at after charging (crediting):				
Depreciation of property, plant and equipment	456,017	455,119	454,821	451,819
Cost of inventories recognised as expense	4,459,253	4,107,078	4,384,639	4,026,568
Auditor's remuneration	9,000	8,000	8,000	8,000
Staff costs (see note 12)	569,947	556,412	552,110	542,010
Director's remuneration and fees:				
- Fees	1,200	1,200	1,200	1,200
- Salaries and allowance	70,658	70,658	70,658	70,658
Interest on loans and overdrafts (see note 10)	603,872	630,711	603,589	630,277
12. Staff costs				
The aggregate employee remuneration is as follows:				
Salaries and wages	509,237	485,066	493,636	471,928
Staff pension and gratuity	60,710	71,346	58,474	70,082
	<u>569,947</u>	<u>556,412</u>	<u>552,110</u>	<u>542,010</u>

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

		The Group		The Company	
		2014 Number	2013 Number	2014 Number	2013 Number
12b Employees remunerated at higher rates					
The number of employees excluding Directors in respect of emoluments excluding provident fund contributions and allowances:					
N	N				
250,001 -	300,000				
300,001 -	350,000	33	37	33	37
350,001 -	400,000	66	71	66	66
400,001 -	450,000	20	20	20	20
450,001 -	500,000	20	20	20	20
500,001 -	550,000	90	105	89	105
550,001 -	600,000	-	-	-	-
600,001 -	650,000	42	44	40	44
650,001 -	700,000	-	-	-	-
700,001 and above		60	63	58	60
		331	360	326	352
The average number of persons employed in the financial year are as follows:					
Managerial		21	19	19	19
Senior staff		186	193	180	190
Junior staff		124	148	127	143
		331	360	326	352
13. Taxation		N'000	N'000	N'000	N'000
Income tax recognised in profit or loss:					
Income tax		26,984	23,917	24,560	23,802
Education tax		12,001	5,640	11,803	5,640
(Over)/Underprovision		3,963	7,515	4,078	7,515
		42,948	37,072	40,441	36,957
Deferred tax recognised in current year		(5,115)	54,647	(5,675)	54,196
		37,833	91,719	34,766	91,153
Current tax liabilities					
At 1 January		34,869	39,866	32,792	37,904
Charge for the year		42,948	37,072	40,441	36,957
		77,817	76,938	73,233	74,861
Paid during the year		(30,676)	(42,069)	(28,714)	(42,069)
At Period End		47,141	34,869	44,519	32,792

The charge for taxation in these financial statements was based on the provisions of the Companies Income Tax Act, CAP C21, LFN 2004 as amended and the Education Tax Act, CAPE 4, LFN 2004

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

	The Group		The Company	
	2014 Number	2013 Number	2014 Number	2013 Number
13.1 Deferred Taxation				
At 1 January	180,904	126,257	180,399	126,203
Charge for the year	(5,115)	54,647	(5,675)	54,196
At period end	175,789	180,904	174,724	180,399

13.2 Deferred tax asset/ liability

The following are the major deferred tax (assets)/liabilities recognised by the Group and movements thereon.

The Group

Deferred tax liabilities/(assets) in relation to:

	Opening balance N'000	Recognised in profit or loss N'000	Acquisitions or disposals N'000	Closing balance N'000
1 January 2014				
Property, plant & equipment	275,846	-	-	275,846
Provisions	(129,750)	-	-	(129,750)
Fair valuation of loan	34,808	-	-	34,808
31 December 2014	180,904	-	-	180,904
1 January 2013				
Property, plant & equipment	250,494	25,352	-	275,846
Provisions	(185,086)	55,336	-	(129,750)
Accrued interest on loan	60,849	(26,041)	-	34,808
31 December 2013	126,257	54,647	-	180,904
The Company				
1 January 2014				
Property, plant & equipment	275,846	-	-	275,846
Provisions	(130,255)	-	-	(130,255)
Fair valuation of loan	34,808	-	-	34,808
31 December 2014	180,399	-	-	180,399
1 January 2013				
Property, plant & equipment	250,494	25,352	-	275,846
Provisions	(185,140)	54,885	-	(130,255)
Accrued interest on loan	60,849	(26,041)	-	34,808
31 December 2013	126,203	54,196	-	180,399

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
14. Earnings per share				
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows.				
Earnings				
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the Company	<u>63,341</u>	<u>(103,089)</u>	<u>93,165</u>	<u>(78,116)</u>
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>980,000</u>	<u>980,000</u>	<u>980,000</u>	<u>980,000</u>
Earnings/(Loss) per 50k share (kobo) - basic	<u>6.46</u>	<u>(10.52)</u>	<u>9.51</u>	<u>(7.97)</u>
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	<u>980,000</u>	<u>980,000</u>	<u>980,000</u>	<u>980,000</u>
Earnings /(Loss)per 50k share (kobo) - diluted	<u>6.46</u>	<u>(10.52)</u>	<u>9.51</u>	<u>(7.97)</u>
15. Intangible assets				
Trademark	<u>67,296</u>	<u>67,296</u>	<u>67,296</u>	<u>67,296</u>

The trademark represents cost of acquisition of trademark of Thalazole, Sulphatriad and Thiazamide products from May and Baker limited, England by the company. No impairment loss has been recognised with respect to the the trade mark as the recoverable amount from the product exceeds the carrying value. There is increasing revenue generation from the products.

