

MORISON INDUSTRIES PLC
FINANCIAL STATEMENTS
31 DECEMBER 2019

Corporate information

Directors	Mr. Richard O.Titiloye Mr. Deji Mustapha (Acting Managing Director) Engineer Charles A. Osezua (OON) Mrs. Afolake Lawal Mr. Philip Olusegun Ayeni
Registered Office	28/30 Morison Crescent Oregun Industrial Area Ikeja Lagos
Registrar and Transfer Office	Cardinal Stone(Registrars) Limited 358 Herbert Macaulay Way Yaba Lagos
Auditors	BDO Professional Services 15 CIPM Avenue Central Business District , Alausa Ikeja Lagos
Solicitors	S.B.Joseph & Co. 140 Borno Way Ebute Metta Lagos.
Bankers	Ecobank Nigeria Limited Fidelity Bank Plc Stanbic IBTC Bank Plc Union Bank of Nigeria Plc Wema Bank Plc

**REPORT OF THE INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF MORISON INDUSTRIES PLC
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Opinion

We have audited the financial statements of Morison Industries Plc which comprise, the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria, Act No 6, 2011 and the Companies and Allied Matters Act, CAP C20, LFN 2004.

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition

Risk

Revenue is recognised and posted as sales when invoices are raised irrespective of whether the goods have been delivered and the waybill endorsed by the customers. There is a risk that sales may not exist and be misstated as transfer of control may not have passed to the third party in line with the company's accounting policies and the provisions of International Financial Reporting Standard(IFRS)15.

Our response

Our audit procedures in response to the risk included, amongst others:

- Confirmation of revenue cycle cut-off from goods dispatched for completeness at year end
- For a selected sample of signed delivery notes/waybills listing in the verified store record, we:
 - Obtained details of dispatches of inventory prior to and subsequent to the year end, and that they were appropriately treated.
 - Traced delivery notes/waybills signed by the customer or its representative as maintained to invoices recorded in sales ledger before and after year end.
 - Verified and confirmed that revenue and receivables were recorded in the appropriate period.

Responsibilities of the Directors for the Financial Statements

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

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

Other information

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

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

Auditors' responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

The Companies and Allied Matters Act, CAP C20, LFN, 2004 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Company, and
- iii) the Company's statement of financial position, and its statement of profit or loss and other comprehensive income are in agreement with the books of account.

Lagos, Nigeria
27 May 2020



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

MORISON INDUSTRIES PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 N'000	2018 N'000
Revenue	7	86,112	138,190
Cost of sales	8	<u>(74,725)</u>	<u>(111,882)</u>
Gross profit		11,387	26,308
Distribution expenses	9	(15,776)	(29,410)
Operating expenses	10	(117,541)	(183,672)
Other operating income	11	<u>17,641</u>	<u>19,471</u>
Loss from operations		<u>(104,289)</u>	<u>(167,303)</u>
Finance income	12	-	2,864
Finance expenses	12	<u>-</u>	<u>(24,195)</u>
Net finance expenses		-	(21,331)
Loss before taxation	13	<u>(104,289)</u>	<u>(188,634)</u>
Tax expense	14	<u>(431)</u>	<u>(1,448)</u>
Loss for the year		<u>(104,720)</u>	<u>(190,082)</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss:		-	-
Items that will or may be reclassified to profit or loss:		<u>-</u>	<u>-</u>
Total other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss		<u>(104,720)</u>	<u>(190,082)</u>
Loss per share(kobo)	26	<u>(11)</u>	<u>(19)</u>

The accompanying notes on pages 8 to 31 and other national disclosures on pages 32 and 33 form an integral part of these financial statements.

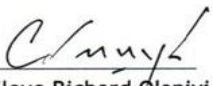
Auditors' report, pages 1 to 3

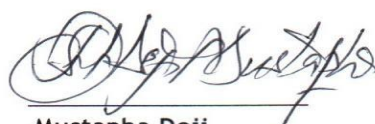
MORISON INDUSTRIES PLC

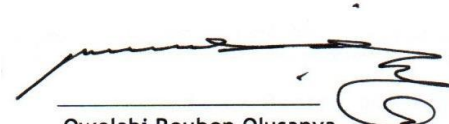
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Notes	2019 N'000	2018 N'000
Assets			
Non-current assets			
Property, plant and equipment	16	<u>313,548</u>	<u>344,346</u>
Current assets			
Inventories	17	76,092	100,706
Trade and other receivables	18	57,015	90,700
Cash and cash equivalents	19	<u>1,083</u>	<u>4,121</u>
		<u>134,190</u>	<u>195,527</u>
Total assets		<u>447,738</u>	<u>539,873</u>
Liabilities			
Current liabilities			
Borrowings	20	-	-
Trade and other payables	21	229,036	216,491
Income tax payables	14(v)	<u>9,187</u>	<u>8,756</u>
		<u>238,223</u>	<u>225,247</u>
Non-current liabilities			
Employees' benefit obligations	22	715	1,106
Deferred tax liabilities	15	<u>59,826</u>	<u>59,826</u>
		<u>60,541</u>	<u>60,932</u>
Total liabilities		<u>298,764</u>	<u>286,179</u>
Net assets		<u>148,974</u>	<u>253,694</u>
Equity			
Share capital	23	494,580	494,580
Share premium	24	84,477	84,477
Revenue reserve	25	<u>(430,083)</u>	<u>(325,363)</u>
Total equity		<u>148,974</u>	<u>253,694</u>

The financial statements and accompanying notes on pages 4 to 33 were approved by the Board of Directors on 21 May 2020 and signed on its behalf by:


 Titiloye Richard Olaniyi
 Chairman
 FRC/2013/ICAN/00000003887


 Mustapha Deji
 Acting Managing Director
 FRC/2019/ICAN/00000019342


 Owolabi Reuben Olusanya
 Financial Controller
 FRC/2013/ICAN/00000001664

The accompanying notes on pages 8 to 31 and other national disclosures on pages 32 and 33 form an integral part of these financial statements.

