



**Kill the germs. Keep the home**

**MORIGAD +**

**GERMICIDE**  
A powerful all-purpose disinfectant

150ml

*...powerful guard against germs®*

Made by **MORISON** 28/30 Morison Crescent, Oregon Industrial Area, Ikeja  
Tel: (234)01-7747428, 4742573.

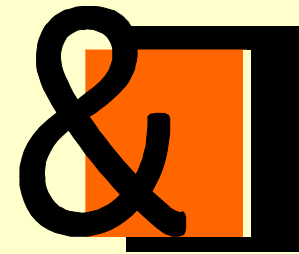
Powerful guard against germs. ® is a trademark of Morison Treatment, Plc.

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**2010**

**Annual Report**



**Accounts**



### VISION STATEMENT

Morison Industries Plc aspires to be a leading healthcare company in Nigeria and among the top three performing stocks under the healthcare sector on the Nigerian Stock Exchange. We aim to put a Morison brand product in every home in Nigeria and a Morison marketed product in every Medical Institution, Hospital, Clinic and Pharmacy nationwide.

### MISSION STATEMENT

To manufacture and market excellent quality healthcare products, ensure adequate returns to stakeholders, maintain a fulfilled work force while upholding a high level of integrity.

### QUALITY POLICY

Morison Industries Plc will manufacture and distribute excellent quality hygiene and health care products that will be made available to our valued customers promptly and regularly. These will meet their requirements, surpass their expectation and give value for money.

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**DIRECTORS:**

Mr. Julius O. Titiloye	- Chairman
Mrs. A. Olusola Popoola	- Managing Director/Chief Executive Officer
Engineer Charles A. Osezua oon	- Non-Executive Director
Amb. (Prof.) Dew T. Mayson (Liberian)	- Non-Executive Director
Senator Muhammed A. Muhammed OFR	- Non-Executive Director
Mr. Robert J. Lyons (British)	- Non-Executive Director
Mr. J. Dayo Lawuyi MON (Appointed July 2011)	- Independent Non-Executive Director

**ACTING COMPANY SECRETARY:**

Mrs. Adebola O. Ajanaku

**REGISTERED OFFICE:**

28/30 Morison Crescent,  
Oregun Industrial Area,  
Ikeja, Lagos.  
Tel: 01-8197669, 7747428  
E-Mail: miplc@morison-nig.com;  
Website: www.morison-nig.com

**COMPANY REGISTRATION NO.:** RC 1274

**AUDITORS:**

Akintola Williams Deloitte  
235, Ikorodu Road,  
Ilupeju,  
Lagos.

**REGISTRAR AND TRANSFER OFFICE:**

City Securities (Registrars) Limited  
Primrose Towers  
17A Tinubu Street  
Lagos.

**SOLICITORS:**

S. B. Joseph & Co.  
140, Bornu Way, Ebute Metta  
Lagos.

**MAIN BANKERS:**

Ecobank Nigeria Plc.  
Stanbic IBTC Bank Plc  
Union Bank of Nigeria Plc.

NOTICE IS HEREBY GIVEN that the 56th Annual General Meeting of MORISON INDUSTRIES PLC will be held at the Company's Premises 28/30 Morison Crescent, Oregun Industrial Area, Ikeja, Lagos on Tuesday 13th September 2011 at 11.00a.m to transact the following business:

**ORDINARY BUSINESS**

1. To receive and consider the Audited Financial Statements for the year ended 31st December, 2010 and Report of the Directors, Auditors and Audit Committee thereon.
2. To elect / re-elect Directors
3. To authorise the Directors to fix the remuneration of the Auditors.
4. To elect members of the Audit Committee.

**SPECIAL BUSINESS**

1. To approve the remuneration of the Directors.

**NOTES****1. PROXY**

A member who is entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote on his behalf and such proxy need not be a member of the company. All instruments of proxy duly stamped should be deposited at the office of THE REGISTRAR, CITY SECURITIES (REGISTRARS) LTD. Primrose Towers, 17A Tinubu Street, Lagos not later than forty-eight (48) hours before the time of holding the meeting.

**2. CLOSURE OF REGISTER**

The Register of Members and Transfer Books of the company will be closed from Monday 22nd August, 2011 to Friday 26th August, 2011 both dates inclusive.

**3. NOMINATION FOR THE AUDIT COMMITTEE**

In accordance with Section 359 (5) of the Companies and Allied Matters Act 1990, all nominations of members for appointment to the Audit Committee should reach the COMPANY SECRETARY at least 21 days before the date of the Annual General Meeting.

**BY ORDER OF THE BOARD**

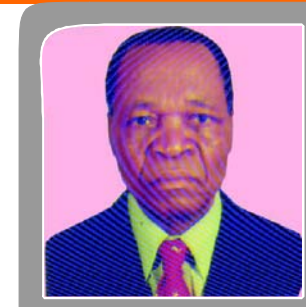
**Adebola O. Ajanaku (Mrs.)**

**Acting Company Secretary & Compliance Officer**

**25th July, 2011**

	2010 N'000	2009 N'000	%Inc./Dec.)
Turnover	270,227	270,330	( 0.04)
Loss before taxation	(33,682)	(20,452)	65
Taxation	555	( 405)	237
Loss After Taxation transferred to General Reserve	(33,127)	(20,857)	59
Share Capital	76,090	76,090	-
Shareholders' Funds	403,394	436,476	(7.59)
<b>Per Share Data (Kobo):</b>			
Loss - Basic	(22)	(14)	57
Stock Exchange quotation as at 31 December	10.54	11.25	(6.30)
Number of employees as at 31 December	60	69	(13.04)

Fellow Shareholders,  
Members of the Board of Directors,  
Company Advisers,  
Representatives of Regulatory Bodies,  
Ladies and Gentlemen,



I welcome you all to the 56<sup>th</sup> Annual General Meeting of our Company where the Directors' Report and financial statements for the year ended 31<sup>st</sup> December 2010 will be presented to the members of our company. Before I proceed to this however, I would like to briefly review the business and economic environment under which the company operated during the period.

#### **BUSINESS ENVIRONMENT**

The adverse effect of the world financial crisis on the economy continued to impact the manufacturing companies during the year. In the Nigerian situation, this was coupled with the effect of the reform embarked upon by the Central Bank of Nigeria where the lending activities to the real sector was almost non-existent and based on unimaginable conditions precedent to the granting of credit facilities as evidenced in the significant reduction in liquidity levels in the economy and purchasing power of a large percentage of the populace. The resultant changes in demand for goods and spending habits of consumers were felt in different degrees by business organisations all over the country.

The year 2010 commenced on a dreary note for the company given the peculiarity of its line of business and with reduced patronage from medical institutions across the country. This was as a result of the industrial actions experienced in the various medical institutions at different times during the year and instability in the political arena.

These and other challenges of unresolved power problems, inflation, fluctuating exchange and interest rates, poor infrastructure for distribution and transportation, as well as under-capitalisation of the company did not provide the company an enabling environment for the desired improvement in its overall performance.

#### **OPERATING RESULTS**

The hostile operating conditions under which the company operated in the year under review meant that we were at a loss position by the end of the year 2010. There was a slight decline in the turnover from N270,330,000.00 in 2009 to N270,227,000.00 achieved for the year 2010. This represented 0.04% decrease from the previous year. The loss after adjusting for tax was N33,127,000 compared with the loss of N20,857,000 in year 2009.