The trademark is considered to have an indefinite useful life given the strength and durability of the products and the level of marketing support. The products are in a relatively stable and profitable market sector and their size, diversification and market share indicate that the risk of market-related factors causing a reduction in the life of the trademark is considered to be relatively low. The Company is not aware of any material legal, regulatory, contractual, competitive, economic or other factor which could limit their useful lives.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

16. Property, plant and equipment

	Land N'000	Building N'000	Plant & Machinery N'000	Office Furniture, Fitting & Equipment N'000	Trucks & Motor Vehicle N'000	Capital Work-In- Progress N'000	Total N'000
The Group							
Cost							
At 1 January 2013	183,565	1,918,282	3,128,376	263,368	461,285	199,167	6,154,043
Additions	-	7,998	148,730	14,828	86,978	9,086	267,620
Disposals	-	-	-	(150)	(22,597)	-	(22,747)
Reclassified to asset held for sale	-	-	39,108	6	-	(39,114)	-
At 1 January 2014	183,565	1,926,280	3,316,214	278,052	525,666	169,139	6,398,916
Additions	-	36,792	139,956	24,026	37,697	37,701	276,172
Disposals	-	-	(73,737)	-	(33,294)	-	(107,031)
Transfers from Capital WIP	-	-	1,674	189	-	(1,863)	-
At 31 December 2014	183,565	1,963,072	3,384,107	302,267	530,069	204,977	6,568,057
Depreciation							
At 1 January 2013	-	140,147	898,696	178,226	266,541	-	1,483,610
Charge for the year	-	58,332	302,102	27,129	67,556	-	455,119
Disposals	-	-	-	(150)	(22,545)	-	(22,695)
Transfers from Capital WIP	-	-	-	-	-	-	-
At 1 January 2014	-	198,479	1,200,798	205,205	311,552	-	1,916,034
Charge for the year	-	57,638	296,855	30,260	71,264	-	456,017
Disposals	-	-	(54,936)	(10)	(28,065)	-	(83,011)
At 31 December 2014	-	256,117	1,442,717	235,455	354,751	-	2,289,040
Carrying amount							
At 31 December 2014	183,565	1,706,955	1,941,390	66,812	175,318	204,977	4,279,018
At 31 December 2013	183,565	1,727,801	2,115,416	72,847	214,114	169,139	4,482,882
The Company							
Cost							
At 1 January 2013	183,565	1,918,282	3,122,534	262,746	448,820	199,167	6,135,114
Additions	-	7,998	148,730	14,828	84,563	9,086	265,205
Disposals	-	-	-	(150)	(22,597)	-	(22,747)
Transfers	-	-	39,108	6	-	(39,114)	-
At 1 January 2014	183,565	1,926,280	3,310,372	277,430	510,786	169,139	6,377,572
Additions	-	36,792	139,956	23,917	37,697	37,701	276,063
Disposals	-	-	(67,895)	-	(29,044)	-	(96,939)
Transfers from Capital WIP	-	-	1,674	189	-	(1,863)	-
At 31 December 2014	183,565	1,963,072	3,384,107	301,536	519,439	204,977	6,556,696
Depreciation							
At 1 January 2013	-	140,147	898,112	178,045	265,691	-	1,481,995
Charge for the year	-	58,332	301,518	27,067	64,902	-	451,819
Disposals	-	-	-	(150)	(22,546)	-	(22,696)
At 1 January 2014	-	198,479	1,199,630	204,962	308,047	-	1,911,118
Charge for the year	-	57,638	296,855	30,254	70,074	-	454,821
Disposals	-	-	(53,378)	(10)	(26,507)	-	(79,895)
At 31 December 2014	-	256,117	1,443,107	235,206	351,614	-	2,286,044
Carrying amount							
At 31 December 2014	183,565	1,706,955	1,941,000	66,330	167,825	204,977	4,270,652
At 31 December 2013	183,565	1,727,801	2,110,742	72,468	202,739	169,139	4,466,454

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

16.1 The following depreciation rates were used in the computation of depreciation charge during the year:

Class	Useful lives
Land and buildings	33 ¹ / ₃ years
Plant, machinery and fittings	10-20 years
Office equipment and furniture	3-10 years
Trucks & Motor vehicles	3-8 years

16.2 Impairment of property, plant and equipment

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

16.3 Assets pledged as security

The Group has not pledged any of its items of property, plant and equipment as security for liabilities.

	The Group		The Company	
	2014	2013	2014	2013
	N'000	N'000	N'000	N'000
16.4 Depreciation charged for the year is included in:				
Cost of sales	373,182	360,360	372,982	357,555
Administrative expenses	57,495	29,852	26,869	29,657
Distribution, sales and marketing expenses	54,970	64,907	54,970	64,607
	<u>485,647</u>	<u>455,119</u>	<u>454,821</u>	<u>451,819</u>
17. Deposits for investments				
Carrying amount	<u>245,325</u>	<u>245,325</u>	<u>245,325</u>	<u>245,325</u>
	<u>245,325</u>	<u>245,325</u>	<u>245,325</u>	<u>245,325</u>

This represents the deposit the Company made in Biovaccines Limited, a Company incorporated as a result of the joint Venture agreement entered into with the federal government of Nigeria in April, 2007 to engage in the business of production, sale and distribution of human vaccines. Under the arrangement, May & Baker is to have 51% interest in the Company by injecting N520. 4million in the entity while the federal government of Nigeria is to have 49%. As at the reporting date, the Company has only injected the amount above representing 47% of the total investment cost due from them, as government has not approved the commencement of the Biovaccines operations.

As at the reporting date, the Company does not have control over Biovaccines and the deposit is carried at cost. The Directors are of the opinion that the carrying value is not lower than the recoverable amount.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
18. Investment in subsidiaries				
Carrying amount (at cost)	-	-	3,000	3,000

Name of subsidiary	Proportion of	Place of incorporati	Principal activity
Osworth Nigeria Limited	100%	Nigeria	Distribution and sales of healthcare and
Tydropack Nigeria Limited	100%	Nigeria	Healthcare and industrial packaging
Servisure Nigeria Limited	100%	Nigeria	Distribution and sales of pharmaceutical products

The Company has control over the three subsidiaries and has consolidated them in the current year.