Auditors' report, pages 1 to 3

MORISON INDUSTRIES PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital N'000	Share Premium N'000	Revenue Reserve N'000	Total Equity N'000
Balance at 1 January 2018	76,090	21,489	(135,281)	(37,702)
Comprehensive income for the year:				
Loss for the year	-	-	(190,082)	(190,082)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(190,082)	(190,082)
Transactions with owners recorded directly in equity				
Dividends to equity holders	-	-	-	-
Additions through rights issue	418,490	62,988	-	481,478
Total transactions with equity owners	418,490	62,988	-	481,478
Balance at 31 December 2018	494,580	84,477	(325,363)	253,694
	N'000		N'000	N'000
Balance at 1 January 2019	494,580	84,477	(325,363)	253,694
Comprehensive income for the year				
Loss for the year	-	-	(104,720)	(104,720)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(104,720)	(104,720)
Transactions with owners, recorded directly in equity				
Dividends to equity holders	-	-	-	-
Additions through rights issue	-	-	-	-
Total transactions with equity owners	-	-	-	-
Balance at 31 December 2019	494,580	84,477	(430,083)	148,974

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Auditors' report, pages 1 to 3

MORISON INDUSTRIES PLC
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	N'000	N'000
Cashflows from operating activities			
Loss for the year		(104,720)	(190,082)
Adjustments for non-cash items:			
Finance expenses	12	-	24,195
Finance income	12	-	(2,864)
Income tax expense	14	431	1,448
Depreciation of property, plant and equipment	16	32,523	29,226
		<u>(71,766)</u>	<u>(138,077)</u>
Decrease/(increase) inventories	17	24,614	(13,999)
Decrease in trade and other receivables	18	33,685	20,980
Increase/(decrease) in trade and other payables	21	12,545	(42,638)
Decrease in employees' benefits obligations	22	(391)	(1,575)
Cash absorbed in operations		<u>(1,313)</u>	<u>(175,309)</u>
Income taxes paid		-	-
Net cash outflow from operating activities		<u>(1,313)</u>	<u>(175,309)</u>
Cashflows from investing activities			
Purchase of property, plant and equipment	16	(1,725)	(35,085)
Finance income	12	-	2,864
Net cash used in investing activities		<u>(1,725)</u>	<u>(32,221)</u>
Cashflows from financing activities			
Finance expenses	12	-	(24,195)
Repayment of loan	20	-	(252,104)
Rights issue	23(b)	-	418,490
Increase in share premium	24	-	62,988
Net cash inflow from financing activities		<u>-</u>	<u>205,179</u>
Net decrease in cash and cash equivalents		<u>(3,038)</u>	<u>(2,351)</u>
Cash and cash equivalents at the beginning of the year		<u>4,121</u>	<u>6,472</u>
Cash and cash equivalents at the end of the year	19	<u>1,083</u>	<u>4,121</u>

The accompanying notes on pages 8 to 31 and other national disclosures on pages 32 and 33 form an integral part of these financial statements.

Auditors' report, pages 1 to 3

1. Corporate information and principal activities

The Company was incorporated in Nigeria as a private limited liability Company on 29 June 1955 and it commenced business on the same day. It converted to a public quoted Company in 1978. Morison Investment Limited, UK, and Nigerian citizens own 6.15% and 93.85% respectively of the issued share capital of the Company. The Company is engaged in the production and marketing of pharmaceuticals, hygiene products which include Morigade range of disinfectants and the importation and distribution of medical, surgical and hospital equipment and Consumables made by Braun & Company Limited, BSN Medical, Desoutter Medical Limited, Heraeus Medical GmbH and Smith & Nephew Limited.

2. Basis of preparation

(a) Statement of compliance

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

The financial statements were authorised for issue by the Board of Directors on 21 May 2020.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

3 New standards, interpretations and amendments issued but not yet adopted by the company

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for the financial year ended 31 December 2019. They have not been adopted in preparing the financial statements for the year ended 31 December 2019 and are not expected to affect the Company in the year of initial application. In all cases the Company intends to apply these standards from application date as indicated in the table below.

Title	Key requirements	Effective Date
Conceptual Framework Amendments	Amendments to References to the Conceptual Framework in IFRS Standards sets out amendments to IFRS Standards, their accompanying documents and IFRS practice statements to reflect the issue of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework).	1 January 2020
IFRS 3 Amendment	IFRS 3 Amendment was issued in October 2018, establishes the definition of a business and effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period	1 January 2020
Amendments to IAS 1 and IAS 8	In October 2018, the IASB issued amendments to IAS 1- Financial Statement Presentation and IAS 8 -Accounting Policies, Changes in Accounting Estimates and Errors to clarify the definition of 'material' in the context of applying IFRS. As the concept of what is and is not material is crucial in preparing financial statements in accordance with IFRS, a change in the definition may fundamentally affect how preparers make judgments in preparing financial statements.	1 January 2020
IFRS 10 and IAS 28 Amendments	The International Accounting Standards Board (IASB) published Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) on 11 September 2014. The amendments clarify the accounting for transactions where a parent loses control of a subsidiary, that does not constitute a business as defined in IFRS 3 Business Combinations, by selling all or part of its interest in that subsidiary to an associate or a joint venture that is accounted for using the equity method	Deferred indefinitely

4. Critical accounting estimates and judgements

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

(a) *Income and deferred taxation*

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

(b) *Impairment of property, plant and equipment*

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

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

(c) *Legal proceedings*

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

(d) *Estimates of useful lives and residual values*

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

5. Summary of significant accounting policies

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

(a) *Foreign currency transactions*

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate of the transaction (i.e not retranslated).