There was an unlawful execution of the judgement against the company in the case of CPL Industries Limited vs. Morison Industries Plc (FHC/L/CS/163/96) to the tune of N10 million for which full provision had been made in our books. The liability has been fully discharged though the case is still at the Court of Appeal.

#### **DIVIDEND**

The company's position was not considered favourable for payment of dividend. The directors were therefore not in a position to recommend payment of dividend to the members of the company.

#### **OUR FUTURE PROSPECTS**

Efforts are in full gear to ensure the company obtains the much needed financial assistance for acquisition of modern equipment and overall upgrade of the factory. This has become imperative in the face of stiff competition in the industry.

Your Board is convinced that the company's business is profitable and does believe that the low result is attributable to the transition period of the change where the organogram needed to realize the vision and the improved turnover is not yet completely in place.

It is hoped that the restructuring exercise which is to affect the entire company structure and has now reached an advanced stage, shall bring back the good fortunes of the company in the shortest possible time.

We have also in the course of the year been appointed sole agents in Nigeria for the importation and distribution of the medical products of Heraeus Medical, the world leaders in the manufacture of bone cement and bone graft substitute and distributors for Braun and Co, U.K. These are in addition to our other portfolio of being agents for surgical & medical equipment, instruments and consumables from world leaders in their business categories like Smith+Nephew Ltd, BSN Medical and DeSoutter Ltd. Also, we have signed contract manufacture agreements with two other companies to produce their own labels products for sale by them.

The Board and Management are committed to developing and reviewing the growth strategies and plans to ensure the company remains a going concern.

Meanwhile, it is important that we bear in mind the desperate need for fresh injection of capital into our company to enable management maximise the use of opportunities which are open to them in the pharmaceutical sector when favourable conditions begin to prevail in the capital market.

#### **BOARD OF DIRECTORS**

We continue to strengthen the Board for the current challenges of this period and wish to assure you of the commitment of the Board to continuity and good governance.

Since the last Annual General Meeting, Mr. J. D. Lawuyi MON was appointed to the Board of Directors with effect from 1<sup>st</sup> July, 2011 as an Independent non-Executive Director (INED). We are pleased to have Mr. Lawuyi on Board as he brings a wealth of experience in corporate finance and good leadership to the Board. In accordance with Article 95 of the company's Articles of Association, Mr. Lawuyi will retire at this meeting and present himself for election.

Also, in accordance with the company's Articles of Association, Professor D. T. Mayson and Engineer C. A. Osezua OON would retire by rotation at this Annual General Meeting and being eligible, would offer themselves for re-election.

Prof. D.T Mayson, representing Morison Investment Ltd on our Board has been adopted as the Presidential candidate of the National Democratic Coalition (NDC) of Liberia for the forth coming election. I am sure you join me to wish him well.

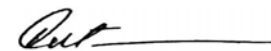
I attained the age of seventy a few years ago and then expressed my desire to retire to the Board. I do intend to give my notice to your Board in order to actualise this desire before the next Annual General Meeting.

#### **CONCLUSION**

On behalf of my colleagues on the Board, I sincerely appreciate your tremendous support and understanding of the current position of the company.

Be assured that all hands are on deck to ensure the successful execution of strategies and plans for the sustenance of shareholder value.

Thank you and God bless you all.



**JULIUSO. TITILOYE**  
**CHAIRMAN**



**A. Olusola Popoola (Mrs)**  
*Managing Director / CEO*

The Directors hereby present the Annual Report with the Audited Financial Statements for the year ended 31st December 2010.

1. **Legal Form**

The Company was incorporated in Nigeria as a Private Limited Liability Company on 29 June 1955 and it commenced business on the same day. It converted to a Public Quoted Company in 1978. Morison Investments Limited, UK, and Nigerian citizens own 40% and 60% respectively of the issued share capital of the Company.

2. **Principal Activities**

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

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

**BSN Medical** is a worldwide healthcare company involved in the manufacturing and marketing of quality medical/orthopaedic products, consumables and devices.

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

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

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

3. **Trading Results**

The result for the year ended 31st December 2010 is summarised below:

	<b>2010</b>	<b>2009</b>
	<b>N'000</b>	<b>N'000</b>
Loss before taxation	(33,682)	(20,452)
Taxation	(555)	(405)
Loss after taxation transferred to General Reserve	<u><u>(33,127)</u></u>	<u><u>(20,857)</u></u>

4. **Dividend**

The Directors are unable to recommend the payment of a dividend this year as the Company's performance and position are not favourable for such.

5. **Board of Directors**

(a) The names of the Directors are as listed on page 3.

(b) The composition of the Board of Directors was strengthened with the appointment of Mr. J. Dayo Lawuyi MON as an Independent Non-Executive Director (INED) with effect from 1<sup>st</sup> July, 2011. In accordance with Article 95 of the Company's Articles of Association, his term expires but being eligible offers himself for election at the general meeting.

**Brief Information on Mr. J. Dayo Lawuyi MON**

Mr. J. Dayo Lawuyi was appointed as an Independent Non-Executive Director (INED) of the company in July 2011. Mr. Lawuyi who also chairs the Board of DN Tyre & Rubber Plc (formerly Dunlop Nigeria Plc) is the Chairman of Grange Education Limited (owner of Grange Schools) and Reward Investment & Services Limited. Prior to his appointment as Chairman of Dunlop Nigeria Plc, Mr. Lawuyi had served as a Director, Deputy Managing Director and Managing Director of the same Company. Prior to joining Dunlop Nigeria Plc, he was the Financial Controller and

Director of Hagemeyer Nigeria Limited (now DN Meyer Plc), an Adviser to Haco Industries Kenya, the Planning Manager of Rank Xerox, a Consultant at Copper & Lybrand Consultants (now PricewaterhouseCoopers), Financial Manager of Michelin Group in Nigeria and the Planning Accountant of Berger Group. Mr. Lawuyi is a Fellow of the Chartered Association of Certified Accountants of the United Kingdom (FCCA) as well as a Fellow of the Institute of Chartered Accountants of Nigeria (FCA). He is also a member of the Society for Corporate Governance Nigeria.

- (c) In accordance with Articles 90 and 92 of the Company's Articles of Association, Professor D. T. Mayson and Engineer C. A. Osezua OON retire by rotation and being eligible offer themselves for re-election.

6. **Director's Interests**

- (a) The Directors' interests in the Issued Share Capital of the Company as recorded in the Register of members for the purpose of **Section 275 of the Companies and Allied Matters Act 1990** are as follows:

	As at 31/12/10	As at 31/12/09
	Number of Shares	Number of Shares
Mr. Julius O. Titiloye	8,195,437	8,195,437
Mrs. A. Olusola Popoola	3,749,789	3,739,789
Engr. Charles A. Osezua OON	3,723,066	3,723,066
Prof. Dew T. Mayson	1,120,666	1,120,666
Senator Muhammed A. Muhammed OFR	413,114	413,114
Mr. Robert J. Lyons	Nil	Nil

- (b) None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act 1990 of any declarable interest in contracts with which the Company is involved up to 31st December 2010.

7. **Record of Directors' Attendance**

In accordance with Section 258 (2) of the Companies and Allied Matters Act 1990, the record of the Directors' attendance at Directors' meetings during the year is available for inspection at the Annual General Meeting.

8. **Directors' Responsibilities**

The Directors are responsible for the preparation of the financial statements

which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss for that period, and comply with the Companies and Allied Matters Act 1990. In doing so they ensure that:

- proper accounting records are maintained;
- internal control procedures are instituted which as far as is reasonably possible, safeguard the assets and prevent and detect fraud and other irregularities;
- applicable accounting standards are followed;
- suitable accounting policies are adopted and consistently applied;
- judgments and estimates made are reasonable and prudent; and
- the going concern basis is used unless it is inappropriate to presume that the Company will continue in business.