The investment is represented by one million ordinary shares of N1 each in Osworth Nigeria Limited, Tydropack Nigeria Limited and Servisure Nigeria Limited. The investment is carried at cost.

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
19. Assets held for sale				
Plant, machinery and fittings	-	44,212	-	44,212
Office furniture and equipment	-	81	-	81
	-	44,293	-	44,293

The Group intends to dispose of some of the assets that are no longer useful to its operations in the next 12 months. There is an active search for buyers as the items to be sold have been advertised in a nation-wide newspaper. No impairment loss was recognised on these assets as a reclassification to held for sale.

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
20. Inventories				
Raw materials	590,259	716,248	576,977	693,309
Work-in-progress	136,173	196,356	136,110	195,280
Finished goods	332,014	363,169	314,308	322,387
Spare parts	211,600	222,281	211,600	222,281
Goods in transit	-	22,439	-	22,439
	1,270,045	1,520,493	1,238,994	1,455,696

20.1 There are no inventories pledged as security for liabilities.

20.2 The amount charged to profit or loss in respect of write down of inventory to net realisable value is N39,313,434 (2013 : nil).

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
21. Trade and other receivables				
Trade receivables	1,990,923	1,581,402	1,730,741	1,438,691
Less: allowance for doubtful debts	<u>(225,705)</u>	<u>(273,489)</u>	<u>(219,610)</u>	<u>(271,747)</u>
	<u>1,765,218</u>	<u>1,307,913</u>	<u>1,511,131</u>	<u>1,166,944</u>
Other receivables:				
Staff loans	3,250	3,986	3,250	3,986
Staff advance	23,967	30,158	20,875	30,158
Other debtor	80,166	67,352	80,166	67,352
Withholding tax recoverable	93,692	52,982	93,651	52,982
Novartis limited	40,250	51,446	32,383	51,446
Due from related companies	<u>-</u>	<u>-</u>	<u>389,545</u>	<u>251,524</u>
	<u>241,325</u>	<u>205,924</u>	<u>619,870</u>	<u>457,448</u>
Less: allowance for doubtful debt	<u>(61,994)</u>	<u>(61,994)</u>	<u>(61,994)</u>	<u>(61,994)</u>
	<u>179,331</u>	<u>143,930</u>	<u>557,876</u>	<u>395,454</u>
Total trade and other receivables	<u>1,944,549</u>	<u>1,451,843</u>	<u>2,069,007</u>	<u>1,562,398</u>

Trade receivables

Trade and other receivables disclosed above are carried at cost less allowance for doubtful debts.

The average credit period taken on sales of goods is between 30-45 days. No interest is charged on the overdue receivables. The Group has recognised an allowance for doubtful debts of 100% against all receivables over 360 days because historical experience has been that receivables that are past due beyond 360 days may be doubtful of recovery. In most cases these debts are recovered. Allowances against doubtful debts are recognised against trade receivables outstanding for more than 360 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty.

Before accepting any new customer, the company uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The internal credit scoring system are constantly reviewed.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the company has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the company to the counterparty.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

	The Group		The Company	
	2014	2013	2014	2013
	N'000	N'000	N'000	N'000
21. Trade and other receivables (Cont'd)				
Ageing of past due but not impaired receivables:				
0-30 days	444,903	363,756	287,789	363,756
31-60 days	466,676	247,259	466,676	247,259
61-90 days	354,129	163,815	358,763	163,591
91-360 days	499,510	533,083	397,902	392,338
Total	<u>1,765,218</u>	<u>1,307,913</u>	<u>1,511,130</u>	<u>1,166,944</u>
Ageing of impaired trade receivables				
60-90 days		-		-
91-120 days		7,003		7,003
121-360 days	16,097	32,084	14,960	32,084
Over 360 days	209,608	234,402	204,650	232,660
	<u>225,705</u>	<u>273,489</u>	<u>219,610</u>	<u>271,747</u>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

	The Group		The Company	
	2014	2013	2014	2013
	N'000	N'000	N'000	N'000
Movement in the allowance for doubtful debts				
Balance at the beginning of the period	273,489	492,530	271,747	490,788
Impairment losses recognised	11,329	20,598	6,977	20,598
Bad debt written off in the year	(357)	(29,583)	(3,594)	(29,583)
Amounts recovered during the year	(58,756)	(210,056)	(55,520)	(210,056)
Balance at the end of the period	<u>225,705</u>	<u>273,489</u>	<u>219,610</u>	<u>271,747</u>

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
22. Cash and cash equivalent				
Cash in hand	48,885	592	48,885	592
Cash at bank	165,023	186,487	110,792	150,709
Short term deposits	32,139	96,873	32,139	96,873
	<u>246,047</u>	<u>283,952</u>	<u>191,816</u>	<u>248,174</u>

Restricted cash

The short term deposits above is in respect of the unclaimed dividend balance that has been invested in a demand deposit account.

Reconciliation of cash and bank balance to cash and equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdraft and commercial acceptances. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

Cash and cash equivalents

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
Cash in hand and bank	246,047	283,952	191,816	248,174
Bank overdrafts and commercial papers (Note 27)	(1,111,312)	(664,955)	(1,111,312)	(664,955)
	<u>(865,266)</u>	<u>(381,003)</u>	<u>(919,496)</u>	<u>(416,781)</u>

23. Other assets

Advance payment to vendors	9,030	30,799	9,030	30,799
Prepayments	34,398	33,165	34,030	33,165
	<u>43,427</u>	<u>63,964</u>	<u>43,060</u>	<u>63,964</u>

24. Share capital

Authorised:

3,800,000,000 ordinary shares of 50 kobo each	<u>1,900,000</u>	<u>1,000,000</u>	<u>1,900,000</u>	<u>1,000,000</u>
(2013: 2,000,000,000 Ordinary shares of 50 kobo each)				