(b) Revenue

(i) Performance obligation and timing of revenue recognition

Revenue represents the fair value of the consideration received or receivable for sales of goods and services, in the ordinary course of the Company's activities and is stated net of value-added tax (VAT). The Company derived revenue principally from the sales of locally manufactured products, imported medical products and contract manufacture products. Revenue is recognised at a point in time when control of goods has transferred, being when the products are delivered to the Customer (end users). Delivery occurs when the products have been shipped to the specific location and the control has been transferred and evidence of delivery received from the Customers and the Company has objective evidence that all criteria for acceptance have been satisfied. No sales are reported if control of the goods has not been passed to the customers.

(ii) Determining the transaction price

Most of the Company's revenue is derived from price list and the amount of revenue to be earned from each consumer sales and contract manufacturer is determined by reference to those price lists. The Company has full discretion over the price to sell the products.

(iii) Allocating amounts to performance obligation

All prices have been allocated to each performance obligation identified in the contract on a relative stand-alone selling price basis. Each service is invoiced separately based on the capacity provided and the price agreed with the customer. Therefore, there is no judgement involved in allocating contract price to performance obligations (all performance obligations are capable of being, and are, sold separately).

(c) Cost of Sales

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

(d) Finance income and finance expenses

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

Finance expenses comprise interest on finance lease and borrowings

(e) Property, plant and equipment

i) Recognition and measurement

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

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

ii) Subsequent costs

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

iii) **Depreciation**

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

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

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

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

iv) **Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gains or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss component of the statement of comprehensive income within 'Other income or operating expenses' in the year that the asset is derecognised.

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

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

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

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

(g) **Inventories**

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

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

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

(h) **Financial instruments**

i) **Financial assets**

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

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

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

ii) **Loans and receivables**

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

iii) **Trade and other receivables**

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

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

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

iv) **Cash and cash equivalents**

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

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

v) **Derecognition of financial assets**

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

vi) Financial liabilities and equity instruments

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

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

vii) Trade payables

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

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

viii) De-recognition of financial liabilities

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

(i) Offsetting financial instruments

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

(j) Impairment of financial instruments

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

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

(k) Prepayments

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

(l) Borrowings

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

(m) Provisions

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

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

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

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

(n) Finance leases

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

(o) Employee benefits

(i) Short term employee benefits

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

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

(ii) Defined contribution plans

The company has both defined benefit and defined contribution plans.

The company operates a defined contribution pension scheme for members of staff which is independent of its finances and is managed by Pension Fund Administrators. The scheme is funded by contributions from employees and the company at 8% and 10% respectively each of employee's relevant emoluments, in accordance with the provisions of the Pension Reform Act 2014. In addition, full provision is made in the financial statements for liabilities at the financial position date in respect of employee's terminal gratuities based on current relevant emoluments. For defined benefit plans, the level of benefit provided is based on the length of service and earning of the person entitled. The gratuity scheme, (defined benefit plans) has been cancelled since 2015.

(p) Taxation

i) Current income tax

The income tax expense for the period comprises current and deferred tax expense. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the reporting date in Nigeria where the Company operates and generates taxable income.

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

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

ii) Deferred tax

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

Deferred tax is not recognised for:

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) Share capital, reserves and dividends

i) Share capital

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

ii) Reserves

Reserves include all current and prior periods' retained earnings.

iii) Dividends

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

iv) Earnings per Share

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

(r) Related party transactions

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

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

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

6. Financial risk management

(a) Financial Risk Management Disclosure

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

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

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

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

(b) Regulatory Risk

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

(c) Financing Risk

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

(d) Credit Risk

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

(e) Compliance Risk

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

(f) Reputational Risk

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

(g) Operational Risk

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

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

General objectives, policies and processes

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

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

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

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

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

(i) Principal financial instruments

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

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

(ii) Financial instruments by category

Financial assets

Cash and cash equivalents
Trade receivables
Total financial assets

Financial assets

2019 2018
 N'000 N'000

1,083	4,121
32,699	64,611
33,782	68,732

Total financial liabilities

Financial liabilities
 at amortised cost

2019 2018
 N'000 N'000

Trade and other payables

229,036	216,491
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(a) Credit risk

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

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

Exposure to credit risk

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

	2019 N'000	2018
Cash and cash equivalents	1,083	4,121
Trade receivables	32,699	64,611
	33,782	68,732

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

Cash at bank and short-term deposits

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

Cash at bank	N'000	N'000
Ecobank Nigeria Limited	203	211
Fidelity Bank Plc	202	81
Stanbic IBTC Bank Plc	68	355
Union Bank of Nigeria Plc	257	257
Union Homes Savings and Loans	12	12
Wema Bank Plc	250	3,147
	992	4,063