9. **Analysis of Shareholding**

- (a) According to the Register of members, Morison Investments Limited U.K. and the Chairman of the Board Mr. J. O. Titiloye held more than 5% in the issued share capital of the Company as at 31st December 2010.

- (B) The Range Analysis of the shareholding as at 31st December 2010 is as below:

Range	No. of Holders	Percent(%)	Units	Percent(%)
1 - 500	232	7.33	64,194	0.04
501 - 1000	190	6.01	149,073	0.10
1,001 - 5,000	1,543	48.78	3,238,342	2.13
5,001 - 10,000	397	12.55	2,604,179	1.71
10,001 - 50,000	604	19.10	11,742,801	7.72
50,001 - 100,000	74	2.34	5,204,275	3.42
100,001- 500,000	93	2.94	20,955,453	13.77
500,001- 1,000,000	17	0.54	12,058,949	7.92
1,000,001 - 5,000,000	11	0.35	27,094,547	17.80
5,000,001 - 10,000,000	1	0.03	8,195,437	5.39
10,000,001 - 152,178,750	1	0.03	60,871,500	40
<b>GRAND TOTAL</b>	<b>3,163</b>	<b>100</b>	<b>152,178,750</b>	<b>100</b>

10. **Fixed Assets**

Movements in the Company's fixed assets during the year are shown in Note 6 on page 32 of this Annual Report and in the opinion of the Directors, the estimated market value of the Company's assets is not less than the value shown in the financial statements.

11. **Donations**

The following amounts have been given by way of donations during the year ended 31st December 2010:

	N
1. Association of Lady Pharmacists	56,746.00
2. Motherless Babies Home, Ibadan	34,413.18
3. Rotary International District 9110	22,000.00
4. Oluyole Cheshire home	<u>37,064.00</u>
<b>TOTAL</b>	<b><u>150,223.18</u></b>

12. **Technical Know-How Agreement**

A Technical Know-How and Trademark License Agreement exists between the Company and Morison Investments Limited, UK. Morison Investments Limited continues to provide technical and trademark support to Morison Industries Plc under a Technical Services and Royalty Agreement approved by the National Office for Technology Acquisition and Promotion (NOTAP). The agreement provides for a fee of 1% Net Sales. This Agreement is renewable every three to four years subject to the approval of NOTAP.

13. **Research and Development**

The Company is continually engaged in the development of new products and improvement of its products to ensure increased market acceptability and compliance with the specific demands of its customers. The stages of product cycle are also under constant watch.

14. **Major Distributors and Key Accounts**

The Company's products are distributed through a network of Distributors located in major cities and towns all over the country. Some of the Distributors and Institutional Customers are listed below:

**SOUTHWEST**

**Abinikky Nigeria Limited**

62, Falolu Street, Surulere, Lagos State

**C. U. Pedro Ventures**

203/149B, Agege Motor Road  
Mushin-Lagos.

**R. O. Arowogbola Enterprises**

26, Docemo Street  
Lagos.

**Tessy Mosunmola & Co.**

13, Upper Offin Lane,  
Lagos.

**DC & C Multiscope Ltd**

Express Building  
Ring Road, Ibadan.

**SOUTH SOUTH**

**Airen Pharmacy**

87, Sapele Road  
Opposite Ministry of Works  
Benin City, Edo State.

**SOUTH EAST**

**Bertsons Limited**

47, Chime Avenue,  
New Haven,  
Enugu State.

**NORTH CENTRAL**

**Dilimi Central Pharmacy**

5/7 Sarki Street  
Opposite Massalacin Dilimi  
Jos, Plateau State.

**Living Stone Pharmaceutical Ltd**

Suite B3 Kado Multipurpose  
Shopping Complex,  
Kado Housing Estate, Abuja FCT .

**Garu Pharmacy Limited**

1, Wunti Gate  
Bauchi State.

**SOUTH SOUTH**

**University of Benin Teaching  
Hospital Benin City.**

**Federal Medical Centre**

Yenagoa, Bayelsa State.

**University of Port Harcourt  
Teaching Hospital**

Port Harcourt , Rivers State.

**SOUTH WEST**

**Federal Medical Centre**

Owo, Ondo State.

**Federal Medical Centre**

Abeokuta, Ogun State.

**Lagos State University Teaching Hospital**

Oba Akinjobi Street, Ikeja, Lagos.

**National Orthopaedic Hospital**

Igbobi-Lagos.

**Lagos University Teaching Hospital**

Idi-Araba, Lagos.

**Ogun State University  
Teaching Hospital**

Hospital Road, Sagamu, Ogun State.

**Obafemi Awolowo University Teaching  
Hospital**

Ile-Ife, Osun State

**University College Hospital**

Ibadan, Oyo State



**Ladoke Akintola University Teaching Hospital**  
Osogbo, Osun State.

**SOUTH EAST**

**Federal Medical Centre**  
Owerri, Imo State.

**Nnamdi Azikiwe University Teaching Hospital**  
Nnewi, Anambra State.

**National Orthopaedic Hospital**  
Enugu.

**NORTH WEST**

**Uthman Dan Fodio University**

**Teaching Hospital**  
Sokoto, Sokoto State.

**Aminu Kano Teaching Hospital**  
Kano.

**Ahmadu Bello University Teaching Hospital**  
Zaria, Kaduna State.

**Federal Medical Centre**  
Gusau, Zamfara State.

**National Orthopaedic Hospital**  
Dala-Kano  
Kano State.

**NORTH CENTRAL**  
**Federal Medical Centre**  
Bida, Niger State.

**Gwagwalada Specialist Hospital**  
Abuja.

**Jos University Teaching Hospital**  
Jos, Plateau State.

**Federal Medical Centre**  
Keffi, Nasarawa State.

**National Hospital**  
Plot 132 Central District (Phase II)  
Garki-Abuja.

**NORTH EAST**

**University of Maiduguri Teaching Hospital**  
Borno State.

**Federal Medical Centre**  
Azare, Bauchi State.

**State Specialist hospital**  
Gombe State.

**Federal Medical Centre**  
Nguru, Yobe State.

15. **Major Suppliers**

(a) **Overseas**

Braun and Company Limited, UK.  
BSN Medical (Pty) Limited, South Africa.  
Cayley Chemical Corporation, UK.  
DeSoutter Medical Ltd, UK.  
Hastand Export Marketing PVT Ltd, India.  
Heraeus Medical GmbH, Germany.  
Smith & Nephew Ltd. U.S.A./South Africa/Germany.

(b) **Local**

Avon Crown Caps & Containers (Nig.) Plc, Lagos.  
Enkay Plastics Limited, Ota.  
Eskay Industries Limited, Ota.  
Hamofad Business Ventures, Lagos.  
Khushbu Waters Limited, Ota.  
Nigerian Carton Packaging Manufacturing Company Limited, Lagos.  
Nosak Distilleries Limited, Lagos.  
Poly Products Plc, Lagos.  
Roto Print Limited, Ota.

The Company obtains all its materials at an arm's length from all its suppliers.

16. **Personnel**

(a) **Employment of Disabled Persons**

It is the policy of the Company that there is no discrimination in considering applications for employment including those from disabled persons. All employees whether or not disabled are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers. As at 31st December 2010, there was no disabled person in the employment of the Company.