Issued and fully paid:

980,000,000 ordinary shares of 50 kobo each	<u>490,000</u>	<u>490,000</u>	<u>490,000</u>	<u>490,000</u>
---	----------------	----------------	----------------	----------------

At the Annual general meeting held on 22 May 2014, the shareholders approved an increase in the authorised share capital from 2,000,000,000 ordinary shares of 50 kobo each to 3,800,000,000 ordinary shares of 50 kobo each.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
25. Share premium account				
Balance at beginning	<u>1,626,094</u>	1,626,094	<u>1,626,094</u>	1,626,094
Balance at the end	<u><u>1,626,094</u></u>	<u><u>1,626,094</u></u>	<u><u>1,626,094</u></u>	<u><u>1,626,094</u></u>
26. Retained earnings				
Balance at the beginning	<u>913,113</u>	1,016,202	<u>943,292</u>	1,021,408
Retained profit/(loss) for the year	<u>63,341</u>	(103,089)	<u>93,165</u>	(78,116)
Balance at the end	<u><u>976,454</u></u>	<u><u>913,113</u></u>	<u><u>1,036,457</u></u>	<u><u>943,292</u></u>
27. Borrowings				
Borrowing at amortised cost				
Overdraft and commercial papers				
Bank overdrafts	<u>1,079,312</u>	598,847	<u>1,079,312</u>	598,847
Commercial papers	<u>32,000</u>	66,108	<u>32,000</u>	66,108
	<u><u>1,111,312</u></u>	<u><u>664,955</u></u>	<u><u>1,111,312</u></u>	<u><u>664,955</u></u>
Loan				
Term Loan - FCMB	<u>13,252</u>	26,622	<u>13,252</u>	26,622
CBN Intervention fund - Term loan	<u>402,500</u>	472,500	<u>402,500</u>	472,500
CBN Intervention fund - Overdraft	<u>-</u>	220,000	<u>-</u>	220,000
Term loan- Bank of industry	<u>972,591</u>	418,372	<u>972,591</u>	418,372
Term Loan-TY Holdings	<u>1,075,548</u>	1,720,573	<u>1,075,548</u>	1,720,573
	<u><u>2,463,891</u></u>	<u><u>2,858,067</u></u>	<u><u>2,463,891</u></u>	<u><u>2,858,067</u></u>
Total borrowings	<u><u>3,575,203</u></u>	<u><u>3,523,022</u></u>	<u><u>3,575,203</u></u>	<u><u>3,523,022</u></u>
Analysis of loan balance to current and non-current portion.				
Bank overdraft	<u>1,079,312</u>	598,847	<u>1,079,312</u>	598,847
Commercial papers and Bankers acceptance	<u>32,000</u>	66,108	<u>32,000</u>	66,108
Term Loan - FCMB	<u>13,252</u>	13,370	<u>13,252</u>	13,370
CBN intervention fund- Term loan	<u>70,000</u>	-	<u>70,000</u>	-
CBN intervention fund- Overdraft	<u>-</u>	220,000	<u>-</u>	220,000
Term Loan-TY Holdings	<u>817,734</u>	915,404	<u>817,734</u>	915,404
Current Portion	<u><u>2,012,298</u></u>	<u><u>1,813,729</u></u>	<u><u>2,012,298</u></u>	<u><u>1,813,729</u></u>
CBN intervention fund- Term loan	<u>332,500</u>	472,500	<u>332,500</u>	472,500
Term loan- Bank of industry	<u>972,591</u>	418,372	<u>972,591</u>	418,372
Term Loan - FCMB	<u>-</u>	13,252	<u>-</u>	13,252
Term Loan-TY Holdings	<u>257,814</u>	805,169	<u>257,814</u>	805,169
Non-current Portion	<u><u>1,562,905</u></u>	<u><u>1,709,293</u></u>	<u><u>1,562,905</u></u>	<u><u>1,709,293</u></u>

All the borrowings were obtained in naira, the functional currency of the Group. The principal features of the Company's borrowings are described below:

i) Bank overdrafts and commercial papers

The Bank Overdrafts and Commercial Papers are secured by a negative pledge on the Company's assets and their interest rate range from 16.5% and 19%. Bank overdrafts are repayable on demand.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

27. Borrowings (continued)

b) Bank of Industry Facility

Bank of Industry granted the company a medium term facility of N1.25 billion on 18 June 2013 with initial drawdown on 27 December. The loan facility is for 6 years period (inclusive of one year moratorium) at interest rate of 10% per annum payable monthly in arrears. The loan is repayable in 60 equal and consecutive instalments commencing from 1 January 2015.

c) FCMB Facility

The facility was obtained in March 2012 and repayable in 36 equal monthly instalments.

d) TY Holdings Facility

The sum of N2 Billion was obtained in 2012 to refinance existing loans and working capital facilities. The facility was obtained from a related party. Interest is 11% per annum. The loan and accruing interest is to be repaid over 36 months period commencing 12 months after the date of disbursement of the loan.

e) CBN Intervention Fund

A Central Bank of Nigeria (CBN) Intervention fund to Manufacturers in the sum of N920 million was received in October 2010 at 7 percent interest per annum. The CBN facility is in two parts with N700 million repayable in 40 equal quarterly installments from January 2011 and N220 million working capital renewable half yearly. The facilities are covered by a negative pledge on the assets of the Company.