(b) Market risk

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

Foreign exchange risk

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

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

	2019		2018	
	Dollar N'000	Pound N'000	Dollar N'000	Pound N'000
Cash and cash equivalents	314	114	1,286	114
Trade and other receivables	-	-	-	-
Trade and other payables	(5,011)	(9,958)	(4,349)	(9,956)
Net exposure	(4,697)	(9,844)	(3,063)	(9,842)

Sensitivity analysis of foreign exchange risk

The following significant exchange rates applied during the year;

	Average rate		Year end spot rate	
	31 December 2019 N'000	31 December 2018 N'000	31 December 2019 N'000	1 December 2018 N'000
US Dollar	306.42	305.58	306.50	306.50
UK Pound	391.28	408.19	404.58	391.37

At 31 December 2019, if the currency had weakened/strengthened by 1% against the US Dollars and UK Pounds with all other variables held constant, post-tax profit for the the year would have been N145,000 (31 December 2018: N129,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US Dollars and UK Pounds-denominated cash and bank and trade payables.

(c) Liquidity risk

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

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

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

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

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

	Up to 3 months	Between 3 and 12 months	Between 1 and 5 year	Between Over 5 years	Total
	N'000	N'000	N'000	N'000	N'000
As at 31 December 2019					
Trade and other payables	-	229,036	-	-	229,036
As at 31 December 2018					
Trade and other payables	-	216,491	-	-	216,491

(d) **Capital management**

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

The debt-to-adjusted-capital ratio at 31 December 2019 and at 31 December 2018 were as follows:

	2019 N'000	2018 N'000
Borrowings	-	-
Less: cash and cash equivalents	(1,083)	(4,121)
Net debt	<u>(1,083)</u>	<u>(4,121)</u>
Total equity	<u>148,974</u>	<u>253,694</u>
Debt to adjusted capital ratio (%)	<u>(1%)</u>	<u>(2%)</u>

	2019			2018		
7. <u>Revenue and Profit</u>	Revenue	Cost of sales	Gross profit	Revenue	Cost of sales	Gross profit
Analysis by activities:	N'000	N'000	N'000	N'000	N'000	N'000
Pharmaceuticals	12,330	9,140	3,190	60,011	48,475	11,536
Locally Manufactured						
Products-Consumers	72,719	65,566	7,153	72,866	62,501	10,365
Others/Contracts	1,063	19	1,044	5,313	906	4,407
	<u>86,112</u>	<u>74,725</u>	<u>11,387</u>	<u>138,190</u>	<u>111,882</u>	<u>26,308</u>
				2019		2018
Primary Geographic Markets				N'000		N'000
Nigeria				86,112		138,190
Others				-		-
				<u>86,112</u>		<u>138,190</u>
				N'000		N'000
Contract counterparties				-		-
Retails				-		-
Services				-		-
				<u>-</u>		<u>-</u>
				N'000		N'000
Timing of transfer of goods and services						
Point in time(delivery to customer premises)				86,112		138,190
Point in time(delivery to port of departure)				-		-
Point in time(delivery to port of arrival)				-		-
Over time				-		-
				<u>86,112</u>		<u>138,190</u>
8. <u>Cost of sales</u>				N'000		N'000
Cost of sales includes:						
Materials consumed				50,581		81,704
Production salaries and wages (Note 13(b))				14,597		11,997
Repairs and maintenance				2,317		3,867
Electricity				3,147		3,650
Depreciation of property, plant and equipment (Note 16(d))				2,196		2,277
Provision for obsolete and expired inventories (Note 17(a))				-		4,664
Office expenses				872		1,351
Oil and gas				1,015		2,372
				<u>74,725</u>		<u>111,882</u>
9. <u>Distribution expenses</u>				N'000		N'000
Advertisement				4,373		4,356
Discounts allowed and commission				697		-
Salaries, bonuses and commission (Note 13(b))				9,273		21,171
Transportation				1,433		3,883
				<u>15,776</u>		<u>29,410</u>
10. <u>Operating expenses</u>				N'000		N'000
Audit fees				2,000		2,000
Bank charges				177		720
Computer expenses				253		1,017
Depreciation on property, plant and equipment (Note 16(d))				30,327		26,949
Directors' emoluments				1,500		5,944
Directors' fees (Note 11(a))				-		700
Electricity				1,349		1,528
Insurance, licence and fees				822		2,670
Land use charges				318		613
Office expenses				13,339		12,116