(b) **Health Insurance Scheme**

The Company is operating the new National Health Insurance Scheme where by the services of a Health Maintenance Organization (HMO) with

a wide network of hospitals across the country was employed to provide medical treatment for all employees and members of their immediate families.

(c) **Employees' Welfare**

Incentive schemes designed to meet the circumstances of each individual are implemented wherever appropriate and some of these schemes include bonus, promotions, salaries and wages review. The work environment is also maintained to be conducive for all employees.

(d) **Employee involvement in Training**

The Company attaches great importance to training and all categories of staff attended courses or seminars of various Training centers during the year. This is in addition to "on-the-job" training. The Company is committed to keeping employees fully informed as much as possible regarding its performance and progress and to seeking their views wherever practicable on matters which particularly affect them as employees.

Management, Professional and Technical expertise are the Company's major assets and investments in developing such skills continue in order to realise the goals of the Company.

The Manpower development programme has been broadened to create improved prospects within the organisation. INVOCOM meetings are held regularly as scheduled with the various Company teams. Employees are informed of current/future plans as well as the problems and fortunes of the Company during these meetings. This forum also affords employees the opportunity to make useful contributions towards achieving the goals and objectives of the Company.

(e) **Health and Safety**

The Company is committed to establishing and maintaining a healthy and safe workplace for all its employees. The activities of the Company are also conducted in an environmentally responsible manner to ensure the health and safety of all people in the vicinity of its operations. The Company's Health and Safety programme covers areas such as premises and housekeeping; mechanical, electrical and personal safeguarding; fire protection and prevention; accident recording and investigation; and

health and safety responsibilities. The Company also has in place a system of accident/incident reporting and investigation in compliance with the Workmen's Compensation Act 2004.

17. **CORPORATE GOVERNANCE REPORT**

The business environment today requires continuous assurance to investors of the safety of their investments and guarantee of a fair return.

Morison Industries Plc is committed to adopting international best corporate governance practices with a view to attracting both foreign and local investors. The Company complies with the requirements of the Code of Best Practices on Corporate Governance in Nigeria. This compliance drive is evident in the restructuring of the Board Committees and in some other areas reviewed below.

**Board Structure**

The Company is run by a Board of six (6) Directors made up of one Executive Director and five Non-executive Directors including the Chairman who heads the Board. The roles of the Chairman and the Managing Director / Chief Executive Officer are distinct and the two positions are held by different persons.

The Non-executive Directors are seasoned Professionals with track record of commitment, devotion to standards, excellence and ethical conduct.

None of the Directors has any declarable interest in contract as well as business or other relationship, which could impair the exercise of independent and fair judgment.

The Board has a formal schedule of matters reserved for its decision and its yearly meetings are scheduled to align with these objectives.

The Board gives overall direction, strategy and management to the Company while overall responsibility for implementing the policies of the board is vested in the Executive Director. The Board ensured that the Company objectives were met during the year.

The Board met three (3) times during the course of the year under review. Notice of meeting, Agenda and Board papers are usually circulated at least a week in advance of such meetings.

**Board Committees**

By the company's Articles of Association, Directors may delegate their powers to Committees as they think fit. Such Committees are required to exercise their delegated powers in conformity with the regulations laid down by the Board.

During the year ended 31st December 2010, the Board reviewed the composition of its Committees to aid their efficiencies. All the Committees have written terms of reference to guide them in the performance of their duties. Each Committee reports to the Board of Directors and provides recommendations to the Board when necessary on matters requiring Board approval.

Prior to the reconstitution, the Committees met once (1) during the year 2010 except the Nomination committee which meets when a new nomination is made for Board consideration.

The Committees and details of their new membership are stated below:

<b><u>Committees</u></b>	<b><u>Membership</u></b>	<b><u>Status</u></b>
1. Nomination	Mr. Robert Lyons Senator M. A Muhammed OFR Engineer C. A. Osezua OON Mrs. A. O. Popoola	Chairman Member Member Member
2. Establishment & Remuneration	Engr. C. A. Osezua OON Senator M. A. Muhammed OFR Professor D. T. Mayson	Chairman Member Member
3. Finance, General Purpose and Risk Management	Senator M. A. Muhammed OFR Professor D. T Mayson Engineer C. A. Osezua OON Mrs. A. O. Popoola	Chairman Member Member Member

**Board Appointments and Induction**

The Nomination Committee of the Board is responsible for reviewing the structure, composition and size of the Board in relation to the Board's effectiveness, performance and needs. A profile of a suitable candidate is developed. The Committee carries out necessary checks on the candidate with respect to qualifications and competencies, disqualification under the law, personal characteristics, status and area of responsibility of the Director, current

directorships and appointments in the preceding 5 years, shareholding in the Company as well as any potential conflict of interest. A candidate is thereafter selected for consideration and/or approval of the Board.

A new Director is required to undergo an induction programme in which details of the Company's structure and business activities are given and relevant information provided to assist the new Director in effectively discharging his/her duties.

**Internal Control**

The Directors have the overall responsibility for ensuring the Company maintains a sound system of internal controls. The Company's Internal Audit Unit performs an independent assessment of the effectiveness of internal controls and procedures on a regular basis.

**Enterprise Risk Management**

The Company has a risk management framework which highlights the scope of risks relating to the Company's activities which are Regulatory, Financing, Credit, Reputational, Compliance and Operational risks. The aim is to put in place policies and strategies for responding to specific risks which are within the Company's risk appetite. The evolving nature of risks necessitates regular review of the effectiveness of each risk management component.

**Financial Reporting and Audit**

The Directors are responsible for the preparation and fair presentation of the financial statements. Thus, the overall integrity of the Company's Financial Reporting lies with the Directors.

In effectively discharging this function, the Board is assisted by an Audit Committee and a firm of independent Auditors who have no business or other relationship with the Company.

The Audit Committee meets in the course of each year, to review the audit scope and plan, review the state of internal controls & corporate governance and also consider the draft financial statements.

The current composition of the Audit Committee comprises of two Non-executive Directors and two Shareholders representatives

<u>Names</u>	<u>Status</u>	<u>Attendance/Meetings held</u>
Chief Timothy A. Adesiyan	Chairman	3/3
Mr. D. I. Adefehinti	Member	3/3
Senator M. A. Muhammed (OFR)	Member	2/3
Mr. Robert J. Lyons (or Alternate)	Member	3/3

**Whistle-blowing Policy**

The Whistle-blowing Policy for use of the company is to be adopted upon approval by the Board in line with the new Code of Corporate Governance.

18. **Code of Conduct**

The Company has in place a Code of Conduct for employees as well as a statement of the company's Core Values. These serve as guide to all employees in their business and official relations. As representatives of international organisations, we are guided in our business practices by International Codes of Conduct which are reviewed and our compliance monitored regularly. In the course of the year 2010, our Managing Director / Chief Executive Officer successfully concluded the training course on Code of Conduct and Interactions with Health Care Providers and Government Officials.

19. **Auditors**

Akintola Williams Deloitte have been engaged on the audit of the Company's accounts for over 10 years. They are required to be disengaged in accordance with the Code of Corporate Governance for Public Companies in Nigeria, to which due consideration would be given in the course of the year.

However, in accordance with Section 357(2) of the Companies and Allied Matters Act, 1990 Akintola Williams Deloitte have indicated their willingness to continue in office as Auditors of the Company. A Resolution will be proposed authorising the Directors to determine their remuneration.

By Order of the Board



ADEBOLA O. AJANAKU (MRS.)

Acting Company Secretary

25th July 2011.