	The Group		The Company	
	2014	2013	2014	2013
	N'000	N'000	N'000	N'000
28. Trade and other payables				
Trade creditors	551,608	543,257	551,583	513,433
Other payables:				
Accruals	89,199	203,020	86,910	201,799
Withholding tax payable	127,197	107,337	127,144	107,337
Social security	-	65,259	-	65,259
Dividend payable (Note 28.1)	127,577	127,817	127,577	127,817
Due to related companies	36,420	41,443	36,420	41,443
Other charges	131,862	32,210	111,356	32,210
	<u>512,255</u>	<u>577,086</u>	<u>489,406</u>	<u>575,865</u>
	<u>1,063,864</u>	<u>1,120,343</u>	<u>1,040,990</u>	<u>1,089,298</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days. For most suppliers no interest is charged on the trade payables from the date of the invoice. The company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

	The Group		The Company	
	2014	2013	2014	2013
	N'000	N'000	N'000	N'000
28.1 Dividends				
Balance at 1 January	127,817	100,745	127,817	100,745
Unclaimed returned during the year	-	27,734	-	27,734
Paid during the year	(240)	(662)	(240)	(662)
Balance at 31 December	<u>127,577</u>	<u>127,817</u>	<u>127,577</u>	<u>127,817</u>

The balance at year end represents the amount that are yet to be received by shareholders.

29. Employee benefit payable				
Balance at 1 January	142,860	137,317	142,860	137,317
Charge for the year	29,223	26,788	29,223	26,788
Payment during the year	(56,977)	(21,245)	(56,977)	(21,245)
Interest cost	-	-	-	-
Balance at 31 December	<u>115,106</u>	<u>142,860</u>	<u>115,106</u>	<u>142,860</u>

The Employee benefit payable relates to the gratuity scheme operated for its employees. The scheme requires the Company to calculate the gratuity entitlements of the employees each year based on the salary as at 31st December of each year using the scale of entitlements applicable to the staff and pay the amount calculated to the Fund Managers. Upon payment of the calculated amount, it is discharged of all liabilities. The Group remains liable to the employees to the tune of the amounts disclosed as it has not remitted these amounts to the fund managers.

	The Group		The Company	
	2014	2013	2014	2013
	N'000	N'000	N'000	N'000
30. Other liabilities				
Deferred income	-	94,142	-	94,142
Customer deposits	26,056	34,701	26,056	34,701
	<u>26,056</u>	<u>128,843</u>	<u>26,056</u>	<u>128,843</u>

The deferred revenue represents the grant element of BOI loans, after the loans were re-measured using the effective interest rate. The government grant have been recognised as deferred revenue that will be recognised in the profit or loss on a systematic basis over the tenure of the loan with government grant embedded in it.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

31. Related party information

31.1 Identify related parties

The related parties to the Company include:

Osworth Nigeria Limited - An wholly owned subsidiary of the Company involved in the distribution of pharmaceutical products.

Tydispicks Nigeria Limited- An wholly owned subsidiary of the Company involved in healthcare and industrial packaging.

Servisure Nigeria Limited- An wholly owned subsidiary of the Company involved in the distribution of pharmaceutical products.

Ty Holdings Limited- A Company owned by the Chairman, Board of Directors.

Biovaccines Limited - (see note 17)

Biovaccines Nigeria Limited is yet to commence commercial operations. Transactions on its behalf are mainly in respect of expenses incurred in maintaining its assets and personnel at its old site at Harvey Road, Yaba, Lagos. May & Baker Nigeria Plc therefore maintains an inter-company account with it for such transactions, including disbursements also made by Biovaccines Nigeria Limited on behalf of May & Baker Nigeria Plc. At the balance sheet date, the amount outstanding and due to Biovaccines Nigeria Limited was N41.4 million.

Key Management personnel

The Key management personnels of the Group include its directors (both executive and non-executive) and other identified key management staff.

Lt - Gen T.Y Danjuma (rtd)	Non-executive Director
Mr Nnamdi N Okafor	Executive Director
Mr. E.O Ibidapo	Executive Director
Mr. I . Dankaro	Non-executive Director
Mr. A. Adeleke	Non-executive Director
Mrs. G. I. Odumodu	Non-executive Director

31.2 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Sales of goods to related parties were made at the Group's usual price list. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts due from and to related companies arose from sale and purchase of goods and services.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

There were no significant transactions with other related companies.

31.3 Related party transactions

	The Group		The Company	
	Due from related parties		Due to related parties	
	2014	2013	2014	2013
	N'000	N'000	N'000	N'000
Osworth Nigeria Limited		133,205	-	-
Biovaccines Nigeria Limited	36,420	-	36,420	41,443
Servisure		88,506	-	-
Tydispicks Nigeria Limited		29,813	-	-
	36,420	251,524	36,420	41,443

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

31.4 Loans to related parties

No loan was granted to any related entity or key management personnel or entities controlled by them.

31.5 Loans from related parties

On 9th July, 2012 the Company obtained a term loan of N2 billion from TY Holdings Limited, a Company controlled by TY Danjuma, the Chairman of the Company who currently holds 26.01% of the issued share capital of the Company. The facility was obtained at a below market interest rate of 11 % per annum and payable over a 36 months period after an initial moratorium period of 12 months.

Default clause

Where the Company defaults in the repayment of the principal and or interest 120 days after the payment of any instalment falls due, the lending shareholder may, at anytime thereafter by written notice to the Company, elect to convert some or all of the outstanding loan sum plus interest to ordinary share capital of the company (which shares shall rank pari passu with the existing ordinary shares in the capital of the Company). The conversion price shall be the prevailing price that the Borrower's shares traded in the Nigerian Stock Exchange at the date the loan was first disbursed.