	2019 N'000	2018 N'000
Postages and telephones	1,558	1,578
Professional fees	24,275	11,719
Provision for other receivables (Note 18(e))	3,415	4,779
Provision for pension penalty (Note 21(e))	-	36,815
Provision for trade receivables (Note 18(a))	2,649	10,084
Rent and rates	886	722
Repairs and renewals	1,878	9,917
Salaries and wages (Note 13(b))	18,288	24,909
Secretarial expenses	4,513	8,230
Security expenses	2,394	2,378
Training expenses	184	4,170
Travelling expenses	1,900	3,387
Unrealised foreign exchange loss	7	960
Vehicle running expenses	5,509	9,767
	<u>117,541</u>	<u>183,672</u>
11. Other operating income	N'000	N'000
Write back of inventory provision (Note 17(a))	1,120	-
Write back of provision on trade receivables (Note 18(a))	1,883	-
Rental and freight	12,588	19,103
Obsolete materials sold	1,350	368
Write back of 2018 Directors' fees (Note 11(a))	700	-
	<u>17,641</u>	<u>19,471</u>
(a) As part of the sacrifice to a rebirth of the Company, the Directors resolved to suspend sitting allowances and directors' fees for 2 years, starting from 2018 financial year. Consequently no provision was made for directors' fees in 2019 financial year; 2018 accrued fees were also written back to income		
12. Finance income/(expenses)	N'000	N'000
Finance income	-	2,864
Finance expenses comprise:		
Interest on borrowings	-	(24,195)
Net finance expenses	<u>-</u>	<u>(21,331)</u>
13. Loss before taxation	N'000	N'000
Loss before taxation is arrived at after charging:		
Audit fees	2,000	2,000
Depreciation of property, plant and equipment	32,523	29,226
Directors' emoluments	1,500	5,944
Directors' fees	-	700
Unrealised foreign exchange loss	7	960
Provision for obsolete and expired inventory	-	4,664
	<u>-</u>	<u>4,664</u>
(a) Staff costs and other expenses	N'000	N'000
Salaries	36,979	49,298
Defined contribution pension costs (Note 21(e))	5,179	8,779
	<u>42,158</u>	<u>58,077</u>
(b) Apportionment of salaries and wages to statement of profit or loss and other comprehensive income are as follows:		
	N'000	N'000
Cost of sales (Note 8)	14,597	11,997
Distribution expenses (Note 9)	9,273	21,171
Operating expenses (Note 10)	18,288	24,909
	<u>42,158</u>	<u>58,077</u>

	2019	2018
	N'000	N'000
(c) Directors		
The aggregate emoluments of the Directors were:		
Fees	-	700
Other emoluments	1,500	5,944
	<u>1,500</u>	<u>6,644</u>
	N'000	N'000
(i) Chairman's emoluments (excluding pension contributions) totalled	<u>1,500</u>	<u>1,600</u>
(ii) Emoluments of the highest paid director (excluding pension contributions) amounted to:	<u>-</u>	<u>5,042</u>

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

	Number	Number
(iii) Up to N150,000	-	4
N150,001 - N300,000	-	-
N300,001 and above	-	1
	<u>-</u>	<u>5</u>
(d) Employees	Number	Number

Staff numbers and costs:

(i) The average number of persons employed (excluding Directors) in the Company during the year were as follows:		
Management	3	3
Senior	9	27
Junior	<u>7</u>	<u>7</u>
	<u>19</u>	<u>37</u>
(ii) The aggregate payroll costs of these persons were as follows:		

	N'000	N'000
Wages, salaries, commission and allowances	<u>42,158</u>	<u>58,077</u>

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

	Number	Number
Up to N150,000	-	-
150,0001 - N300,000	-	-
N300,001 - N400,000	-	-
N400,001 - N500,000	3	7
N500,001 and above	<u>16</u>	<u>30</u>
	<u>19</u>	<u>37</u>

14. **Income tax payable**

(i) Statement of profit or loss	N'000	N'000
Company income tax	-	-
Minimum tax	431	1,448
Education tax	-	-
Deferred tax (Note 15)	<u>-</u>	<u>-</u>
	<u>431</u>	<u>1,448</u>

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

- (a) The charge for taxation in these financial statements is based on minimum tax in accordance with the provisions of the Company Income Tax Act, CAP C21, LFN 2004 (as amended).
- (b) The Company is not liable to education tax because it has no assessable profit in accordance with the provisions of the Education Tax Act, CAP E4 LFN, 2004 which is 2% of the assessable profit for the year.

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

	2019 N'000	2018 N'000
Loss before taxation	(104,289)	(188,634)
Tax at the statutory corporation tax rate of 30%	(31,287)	(56,590)
Effect of income that is exempt from taxation	(1,111)	-
Effect of expenses that are not deductible in determining taxable profit	11,674	26,142
Balancing charge	-	-
Deferred tax provision	-	-
Current year adjusted loss	20,724	30,448
Minimum tax	431	1,448
Investment and capital allowance absorbed	-	-
Income tax expense recognised in profit or loss for continuing operations	431	1,448
Effective rate	-	(1%)

The tax rate used for 2019 and 2018 reconciliation above is the corporate tax rate of 30% and tertiary education tax rate of 2% payable by corporate entities in Nigeria on taxable profits under the tax laws in the country for the year ended 31 December 2019.

- (iv) **Income tax recognised in other comprehensive income**

No tax was recognised in other comprehensive income tax during the year

- (v) **Statement of financial position**

	N'000	N'000
Balance at the beginning of the year		
Income tax	3,456	2,008
Education tax	-	-
Capital gain tax	5,300	5,300
	8,756	7,308
Payments during the year:		
Income tax	-	-
Education tax	-	-
Capital gain tax	-	-
Provision for the year:		
Income tax	-	-
Minimum tax	431	1,448
Education tax	-	-
Balance at the end of the year	9,187	8,756

15. **Deferred taxation**

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

	Balance as at 1 January 2019 N'000	Recognised in net income N'000	Balance as at 31 December 2019 N'000
Deferred tax liabilities			
Excess of carrying amount over tax written down value	62,394	-	62,394
Deferred tax assets			
Unrealised foreign exchange loss	(2,568)	-	(2,568)
Unabsorbed capital allowance	-	-	-
Unutilised tax losses	-	-	-
	(2,568)	-	(2,568)
Deferred tax liabilities	59,826	-	59,826

The net deferred tax assets movement of N186,689,000 in the year was not recognised in the financial statements because there is no probability that the Company would be able to utilise it in the foreseeable future.