We have audited the accompanying financial statements of **Morison Industries Plc**, set out on pages 24 to 42 which comprise the balance sheet as at 31 December 2010, the income statement, statement of cash flows, statement of value added for the year then ended, a summary of significant accounting policies, financial summary and other explanatory information.

**Directors' Responsibility for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Act, Cap C20, LFN 2004, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Morison Industries Plc** as at 31 December 2010, and of its financial performance and its cash flows for the year then ended; the company has kept proper books of account, which are in agreement with the balance sheet and income statement, in the manner required by the Companies and Allied Matters Act, Cap C20, LFN 2004, and, in accordance with the Statements of Accounting Standards issued by the Nigerian Accounting Standards Board.



Chartered Accountants

Lagos, Nigeria

25 July 2011



We the Audit Committee Members of Morison Industries Plc in accordance with the statutory requirements of Section 359 (6) of the Companies and Allied Matters Act Cap C 20 Laws of the Federation of Nigeria 2004 have carried out the following functions:

1. Reviewed the scope and planning for the audit for the year ended 31st December 2010.
2. Confirmed that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.
3. Reviewed the External Auditors' recommendations on accounting procedures and Internal Control and Management's responses thereon.

In our opinion, the Auditors report is consistent with our view of the scope and planning of the audit for the year ended 31 December 2010. We are satisfied that the accounting policies of the Company are in accordance with legal requirements and agreed ethical practices. The Management's responses to the Auditors findings were satisfactory. We are also satisfied with the Management's responses to the challenges that faced the Company in the year 2010.



**CHIEF T. A. ADESIYAN**  
**CHAIRMAN, AUDIT COMMITTEE**

11 JULY 2011.

**MEMBERS OF THE AUDIT COMMITTEE**

1. Chief T. A. Adesiyan
2. Mr. D. I. Adefehinti
3. Senator M. A. Muhammed OFR
4. Mr. R. J. Lyons

Mrs. A. O. Ajanaku served as Secretary to the Committee.

The following are the summary of significant accounting policies adopted by the company in the preparation of its financial statements:

**1. BASIS OF ACCOUNTING**

The financial statements are prepared under the historical cost basis as modified by the revaluation of leasehold land and buildings.

**2. TURNOVER**

Turnover represents the value of goods invoiced to third parties, net of Value Added Tax. Revenue is recognised when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

**3. FIXED ASSETS**

Fixed assets are stated at cost or valuation less accumulated depreciation.

**4. DEPRECIATION**

Depreciation is provided to write off the cost or valuation of the fixed assets using the straight-line method over the expected useful lives at the following annual rates:

	%
Leasehold property	- Over the life of the lease
Plant, machinery and equipment	- 10
Computers	- 33 $\frac{1}{3}$
Motor vehicles:	
- Delivery vans	- 33 $\frac{1}{3}$
- Cars	- 25

**5. STOCKS**

Stocks are stated at the lower of cost and net realisable value, after making allowance for slow-moving and redundant items. Cost comprises direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Work-in-progress is stated at lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and Distribution.

**6. DEBTORS**

Trade and other debtors are stated after deduction of specific provision for debts considered doubtful of recovery.

**7. FOREIGN CURRENCIES**

Transactions in foreign currencies are recorded in Naira at the rates of exchange ruling at the date of the transactions. Assets and liabilities denominated in foreign currencies are converted to Naira at the applicable rates of exchange at the balance sheet date. Gains and losses arising therefrom are recognised in the profit and loss account.

**8. TAXATION**

Income and education taxes are provided on taxable and assessable profits respectively at the current rates.

**9. DEFERRED TAXATION**

Provision for deferred tax is made by the liability method and calculated at the current rate of taxation on the difference between the net book value of qualifying fixed assets for capital allowance and their corresponding tax written down values.

**10. PENSION FUND AND GRATUITY SCHEME**

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, which is funded by contributions from employees and the Company at 7.5% each of employee's basic, transport and housing allowances, is consistent with the provisions of the Pension Reform Act 2004.

In addition, full provision is made in the financial statements for liabilities at the Balance Sheet date in respect of employees' terminal gratuities based on staff conditions of service.

**11. PROVISIONS**

Provisions are recognised when the company has 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.

**12. FINANCE LEASE**

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

Assets on operating lease are accounted for over the lease period and the rentals are accrued evenly over the respective period of the lease and treated as expenses in the profit and loss accounts.

**13. SEGMENT REPORTING**

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

**14. EARNINGS PER SHARE**

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

**15. DIVIDENDS**

Dividends to shareholders are recognised as liabilities only when declared and approved by the shareholders at the Annual General Meeting.

**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED 31 DECEMBER 2010

**BALANCE SHEET AS AT 31 DECEMBER 2010**

	Note	2010 N'000	2009 N'000
Turnover	2	270,227	270,330
Cost of sales		<u>(164,320)</u>	<u>(152,804)</u>
Gross profit		105,907	117,526
Distribution expenses		(51,817)	(52,504)
Administration expenses		(92,839)	(91,798)
Other operating income	3	<u>5,067</u>	<u>6,324</u>
Loss before tax	4	( 33,682)	(20,452)
Taxation	5	555	(405)
Loss after taxation		<u>          </u>	<u>          </u>
transferred to revenue reserve	19	<u><b>(33,127)</b></u>	<u><b>(20,857)</b></u>
<b>Per share data (kobo):</b>			
Loss	27	<u>(22)</u>	<u>(14)</u>

*The accounting policies on pages 24 to 26 and the explanatory notes on pages 30 to 40 form part of these financial statements.*

	Note	2010 N'000	2009 N'000
<b>FIXED ASSETS</b>	6	363,295	383,034
<b>FINANCE LEASED ASSETS</b>	7	<u>5,286</u>	<u>11,432</u>
		<u>368,581</u>	<u>394,466</u>
<b>CURRENT ASSETS</b>			
Stocks	8	74,818	83,741
Trade debtors	9	91,691	90,190
Other debtors and prepayments	10	17,747	16,679
Bank and cash balances		<u>4,876</u>	<u>8,028</u>
		<u>189,132</u>	<u>198,638</u>
<b>CREDITORS: Amount payable within one year</b>			
Trade creditors		26,530	37,564
Obligations under finance lease	11	732	6,351
Taxation	5	1,544	1,544
Due to related company		42,762	28,862
Other creditors and accruals	12	48,644	46,654
Dividend payable	13	<u>5,169</u>	<u>5,169</u>
		<u>125,381</u>	<u>126,144</u>
NET CURRENT ASSETS		<u>63,751</u>	<u>72,494</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		432,332	466,960
Deferred taxation	14	(7,093)	(7,648)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Obligations under finance leases	11	-	(1,528)
Staff Gratuity	15	(21,890)	(21,308)
		<u>403,349</u>	<u>436,476</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	16	76,090	76,090
Revaluation reserve	17	330,289	330,289
Share premium	18	21,489	21,489
Revenue reserve	19	<u>(24,519)</u>	<u>8,608</u>
		<u>403,349</u>	<u>436,476</u>

The financial statements on pages 24 to 42 were approved by the Board of Directors on 25 July 2011 and signed on its behalf by:

 }  
 } DIRECTORS

*The accounting policies on pages 24 to 26 and the explanatory notes on pages 30 to 40 form part of these financial statements.*