31.6 Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
Director's remuneration				
Director's fees	1,200	1,200	1,200	1,200
Salaries and allowances	70,658	70,658	70,658	70,658
	71,858	71,858	71,858	71,858
32. Reconciliation of net profit /(loss) to net cash provided by operating activities				
Profit/(loss) after taxation	63,341	(103,089)	93,165	(78,116)
Adjustment to reconcile net cash provided:				
Depreciation of property, plant and equipment	456,017	455,119	454,821	451,819
Profit on disposal of assets	(2,413)	(2,644)	(2,413)	(2,644)
Finance cost	603,872	630,711	603,589	630,277
Interest received	(3,504)	(1,499)	(3,504)	(1,499)
Change in assets and liabilities:				
Decrease/(Increase) in inventories	250,448	(206,636)	216,702	(204,559)
Increase in trade and other receivables	(485,731)	(27,576)	(506,609)	(38,799)
Decrease in other assets	64,830	2,553	65,197	2,553
Increase/(decrease) in trade and other payables	(84,233)	521,559	(76,062)	397,117
Decrease in other liabilities	(102,787)	(16,754)	(102,787)	(16,754)
Decrease in current tax	12,272	(4,997)	11,727	(5,112)
Increase in deferred taxation	(5,115)	54,647	(5,675)	54,196
Total adjustments	703,656	1,404,483	654,987	1,266,595
Net cash from operating activities	766,997	1,301,394	748,152	1,188,479

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

33. Financial Instruments

33.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of its capital structure.

The capital structure of the Group is made up of debts (bank overdrafts, commercial papers and term loans) and equity comprising issued capital, retained earnings and share premium.

The Group is not subject to any externally imposed capital requirements.

The Group's risk management team reviews the capital structure periodically. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The risk management team monitors the gearing ratio to ensure its within the Group's targeted level. The current gearing ratio of the Group and Company is as below:

	2014 N'000	2013 N'000
Gearing ratio		
The gearing ratio is as follows:		
Net debt		
Debt	3,575,203	3,523,022
Cash and cash equivalents	<u>(246,047)</u>	<u>(283,952)</u>
Net Debt	<u>3,329,157</u>	<u>3,239,070</u>
Equity		
Ordinary shares	490,000	490,000
Share premium	1,626,094	1,626,094
Retained earnings	<u>976,454</u>	<u>913,113</u>
	<u>3,092,548</u>	<u>3,029,207</u>
Net debt to equity ratio	1.08	1.07

- i. Debt is defined as current- and non current borrowings (as described in note 28).
- ii. Equity includes all capital and reserves of the Group that are managed as capital.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

33.2 Categories of financial instruments

The Group's financial assets and financial liabilities as at the reporting date is tabulated below:

Group

	Loans and receivables N'000	Non financial assets N'000	2014 Total N'000
Assets			
Intangible assets	-	67,296	67,296
Property, plant and equipment	-	4,279,018	4,279,018
Deposit for investment	245,325	-	245,325
Inventories	-	1,270,045	1,270,045
Trade and other receivables	1,944,549	-	1,944,549
Cash and bank balances	246,047	-	246,047
Other assets	-	43,427	43,427
	<u>2,435,921</u>	<u>5,659,786</u>	<u>8,095,707</u>
	Amortised cost N'000	Non- financial N'000	Total N'000
Liabilities			
Borrowings	3,575,203	-	3,575,203
Deferred tax liabilities	-	175,789	175,789
Other liabilities	-	26,056	26,056
Trade and other payables	1,063,864	-	1,063,864
Current tax liabilities	-	47,141	47,141
	<u>4,639,067</u>	<u>248,986</u>	<u>4,888,053</u>

The Group's financial assets and financial liabilities at the reporting date is tabulated below:

Group

	Loans and receivables N'000	Non financial N'000	2013 Total N'000
Assets			
Intangible assets	-	67,296	67,296
Property, plant and equipment	-	4,670,433	4,670,433
Deposit for investment	245,325	-	245,325
Inventories	-	1,313,857	1,313,857
Trade and other receivables	1,424,267	-	1,424,267
Cash and bank balances	237,418	-	237,418
Other assets	-	66,517	66,517
Asset held for sale	-	44,293	44,293
	<u>1,907,010</u>	<u>6,162,396</u>	<u>8,069,406</u>
	Amortised cost N'000	Non- financial N'000	Total N'000
Liabilities			
Borrowings	3,659,575	-	3,659,575
Deferred tax liabilities	-	126,257	126,257
Other liabilities	-	145,597	145,597
Trade and other payab	965,815	-	965,815
Current tax liabilities	-	39,866	39,866
	<u>4,625,390</u>	<u>311,720</u>	<u>4,937,110</u>

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

Categories of financial instruments (Cont'd)

The Company's financial assets and financial liabilities as at the reporting date is tabulated below:

Company	Loans and receivables N'000	Non financial assets N'000	2014 Total N'000
Assets			
Intangible assets	-	67,296	67,296
Property, plant and equipment	-	4,270,651	4,270,651
Deposit for investment	245,325	-	245,325
Inventories	-	1,238,994	1,238,994
Trade and other receivables	2,069,007	-	2,069,007
Cash and bank balances	191,816	-	191,816
Other assets	-	43,060	43,060
	<u>2,506,148</u>	<u>5,620,001</u>	<u>8,126,149</u>
	Amortised cost N'000	Non- financial N'000	Total N'000
Liabilities			
Borrowings	3,575,203	-	3,575,203
Deferred tax liabilities	-	174,724	174,724
Other liabilities	-	26,056	26,056
Trade and other payables	1,040,990	-	1,040,990
Current tax liabilities	-	44,519	44,519
	<u>4,616,193</u>	<u>245,299</u>	<u>4,861,492</u>
Company			2013
	Loans and receivables N'000	Non financial assets N'000	Total N'000
Assets			
Intangible assets	-	67,296	67,296
Property, plant and equipment	-	4,653,119	4,653,119
Deposit for investment	245,325	-	245,325
Inventories	-	1,251,137	1,251,137
Trade and other receivables	1,523,599	-	1,523,599
Cash and bank balances	217,564	-	217,564
Other assets	-	66,517	66,517
Asset held for sale	-	44,293	44,293
	<u>1,986,488</u>	<u>6,082,362</u>	<u>8,068,850</u>
	Amortised cost N'000	Non- financial liabilities N'000	Total N'000
Liabilities			
Borrowings	3,659,575	-	3,659,575
Deferred tax liabilities	-	126,203	126,203
Other liabilities	-	145,597	145,597
Trade and other payables	965,069	-	965,069
Current tax liabilities	-	37,904	37,904
	<u>4,624,644</u>	<u>309,704</u>	<u>4,934,348</u>

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

33.3 Financial risk management objectives

The company's Corporate Treasury function provides services to the business, co-ordinates foreign exchange transactions, monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The Company's exposure to variations in foreign exchange rate and interest rates are minimal and the Company is not expected to be exposed to these risks at a higher than minimal level.