Deferred tax liabilities	2019 N'000	2018 N'000
Balance at the beginning of the year	59,826	59,826
Provision during the year (Note 14)	-	-
Balance at the end of the year	<u>59,826</u>	<u>59,826</u>

16. <u>Property, plant and equipment</u>	Leasehold land and buildings N'000	Plant, machinery and equipment N'000	Computer equipment N'000	Motor Vehicles N'000	Capital work in progress N'000	Total N'000
<u>Cost</u>						
At 1 January 2018	383,320	50,529	2,227	55,905	4,878	496,859
Additions	-	-	-	34,835	250	35,085
At 31 December 2018	<u>383,320</u>	<u>50,529</u>	<u>2,227</u>	<u>90,740</u>	<u>5,128</u>	<u>531,944</u>
At 1 January 2019	383,320	50,529	2,227	90,740	5,128	531,944
Additions	-	-	-	-	1,725	1,725
At 31 December 2019	<u>383,320</u>	<u>50,529</u>	<u>2,227</u>	<u>90,740</u>	<u>6,853</u>	<u>533,669</u>
<u>Accumulated depreciation</u>						
At 1 January 2018	88,535	22,678	2,227	44,557	-	157,997
Charge for the year	17,089	4,308	-	7,829	-	29,226
At 31 December 2018	<u>105,624</u>	<u>26,986</u>	<u>2,227</u>	<u>52,386</u>	<u>-</u>	<u>187,223</u>
At 1 January 2019	105,624	26,986	2,227	52,386	-	187,223
Charge for the year	17,089	3,575	-	11,859	-	32,523
At 31 December 2019	<u>122,713</u>	<u>30,561</u>	<u>2,227</u>	<u>64,245</u>	<u>-</u>	<u>219,746</u>
<u>Impairment</u>						
At 1 January 2018	-	375	-	-	-	375
Impairment	-	-	-	-	-	-
At 31 December 2018	<u>-</u>	<u>375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375</u>
At 1 January 2019	-	375	-	-	-	375
Impairment	-	-	-	-	-	-
At 31 December 2019	<u>-</u>	<u>375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375</u>
<u>Carrying amounts at</u>						
31 December 2019	<u>N260,607</u>	<u>N19,593</u>	<u>-</u>	<u>N26,495</u>	<u>N6,853</u>	<u>N313,548</u>
31 December 2018	<u>N277,696</u>	<u>N23,168</u>	<u>-</u>	<u>N38,354</u>	<u>N5,128</u>	<u>N344,346</u>

- (a) There were no restrictions on title and no item of property, plant and equipment was pledged as securities for any payable as at 31 December 2019
- (b) There was no asset on lease during the year (2018:Nil).
- (c) No impairment loss was recognised during the year
- (d) Depreciation charged to profit or loss and other comprehensive income are apportioned as follows:

	2019 N'000	2018 N'000
Cost of sales (Note 8)	2,196	2,277
Operating expenses (Note 10)	30,327	26,949
	<u>32,523</u>	<u>29,226</u>

17. <u>Inventories</u>	N'000	N'000
Raw materials	26,633	42,998
Finished goods	62,709	72,078
	<u>89,342</u>	<u>115,076</u>
Provision for obsolete inventory (Note 17(a))	(13,250)	(14,370)
	<u>76,092</u>	<u>100,706</u>
(a) <u>Provision for obsolete inventory</u>	N'000	N'000
Balance at the beginning of the year	14,370	9,706
Additions during the year (Note 8)	-	4,664
Write back during the year (Note 11)	(1,120)	-
Balance at the end of the year	<u>13,250</u>	<u>14,370</u>

- (b) No inventory was pledged as security for borrowings.

- (c) The amount of inventory recognised in cost of sales during the year was N50,581,000 (2018: N81,704,000).

18. <u>Trade and other receivables</u>	N'000	N'000
Trade receivables	108,907	140,053
Provision for trade receivables (Note 18(a))	(76,208)	(75,442)
<i>Total financial assets other than cash and cash equivalents</i>	32,699	64,611
Other receivables and prepayments (Note 18(d))	24,316	26,089
	<u>57,015</u>	<u>90,700</u>
(a) <u>Provision for trade receivables</u>	N'000	N'000
Balance at the beginning of the year	75,442	65,358
Provision for the year (Note 10)	2,649	10,084
Write back during the year (Note 11)	(1,883)	-
Balance at the end of the year	<u>76,208</u>	<u>75,442</u>

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

(b) <i>The age analysis of trade receivables is as follows:</i>	N'000	N'000
Past due < 90days	5,792	28,708
Past due 90-180 days	857	16,276
Past due 180-360 days	26,050	19,627
Past due 360days and above	76,208	75,442
	<u>108,907</u>	<u>140,053</u>

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

	2019 N'000	2018 N'000
Neither past due nor impaired	32,699	64,611
Past due but not impaired	-	-
Collectively impaired	76,208	75,442
	<u>108,907</u>	<u>140,053</u>
(d) <u>Other receivables and prepayments</u>	N'000	N'000
Staff receivables	-	265
Withholding tax receipts	14,809	14,800
Withholding tax receivables	14,577	13,144
Advance to suppliers	6,257	6,126
Receivable from Unosource Pharma Ltd	500	500
Other receivables	2,392	1,038
	<u>38,535</u>	<u>35,873</u>
Provision for other receivables (Note 18(e))	<u>(15,391)</u>	<u>(11,976)</u>
	23,144	23,897
Prepayments (Note 18(f))	1,172	2,192
	<u>24,316</u>	<u>26,089</u>
(e) <u>Provision for other receivables</u>	N'000	N'000
Balance at the beginning of the year	11,976	7,197
Provision during the year (Note 10)	3,415	4,779
Balance at the end of the year	<u>15,391</u>	<u>11,976</u>
(f) <u>Prepayments</u>	N'000	N'000
Insurance	<u>1,172</u>	<u>2,192</u>
19. <u>Cash and cash equivalents</u>		
Cash and cash equivalents comprise:	N'000	N'000
Cash at bank	992	4,063
Cash in hand	91	58
	<u>1,083</u>	<u>4,121</u>
20. <u>Borrowings</u>		
The book value and fair value of borrowings are as follows:	N'000	N'000
Balance at the beginning of the year	-	252,104
Additions during the year	-	-
Repayments during the year	-	(252,104)
Balance at the end of the year	<u>-</u>	<u>-</u>