	Note	2010 N'000	2009 N'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		273,193	260,559
Cash paid to employees and suppliers		(268,466)	(230,155)
Value added tax paid		585	(314)
Taxes paid	5	-	(4,447)
Net cash provided by operating activities	22	<u>5,312</u>	<u>25,643</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets	6	(1,917)	(4,654)
Initial payment on financed leased assets		-	(1,438)
Proceeds on disposal of fixed assets		600	600
Net cash provided by investing activities		<u>(1,317)</u>	<u>(5,492)</u>
<b>Cash flows from financing activities</b>			
Finance Lease Payment	11	(7,147)	(7,995)
Dividend paid		-	(7,313)
Net cash provided by financing activities		<u>(7,147)</u>	<u>(15,308)</u>
<b>Net(decrease)/increase in cash and cash equivalents</b>		<u>(3,152)</u>	<u>4,843</u>
Cash and cash equivalents at 1 January		<u>8,028</u>	<u>3,185</u>
<b>Cash and cash equivalents at 31 December</b>	23	<u><b>4,876</b></u>	<u><b>8,028</b></u>

**1. The Company**

**1.1 Legal Form**

The Company was incorporated in Nigeria as a Private Limited Liability Company on 29 June 1955 and it commenced business on the same day. It was converted to a Public Quoted Company in 1978. Morison Investments Limited, UK, and Nigerian citizens own 40% and 60% respectively of the issued share capital of the company.

**1.2. Principal Activities**

The Company is engaged in the production and marketing of pharmaceuticals, hygiene products and the importation and distribution of medical surgical and hospital consumables

	2010			2009		
	Turnover N'000	Cost of Sales N'000	Gross Profit N'000	Turnover N'000	Cost of Sales N'000	Gross Profit N'000

**2. Turnover and Profit**

**Analysis by activities:**

Pharmaceuticals	73,526	60,134	13,392	85,465	62,440	23,025
Locally Manufactured goods	129,669	41,468	88,201	111,984	48,851	63,133
Others	<u>67,032</u>	<u>62,718</u>	<u>4,314</u>	<u>72,881</u>	<u>41,513</u>	<u>31,368</u>
	<u><b>270,227</b></u>	<u><b>164,320</b></u>	<u><b>105,907</b></u>	<u><b>270,330</b></u>	<u><b>152,804</b></u>	<u><b>117,526</b></u>

**3. Others Operating Income**

	2010 N'000	2009 N'000
Rent receivable	2,675	2,765
Profit on Disposal of fixed assets	600	600
Sundry income	1,792	2,349
Exchange gain	-	610
	<u><b>5,067</b></u>	<u><b>6,324</b></u>



	2010 N'000	2009 N'000
<b>4. Loss before taxation</b>		
This is stated after charging/(crediting)		
Directors Emoluments:		
Fees	500	500
Others	4,000	3,000
Depreciation	27,802	28,260
Audit fee	3,500	3,500
Profit on disposal of fixed assets	(600)	(600)
Exchange gain	-	(610)
Royalty	2,189	2,008
	<u>          </u>	<u>          </u>
<b>5. Taxation</b>		
<b>Profit and Loss Account</b>		
Income Tax	-	-
Education Tax	-	316
	<u>          </u>	<u>          </u>
	-	316
Deferred taxation (Note 14)	(555)	89
	<u>          </u>	<u>          </u>
	<b>(555)</b>	<b>405</b>
	<u>          </u>	<u>          </u>
<b>Balance Sheet.</b>		
At 1 January	1,544	5,675
Charge for the year	-	316
Payment During the year	-	(4,447)
	<u>          </u>	<u>          </u>
At 31 December	<b>1,544</b>	<b>1,544</b>
	<u>          </u>	<u>          </u>

The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act, CAP C21, LFN2004 as amended to date and the Education Tax Act, CAP E4, LFN2004. Deferred taxation is computed using the liability method.

The Company is not liable to income and education taxes for the year as there were no assessable profits because of the effects of unrelieved losses and unabsorbed capital allowances.

Also, the Company is exempted from minimum tax provisions of Section 33(2) of the Companies Income Tax Act, CAP C21, LFN2004 because it has more than 25% foreign equity.

6. Fixed assets	Leasehold land and buildings N'000	Plant Machinery and equipment N'000	Computer equipment N'000	Motor Vehicles N'000	Capital Work-in Progress N'000	Total N'000
Cost/Valuation						
At 1 January	370,000	36,842	5,098	43,099	593	455,632
Additions	-	1,150	297	-	470	1,917
Disposals	-	-	-	(2,200)	-	(2,200)
At 31 December	<u>370,000</u>	<u>37,992</u>	<u>5,395</u>	<u>40,899</u>	<u>1,063</u>	<u>455,349</u>
<b>Depreciation</b>						
At 1 January	13,967	22,235	4,121	32,275	-	72,598
Charge for the year	13,382	3,140	586	4,548	-	21,656
Disposals	-	-	-	(2,200)	-	(2,200)
At 31 December	<u>27,349</u>	<u>25,375</u>	<u>4,707</u>	<u>34,623</u>	<u>-</u>	<u>92,054</u>
<b>Net book value</b>						
At 31 Dec. 2010	<u>342,651</u>	<u>12,617</u>	<u>688</u>	<u>6,276</u>	<u>1,063</u>	<u>363,295</u>
At 31 Dec. 2009	<u>356,033</u>	<u>14,607</u>	<u>977</u>	<u>10,824</u>	<u>593</u>	<u>383,034</u>

6.1 Leasehold land and buildings were professionally revalued by Messrs Yinka Sonaike & Co., Estate Surveyors and Valuers (Chartered Surveyors) on 16 December, 2008 amounting to N740million. The Directors decided to capitalize only 50% of the revalued amount based on prudence. The valuation was based on open market values and the revaluation surplus arising therefrom was credited to revaluation reserve. Revaluation of fixed assets is performed when the Directors consider it necessary.

	2010 N'000	2009 N'000
7. Finance leased assets		
<b>Motor vehicles</b>		
<b>Cost</b>		
At 1 January	20,236	21,896
Additions during the year	-	7,190
Transfer to fixed assets	-	(8,850)
At 31 December	<u>20,236</u>	<u>20,236</u>
<b>Depreciation</b>		
At 1 January	8,804	3,656
Charge for the year	6,146	7,360
Transfer to fixed assets	-	(2,212)
At 31 December	<u>14,950</u>	<u>8,804</u>
<b>Net book value</b>		
At 31 December	<u>5,286</u>	<u>11,432</u>
<b>Depreciation for the year comprises:</b>		
Fixed assets (Note 6)	21,656	20,900
Finance lease assets (Note 7)	6,146	7,360
	<u>27,802</u>	<u>28,260</u>
<b>Included in expenses:</b>		
Cost of sales	16,161	16,180
Administrative expenses	11,641	12,080
	<u>27,802</u>	<u>28,260</u>
8. <b>Stocks</b>		
Raw materials	43,963	39,705
Work-in-progress	1,179	539
Finished goods	29,676	43,497
	<u>74,818</u>	<u>83,741</u>
9. <b>Trade debtors</b>		
Trade debtors	106,368	103,327
Provision for doubtful debts (Note 9.1)	(14,677)	(13,137)
	<u>91,691</u>	<u>90,190</u>
9.1 <b>Provision for doubtful debts</b>		
At 1 January	13,137	7,620
Additions	6,910	5,517
Written off	(5,370)	-
At 31 December	<u>14,677</u>	<u>13,137</u>