33.4 Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates is minimal as the Group's borrowing activities are in local currency and trade customers are billed in Naira. Exposure to foreign exchange risk only relates to purchase of operating materials (e.g. raw materials and specialised products) abroad, this is minimised by restricting imports to circumstance where no local alternative exist. The Group makes use of letter of credit facilities to transact with foreign suppliers.

	2014 N'000	2013 N'000
Exposure to foreign currency		
Bank account		
In US Dollars	304	6,326
In Euros	324	264
In GBP	(924)	1,335
	<u>(296)</u>	<u>7,925</u>

The Group is not materially exposed to foreign currency changes as most of trading transactions and borrowing activities are denominated in Naira.

33.5 Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
Exposure to credit risk				
Trade receivables	1,990,923	1,581,402	1,730,741	1,438,691
Other receivables	241,325	205,924	619,870	457,448
Bank balances	246,047	283,952	191,816	248,174
	<u>2,478,295</u>	<u>2,071,278</u>	<u>2,542,427</u>	<u>2,144,313</u>

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

33.5.1 Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. A sales representative is attached to each customer and outstanding customer receivables are regularly monitored by the representative. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers, additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Collateral and other credit enhancements

The Group does not hold any collateral or other credit enhancements from customers. On a case by case basis the group creates a legal right of offset against any amount owed by the group to the counter party.

Concentration risk

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

There are no customers during the current reporting period that represents more than 5% of the total trade receivables.

33.5.2 Other receivables

This is mainly from due from related companies. The Group's financial controller continuously monitors and reviews the receivables.

33.5.3 Deposits with banks and other financial institutions

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Surplus funds are spread amongst reputable commercial banks and funds must be within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's financial controller periodically and may be updated throughout the year subject to approval of the Group's Chief Executive Officer. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Group's maximum exposure to credit risk for the components of the statement of financial position is its carrying amount.

33.6 Liquidity risk management

The Group monitors its risk to a shortage of funds by maintaining a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. It also ensures that short term funds are used strictly for working capital purposes while capital projects are funded from long tenored borrowings. Access to sources of funding is sufficiently available.

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

Maturity analysis of financial instruments

The maturity profile of the Group's recognized financial instruments is detailed below:

Group

	0-6 months N'000	6 months to 1 year N'000	1 to 2 years N'000	Over 2 years N'000	Total N'000
2014					
Financial assets					
Trade receivables	1,113,228	555,643	204,650	-	1,873,521
Other receivables	241,325	-	-	-	241,325
Cash and bank balances	246,047	-	-	-	246,047
	<u>1,600,600</u>	<u>555,643</u>	<u>204,650</u>	<u>-</u>	<u>2,360,893</u>
Financial liabilities					
Trade payables	551,608	-	-	-	551,608
Other payables	512,255	-	-	-	512,255
Term loans	-	-	830,986	1,562,905	2,393,891
Bank overdrafts and commercial papers	32,000	1,079,312	-	-	1,111,312
	<u>1,095,864</u>	<u>1,079,312</u>	<u>830,986</u>	<u>1,562,905</u>	<u>4,569,067</u>
2013					
Financial assets					
Trade receivables	1,269,171	244,479	232,479	-	1,746,129
Other receivables	204,113	-	-	-	204,113
Cash and bank balances	237,418	-	-	-	237,418
	<u>1,710,702</u>	<u>244,479</u>	<u>232,479</u>	<u>-</u>	<u>2,187,660</u>
Financial liabilities					
Trade payables	393,419	-	-	-	393,419
Other payables	572,396	-	-	-	572,396
Term loans	-	-	542,396	2,139,227	2,681,623
Bank overdrafts and commercial papers	113,268	864,684	-	-	977,952
	<u>1,079,083</u>	<u>864,684</u>	<u>542,396</u>	<u>2,139,227</u>	<u>4,625,390</u>

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

Maturity analysis of financial instruments

The maturity profile of the Group's recognized financial instruments is detailed below:

	0-6 months N'000	6 months to 1 year N'000	1 to 2 years N'000	2013 Over 2 years N'000	Total N'000
Company					
2014					
Financial assets					
Trade receivables	1,113,228	412,862	204,650	-	1,730,740
Other receivables	619,870	-	-	-	619,870
Cash and bank balances	191,816	-	-	-	191,816
	<u>1,924,914</u>	<u>412,862</u>	<u>204,650</u>	<u>-</u>	<u>2,542,426</u>
Financial liabilities					
Trade payables	551,583	-	-	-	551,583
Other payables	489,406	-	-	-	489,406
Term loans	-	-	830,986	1,562,905	2,393,891
Bank overdrafts and commercial papers	32,000	1,079,312	-	-	1,111,312
	<u>1,072,990</u>	<u>1,079,312</u>	<u>830,986</u>	<u>1,562,905</u>	<u>4,546,193</u>
2013					
Financial assets					
Trade receivables	1,153,818	234,272	231,656	-	1,619,746
Other receivables	428,086	-	-	-	428,086
Cash and bank balances	217,564	-	-	-	217,564
	<u>1,799,468</u>	<u>234,272</u>	<u>231,656</u>	<u>-</u>	<u>2,265,396</u>
Financial liabilities					
Trade payables	393,419	-	-	-	393,419
Other payables	571,650	-	-	-	571,650
Term loans	-	-	542,396	2,139,227	2,681,623
Bank overdrafts and commercial papers	113,268	864,684	-	-	977,952
	<u>1,078,337</u>	<u>864,684</u>	<u>542,396</u>	<u>2,139,227</u>	<u>4,624,644</u>

MAY & BAKER NIGERIA PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2014

34. Guarantees and other Financial Commitments

Charges on assets

The bank loans and overdrafts are secured by a negative pledge on the Company's assets.