	2019 N'000	2018 N'000
21. <u>Trade and other payables</u>		
Trade payables	28,021	31,696
Other payables (Note 21(a))	182,220	166,198
Due to related company (Note 21(c))	9,800	9,800
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	220,041	207,694
Other payables-tax (Note 21(f))	8,995	8,797
	<u>229,036</u>	<u>216,491</u>
(a) <u>Other payables</u>	N'000	N'000
Unclaimed dividend (Note 21(b))	5,632	5,632
Accruals (Note 21(d))	32,290	36,521
Pension payable (Note 21(e))	80,816	76,328
Rent received in advance	18,906	16,447
Advance customer deposit	2,110	1,753
Payables to other service providers	42,466	29,517
	<u>182,220</u>	<u>166,198</u>
(b) <u>Unclaimed dividend</u>	N'000	N'000
Balance at the beginning and the end of the year	<u>5,632</u>	<u>5,632</u>
(c) <u>Due to related company</u>	N'000	N'000
Morison Investment Limited	<u>9,800</u>	<u>9,800</u>

Morison Investment Limited, United Kingdom stopped providing technical and trade mark support to Morison Industries Plc on 15 June 2012 due to the non-approval of the renewal of the technical services and royalty agreement by the National Office for Technology Acquisition and Promotion. No amount was charged for the year ended 31 December 2019 (2018: Nil).

	2019 N'000	2018 N'000
(d) Accruals		
Wages	2,161	5,977
Chairman's allowance	1,500	1,900
Managing Director's allowance	-	636
Directors' fees	862	1,562
Electricity bills	-	583
Sundry accruals	11,390	9,863
Audit fees	3,100	3,300
Secretarial expenses	661	661
Professional fees	4,384	4,144
Nigerian Stock Exchange	1,299	962
Taxation expenses	4,620	4,620
Interest expense	2,313	2,313
	<u>32,290</u>	<u>36,521</u>
(e) Pension payable	N'000	N'000
Balance at the beginning of the year	76,328	31,505
Contributions for the year (Note 13(a))	5,179	8,779
Remittance during the year	(691)	(771)
Provision for pension penalty (Note 10)	-	36,815
Balance at the end of the year	<u>80,816</u>	<u>76,328</u>

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

(f) Other payables	N'000	N'000
Value Added Tax	4,630	4,608
Withholding Tax	3,995	2,996
PAYE	370	1,193
	<u>8,995</u>	<u>8,797</u>

22. Employees' benefits obligations	N'000	N'000
Balance at the beginning of the year	1,106	2,681
Payments during the year	(391)	(1,575)
Balance at the end of the year	<u>715</u>	<u>1,106</u>

The gratuity scheme has been cancelled hence no provision has been made in the books since 2015.

23. **Share capital**

(a) **Authorised share capital**

	31 December 2019		31 December 2018	
	Number	Value	Number	Value
	'000	N'000	'000	N'000
Ordinary shares of N0.50 each				
Balance at the beginning of the year	1,000,000	500,000	200,000	100,000
Additions during the year	-	-	800,000	400,000
Balance at the end of the year	<u>1,000,000</u>	<u>500,000</u>	<u>1,000,000</u>	<u>500,000</u>

(b) Issued and fully paid:

Ordinary shares of N0.50 each	31 December 2019		31 December 2018	
	Number	Value	Number	Value
Balance at the beginning of the year	989,161	494,580	152,180	76,090
Additions during the year	-	-	836,981	418,490
Balance at the end of the year	<u>989,161</u>	<u>494,580</u>	<u>989,161</u>	<u>494,580</u>

	2019	2018
	N'000	N'000
24. <u>Share premium</u>		
Balance at the beginning of the year	84,477	21,489
Additions during the year	-	62,988
Balance at the end of the year	<u>84,477</u>	<u>84,477</u>

	N'000	N'000
25. <u>Revenue reserve</u>		
Balance at the beginning of the year	(325,363)	(135,281)
Transfer from statement of comprehensive income	(104,720)	(190,082)
Balance at the end of the year	<u>(430,083)</u>	<u>(325,363)</u>

26. Loss per ordinary share

Loss per ordinary share is calculated by dividing net results attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	'000	'000
Loss for the year attributable to ordinary shareholders	<u>(104,720)</u>	<u>(190,082)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>989,161</u>	<u>989,161</u>
Loss per share (kobo)	<u>(11)</u>	<u>(19)</u>

27. Related party transactions

- (a) During the year, the Company did not carry out any transactions with Morison Investment Limited. The amount of outstanding balance at the year end are as disclosed in Note 21(c) to the financial statements.