	2010 N'000	2009 N'000
10. <b>Other debtors and prepayments</b>		
Other debtors	4,861	4,098
Withholding tax recoverable	16,833	16,256
	21,694	20,354
Provision for other debtors and prepayments (Note 10.1)	(3,947)	(3,675)
	<u>17,747</u>	<u>16,679</u>
10.1 <b>Provision for other debtors and prepayments</b>		
Other debtors	1,224	952
Withholding tax recoverable	2,723	2,723
	<u>3,947</u>	<u>3,675</u>
11. <b>Obligations under finance lease</b>		
At 1 January	7,879	10,122
Additional obligations during the year	-	5,752
Discharged during the year	(7,147)	(7,995)
At 31 December	<u>732</u>	<u>7,879</u>
<b>Analysed as follows:</b>		
Payable within one year	732	6,351
Payable after more than one year	-	1,528
	<u>732</u>	<u>7,879</u>
The obligation of the company in respect of the finance leases of motor cars has been restricted to the capital amount of the finance lease funded by the banks. Deposits paid by the company were excluded from the balance.		
12. <b>Other creditors and accruals</b>		
Sundry creditors	15,190	12,058
Staff pension (Note 12.1)	15,982	9,985
Value added tax	899	314
Customers advance payments	961	5,473
Accrued expenses	15,612	18,824
	<u>48,644</u>	<u>46,654</u>

	2010 N'000	2009 N'000
<b>12.1 Staff pension</b>		
At 1 January	9,985	4,681
Provision for the year	5,997	6,790
Remittance to Pension Fund Administrators	-	(1,486)
At 31 December	<u>15,982</u>	<u>9,985</u>
<b>13. Dividend payable</b>		
At 1 January	5,169	4,873
Additions	-	296
At 31 December	<u>5,169</u>	<u>5,169</u>
<b>14. Deferred taxation</b>		
At 1 January	7,648	7,559
Charge in the year (Note 5)	(555)	89
At 31 December	<u>7,093</u>	<u>7,648</u>
<b>15. Staff gratuity</b>		
At 1 January	21,308	19,150
Provision for the year	1,683	3,039
Payments during the year	(1,101)	(881)
At 31 December	<u>21,890</u>	<u>21,308</u>
<b>16. Share capital</b>		
<b>Authorised:</b>		
Ordinary shares of 200,000,000 at 50k each	<u>100,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of 152,178,750 at 50k each	<u>76,090</u>	<u>76,090</u>
<b>17. Revaluation reserve</b>		
At 31 December	<u>330,289</u>	<u>330,289</u>
<b>18. Share premium</b>		
At 31 December	<u>21,489</u>	<u>21,489</u>

	2010 N'000	2009 N'000
<b>19. Revenue reserve</b>		
At 1 January	8,608	37,074
Dividend declared	-	(7,609)
Profit and loss account	(33,127)	(20,857)
At 31 December	<u>(24,519)</u>	<u>8,608</u>
<b>20. Related party transactions</b>		
Related companies are companies with trading and management connections . During the year, the company traded with it's related companies on terms similar to such transactions entered with third parties. The company also transferred N19million out of its indebtedness to Morison Investments Limited to Palm Services Limited based on instructions from Morison Investments Limited. This transfer attracts a 10% interest calculated from the date the loan was taken. However, this interest applies only to a fraction of the loan.		
	2010 N'000	2009 N'000
<b>Due to related parties</b>		
Morison Investments Limited	11,339	28,862
Palm Services Limited	<u>31,423</u>	<u>-</u>
	<u>42,762</u>	<u>28,862</u>
<b>21. Technical licence agreement</b>		
Morison Investments Limited, UK continues to provide technical and trade mark support to Morison Industries Plc under an approved technical services and royalty agreement. The royalty payable under the agreement is computed at 1% of net sales of the affected products. The amount charged for the year ended 31 December 2010 was N2.2 million (2009 : N2.01million).		
	2010 N'000	2009 N'000
<b>22. Reconciliation of net loss to net cash provided by operating activities</b>		
Loss after taxation	(33,127)	(20,857)
<b>Adjustment for non cash and operating items:</b>		
Depreciation	27,802	28,260
Profit on disposal of fixed assets	(600)	(600)
Fixed assets written off (net)	-	1,257

Reconciliation of net loss to net cash provided by operating activities (cont'd)	2010 N'000	2009 N'000
<b>Changes in assets and liabilities</b>		
Decrease/(increase) in stocks	8,923	(1,358)
Decrease/(increase) in trade debtors	(1,501)	(17,793)
(Increase)/decrease in other debtors and prepayments	(1,068)	2,298
(Decrease)/increase in trade creditors	(11,034)	28,309
Increase in other creditors and accruals	1,990	1,490
Increase in amount due to related company	13,900	6,521
Increase in staff gratuity	582	2,158
Increase in deferred taxation	(555)	89
Decrease in taxation	-	(4,131)
<b>Total adjustments</b>	<b>38,439</b>	<b>46,500</b>
<b>Net cash provided by operating activities</b>	<b>5,312</b>	<b>25,643</b>
<b>23. Reconciliation of cash and cash equivalents</b>		
Cash in hand	208	24
Bank balances	4,668	8,004
<b>Bank balances and cash</b>	<b>4,876</b>	<b>8,028</b>
<b>24. Information Regarding Directors and Employees</b>		
<b>24.1 Directors</b>		
Emoluments:		
Chairman	1,600	100
Other Directors	3,400	3,400
	<b>5,000</b>	<b>3,500</b>
As Directors:		
Fees	500	500
Non-executive	1,500	-
Executive	3,000	3,000
	<b>5,000</b>	<b>3,500</b>

Information Regarding Directors and Employees (cont'd)	2010 N'000	2009 N'000
The number of Directors other than the Chairman whose emolument excluding allowances were within the following ranges are:		
	<b>Number</b>	<b>Number</b>
	<b>N</b>	<b>N</b>
	100,001 -	150,000
	1,050,001 -	1,060,000
	2,470,001 -	3,000,000
	<b>4</b>	<b>5</b>
	<b>-</b>	<b>-</b>
	<b>1</b>	<b>1</b>
	<b>N'000</b>	<b>N'000</b>
The highest paid Director received	<b>3,000</b>	<b>3,000</b>
<b>24.2 Employees</b>		
The number of employees in receipt of emoluments excluding allowances within the following ranges:		
	<b>Number</b>	<b>Number</b>
	<b>N</b>	<b>N</b>
	250,001 -	400,000
	400,001 -	700,000
	700,000 and Above	
	<b>23</b>	<b>31</b>
	<b>26</b>	<b>29</b>
	<b>11</b>	<b>9</b>
	<b>60</b>	<b>69</b>
The average number of persons employed by the company during the financial year and the relevant staff costs were as follows:		
Managerial staff	4	5
Senior staff	33	33
Junior staff	23	31
	<b>60</b>	<b>69</b>
	<b>N'000</b>	<b>N'000</b>
Salaries and allowances	37,340	39,747
Pension contributions	2,998	3,395
Gratuity	1,683	3,039
<b>Total staff cost</b>	<b>42,021</b>	<b>46,181</b>

**25. Substantial interest in shares**

No individual shareholder other than Morison Investments Limited U.K. (40%) and Mr. Julius O. Titiloye (5.65%) held more than 5% of the issued share capital of the company at 31 December 2010.

**26. Guarantees and other financial obligations**

**26.1 Financial commitments**

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

**26.2 Other contingencies**

Capital expenditure authorised by the Directors but not provided for in these financial statements was Nil (2009 - Nil).