Capital expenditure

Capital expenditure authorised by the Directors but not contracted was nil (Dec 2013 : nil).

The Directors are of the opinion that all known liabilities and commitments have been taken into account in the preparation of the financial statement.

35. Contingent liabilities

There were no contingent liabilities resulting from litigations at 31 December 2014 (December 2013 - Nil).

36. Events after the reporting date

The Directors are of the opinion that there were no significant events after the balance sheet date which would have had any material effect on the accounts which have not been adequately provided for or disclosed in the financial statement.

37. Major suppliers

The Company's suppliers are both local and foreign. Some of the Companies major suppliers include:

Local

Drugs & Healthcare Limited
National Salt Company
Dangote Flour Mills Plc
Primal Nigeria Limited
Chellarams
Flour Mills of Nigeria Plc
Presco Plc.

Foreign

IPCA Laboratories Limited (india)
Aurobindo Pharm. Limited (india)
Surya Engineers (India)
Caffry Sanders International Limited (UK)
Belco Pharma (India)

The Company is not related to any of its suppliers.

MAY & BAKER NIGERIA PLC

CONSOLIDATED STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group				The Company			
	2014 N'000	%	2013 N'000	%	2014 N'000	%	2013 N'000	%
Revenue	7,018,992		6,367,605		6,899,496		6,253,986	
Other income	68,992		215,239		68,992		215,150	
Investment income	3,879		2,039		3,879		2,039	
Other gains and losses	(35,364)		(16,499)		(35,364)		795	
	7,056,500		6,568,384		6,937,004		6,471,970	
Bought-in-materials and services:								
- Imported	(1,234,818)		(1,234,818)		(1,234,818)		(1,234,818)	
- Local	(4,095,787)		(3,648,047)		(3,972,411)		(3,545,813)	
Value added	1,725,895	100	1,685,519	100	1,729,775	100	1,691,339	100
Applied as follows:								
To employees:								
Salaries, wages and other benefits	569,947	33	556,412	33	552,110	32	542,010	32
To Government:								
Income tax	37,833	2	91,719	5	34,766	2	91,153	5
To pay providers of capital:								
Finance charges	603,872	35	630,711	37	603,589	35	630,277	37
To provide for maintenance of fixed assets:								
- Depreciation and amortisation	456,017	26	455,119	27	451,819	26	451,819	27
- Deferred taxation	(5,115)	-	54,647	3	(5,675)	-	54,196	3
Profit and loss account	63,341	5	(103,089)	(6)	93,165	5	(78,116)	(5)
	1,725,895	101	1,685,519	100	1,729,775	100	1,691,339	100

Value added represents the additional wealth which the Company has been able to create by its own and its employees' efforts. The statement shows the allocation of that wealth to employees, government, providers of finance and shareholders, and that retained for future creation of more wealth.

MAY & BAKER NIGERIA PLC

FINANCIAL SUMMARY 31 DECEMBER

	The Group				The Company			
	2014 N'000	2013 N'000	2012 N'000	2011 N'000	2014 N'000	2013 N'000	2012 N'000	2011 N'000
ASSETS / LIABILITIES								
Intangible assets	67,296	67,296	67,296	67,296	67,296	67,296	67,296	67,296
Property, plant and equipment	4,279,018	4,482,882	4,670,433	4,724,084	4,270,651	4,466,454	4,653,119	4,723,581
Deposit for investment	245,325	245,325	245,325	245,325	245,325	245,325	245,325	245,325
Investment in subsidiary	-	-	-	-	3,000	3,000	3,000	1,000
Net current assets/(liabilities)	354,709	123,901	315,101	(942,410)	419,015	167,003	334,567	(944,094)
Non current liabilities	(1,853,800)	(1,890,197)	(2,165,859)	(939,942)	(1,852,735)	(1,889,692)	(2,165,805)	(939,888)
NET ASSETS	3,092,548	3,029,207	3,132,296	3,154,353	3,152,551	3,059,386	3,137,502	3,153,220
CAPITAL AND RESERVES								
Share capital	490,000	490,000	490,000	490,000	490,000	490,000	490,000	490,000
Share premium	1,626,094	1,626,094	1,626,094	1,626,094	1,626,094	1,626,094	1,626,094	1,626,094
Retained earnings	976,454	913,113	1,016,202	1,038,259	1,036,457	943,292	1,021,408	1,037,126
	3,092,548	3,029,207	3,132,296	3,154,353	3,152,551	3,059,386	3,137,502	3,153,220
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME								
Turnover	7,018,992	7,018,992	5,668,449	4,837,569	6,899,496	6,253,986	5,484,925	4,749,617
Profit before taxation	101,174	101,174	(11,370)	327,219	127,931	13,037	13,037	322,013
Taxation		(91,719)	31,421	(105,047)	(34,766)	(91,153)	32,106	(100,974)
Profit after taxation		9,455	20,051	222,172	93,165	(78,116)	45,143	221,039
Per share data (Kobo):								
(Loss)/earnings - basic		0.01	0.02	0.23	0.10	(0.08)	0.05	0.23
Net assets		3.09	3.20	3.22	3.22	3.12	3.20	3.22

NOTES

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

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