28. Transactions with key management personnel

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

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

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

	2019	2018
	N'000	N'000
Short-term employee benefits	-	5,042
Defined benefits scheme cost	-	-
Contribution to compulsory Pension Fund Scheme	<u>895</u>	<u>504</u>
	<u>895</u>	<u>5,546</u>

29. **Substantial Interest in shares**

No individual shareholder other than Morison Investment Limited U.K. (6.15%), Mr. Richard O.Titiloye (5.19%), Leasing Partners Limited (12.81%), Brewshades Nigeria Limited (12.20%) and Topmost Asset management Ltd (10.24 %) held more than 5% of the issued share capital of the Company as at 31 December 2019.

30. **Financial Commitments**

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

31. **Contingent liabilities**

- The Company has a pending litigation brought against it by CPL Industries Limited which was filed on 20 December 2006.
- Judgement was delivered against Morison Industries Plc and the Federal High Court ruled that Morison Industries Plc should pay the sum of N10 million as general damages to CPL Industries Limited and also to pay the costs of the proceedings.
- Presently, the Company filed an application before the Court of Appeal. The Appeal was fixed for hearing and heard on 16 April 2019. The Court of Appeal has since reserved for Judgment. The Presiding Justice has been written in form of a reminder that Judgment is yet to be delivered
- In the opinion of the Solicitors, the Judgement and Order of the Federal High Court should not stand. Consequently, no provision has been made in these financial statements in respect of the legal actions as the Company awaits the proceedings of the Court of Appeal.

32. **Events after the reporting period**

The Directors are not aware of any events which occurred since 31 December 2019 which may have material effect on the financial statements at the date or which may need to be mentioned in the financial statements in order not to make them misleading as to the results of operations or financial position at 31 December 2019.

In compliance with the requirements of the Financial Reporting Council of Nigeria(FRC) and the Institute of Chartered Accountants of Nigeria(ICAN) in respect of COVID-19, the Directors have assessed its impact on the financial statements as a whole and are of the opinion that it has no material effect. Being a Company in the Health and Hygiene Sector, the Directors expect post COVID-19 era to be very bright for the Company. COVID-19 will reshape the Health and Development Institutions and there will be massive investment in Health Industry such as CBN Intervention Fund which the Company is expected to benefit from. Production of health equipment and products will be on the increase as a result of increase in demand. The Directors are of the opinion that the Company will have a good share of the market, as it specialises in disinfectants and antiseptics.

33. **Comparative figures**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year in accordance with International Accounting Standard (IAS) 1.

	2019		2018	
	N'000	%	N'000	%
Revenue	86,112		138,190	
Other operating income	<u>17,641</u>		<u>19,471</u>	
	103,753		157,661	
Less: Bought-in-materials and services:				
Local	(133,361)		(234,797)	
Foreign	-		-	
Value consumed	<u>(29,608)</u>	<u>(100)</u>	<u>(77,136)</u>	<u>(100)</u>
% Value consumed as a percentage of revenue	<u>(34)%</u>		<u>(56)%</u>	
Distributed as follows:				
To pay employees' salaries, wages and fringe benefits				
Wages, salaries and benefits	42,158	142	58,077	75
To pay providers of funds				
- interest expenses	-	-	24,195	31
To provide for maintenance of property, plant and equipment				
Depreciation of property, plant and equipment	32,523	110	29,226	38
To pay taxes to Government				
Taxation	431	1	1,448	2
Results for the year				
Loss for the year	<u>(104,720)</u>	<u>(353)</u>	<u>(190,082)</u>	<u>(246)</u>
	<u>(29,608)</u>	<u>(100)</u>	<u>(77,136)</u>	<u>(100)</u>

	2019	2018	2017	2016	2015
Statement of profit or loss					
	N'000	N'000	N'000	N'000	N'000
Revenue	<u>86,112</u>	<u>138,190</u>	<u>151,369</u>	<u>132,280</u>	<u>183,348</u>
Loss before taxation	(104,289)	(188,634)	(181,178)	(78,585)	(46,106)
Taxation	<u>(431)</u>	<u>(1,448)</u>	<u>-</u>	<u>-</u>	<u>(62,394)</u>
Loss after taxation	<u>(104,720)</u>	<u>(190,082)</u>	<u>(181,178)</u>	<u>(78,585)</u>	<u>(108,500)</u>
Statement of financial position					
	N'000	N'000	N'000	N'000	N'000
Non-current assets	313,548	344,346	338,487	347,429	337,050
Current assets	<u>134,190</u>	<u>195,527</u>	<u>204,859</u>	<u>65,467</u>	<u>85,691</u>
Total assets	<u>447,738</u>	<u>539,873</u>	<u>543,346</u>	<u>412,896</u>	<u>422,741</u>
Current liabilities	238,223	225,247	518,541	202,410	120,074
Non-current liabilities	<u>60,541</u>	<u>60,932</u>	<u>62,507</u>	<u>67,010</u>	<u>80,606</u>
Total liabilities	<u>298,764</u>	<u>286,179</u>	<u>581,048</u>	<u>269,420</u>	<u>200,680</u>
Net assets/(liabilities)	<u>148,974</u>	<u>253,694</u>	<u>(37,702)</u>	<u>143,476</u>	<u>222,061</u>
Equity					
Share capital	494,580	494,580	76,090	76,090	76,090
Share premium	84,477	84,477	21,489	21,489	21,489
Revenue reserve	<u>(430,083)</u>	<u>(325,363)</u>	<u>(135,281)</u>	<u>45,897</u>	<u>124,482</u>
Total equity	<u>148,974</u>	<u>253,694</u>	<u>(37,702)</u>	<u>143,476</u>	<u>222,061</u>