**26.3 Litigations**

Judgement was given against the company in 2006 for the sum of N10 million in a long outstanding legal matter at the Federal High Court ,Lagos. The liability was fully provided for in the financial statements in 2007 financial year. Subsequent to the year end, the company commenced the settlement of this judgement debt instalmentally and N8 Million had been paid by 31 December 2010. However, the company's appeal against the judgement to the Court of Appeal is still pending.

**27. Loss per share**

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

	2010 N'000	2009 N'000
Loss for the year attributable to shareholders	<u>(33,127)</u>	<u>(20,857)</u>
	Number	Number
Number of ordinary shares in issue	<u>152,179</u>	<u>152,179</u>
Loss per share (kobo)	<u>(22)</u>	<u>(14)</u>

**28. Subsequent events**

The Directors are of the opinion that there were no post balance sheet events which could have had a material effect on the state of affairs of the Company as at 31 December 2010 and the financial performance for the year ended on that date, which has not been adequately provided for or disclosed in these financial statements.

**29. Major suppliers**

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

**Foreign:**

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

**Local:**

K. C. Kentuga  
Avon Crown Caps  
Enkay Plastic Limited  
I. F. Johnson Limited  
Nass Venture Limited

The company is not associated with its suppliers.

**30. Comparative figures**

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

	2010 N'000	%	2009 N'000	%
Turnover	270,227		270,330	
Other operating income	5,067		6,324	
	<u>275,294</u>		<u>276,654</u>	
Bought in goods and services:				
- Imported	(73,526)		(136,886)	
- Local	(165,627)		(85,779)	
	<u>36,141</u>	<u>100</u>	<u>53,989</u>	<u>100</u>
<b>Applied as follows:</b>				
<b>To pay employees:</b>				
Salaries, wages, pension and social benefits	42,021	116	46,181	85
<b>To pay Government:</b>				
Taxation	-	-	316	-
<b>To provide for replacement and Development:</b>				
- Deferred taxation	(555)	(1)	89	-
- Depreciation	27,802	77	28,260	54
- Profit and loss account	(33,127)	(92)	(20,857)	(39)
	<u>36,141</u>	<u>100</u>	<u>53,989</u>	<u>100</u>

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 among the employees, shareholders, government and that retained for the future creation of more wealth.

31 DECEMBER	2010 N'000	2009 N'000	2008 N'000	2007 N'000	2006 N'000
<b>BALANCE SHEET</b>					
<b>ASSETS</b>					
Tangible assets	368,581	394,466	412,139	67,858	66,542
Current assets	189,132	198,638	177,277	163,475	157,365
Current liabilities	(125,381)	(126,144)	(94,522)	(82,186)	(75,944)
Deferred taxation	(7,093)	(7,648)	(7,559)	(5,722)	(10,895)
Provision for liabilities and charges	(21,890)	(22,836)	(22,393)	(17,980)	(17,113)
	<u>403,349</u>	<u>436,476</u>	<u>464,942</u>	<u>125,445</u>	<u>119,955</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	76,090	76,090	76,090	76,090	45,654
Revaluation reserve	330,289	330,289	330,289	676	676
Share premium	21,489	21,489	21,489	21,489	21,489
General reserve	(24,519)	8,608	37,074	27,190	52,136
	<u>403,349</u>	<u>436,476</u>	<u>464,942</u>	<u>125,445</u>	<u>119,955</u>
<b>PROFIT AND LOSS ACCOUNT</b>					
Turnover	270,227	270,330	369,232	221,765	211,336
(Loss)/profit before taxation	(33,682)	(20,452)	20,165	536	14,282
(Loss)/profit after taxation	<u>(33,127)</u>	<u>(20,857)</u>	<u>14,449</u>	<u>5,490</u>	<u>8,147</u>
<b>PER SHARE DATA (KOBO):</b>					
(Loss)/earnings:					
- Basic	(22)	(14)	9	4	9
- Diluted	-	-	-	4	5
Net assets	<u>265</u>	<u>287</u>	<u>306</u>	<u>82</u>	<u>131</u>

**NOTE:**

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

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

## SHARE CAPITAL HISTORY

DATE	AUTHORISED SHARE CAPITAL =N= UNITS OF N2 EACH	ISSUED AND FULLY PAID =N= UNITS	CONSIDERATION
29-06-55	40,000	8,000	Cash
31-10-57	100,000	40,000	Cash
31-12-58	100,000	100,000	Cash
12-02-62	150,000	150,000	Cash
29-07-66	5,000,000	300,000	Scrip Issue
17-08-72	500,000	400,800	Cash
18-07-75	2,000,000	601,200	Scrip Issue
17-02-76	2,000,000	1,202,400	Scrip Issue
19-08-77	4,000,000	2,404,800	Scrip Issue

12-09-77 SUB-DIVIDED INTO SHARES OF 50 KOBO EACH

DATE	AUTHORISED SHARE CAPITAL =N= UNITS OF N2 EACH	ISSUED AND FULLY PAID =N= UNITS	CONSIDERATION
31-12-79	40,000	3,607,200	Sub-division
30-12-90	12,000,000	7,214,400	-
15-08-91	12,000,000	5,410,800	Scrip Issue
11-08-94	25,000,000	8,116,200	Scrip Issue
17-09-96	25,000,000	16,232,400	Right Issue
01-07-99	25,000,000	24,348,600	Scrip Issue
26-07-00	100,000,000	36,522,900	Scrip Issue
19-07-01	100,000,000	45,653,625	Scrip Issue
08-11-07	100,000,000	76,089,375	Scrip Issue

### TEN YEAR DIVIDEND HISTORY

DIVIDEND PAID IN THE LAST TEN YEARS

YEAR	PBT N,000	PAT N,000	DIVIDEND N,000	GROSS DIVIDEND	SCRIP ISSUE
2001	18,157	11,591	4,565	5 Kobo	
2002	10,991	6,341	5,478	6 Kobo	
2003	16,037	9,521	6,848	7.5 Kobo	
2004	19,695	9,667	9,131	10 Kobo	
2005	10,804	10,762	9,131	10 Kobo	
2006	14,282	8,147	-	-	(Two for three Scrip Issue)
2007	536	5,490	4,565	3 Kobo	
2008	20,165	14,449	7,609	5 Kobo	

P.B.T. - PROFIT BEFORE TAX  
P.A.T. - PROFIT AFTER TAX

## SHAREHOLDER'S ADMISSION FORM ANNUAL GENERAL MEETING

Please admit shareholder.....

or in his/her place

Mr/Mrs/Miss.....

to represent him/her, at the **56th ANNUAL GENERAL MEETING** of the Company to be held at 11:00am on Tuesday 13th September, 2011 at the Company Premises, 28/30 Morison Crescent, Oregun Industrial Area, Ikeja, Lagos.

THIS FORM SHOULD BE COMPLETED, TORN OFF AND PRODUCED BY THE SHAREHOLDER OR HIS/HER NOMINEE IN ORDER TO GAIN ENTRANCE TO THE MEETING.

Please see also the Proxy Form on page 46.

**ADEBOLA O. AJANAKU (MRS)**  
Acting Company Secretary

No. Of Shares

Name and Address of Shareholder

**MORISON INDUSTRIES PLC.**

ANNUAL GENERAL MEETING TO BE HELD AT 11.00 A.M. ON 13TH SEPTEMBER, 2011 AT THE COMPANY PREMISES 28/30 MORISON CRESCENT, OREGUN INDUSTRIAL AREA, IKEJA, LAGOS.

I/We\*.....being member/members of MORISON INDUSTRIES PLC. hereby appoint .....or failing him/her the Chairman as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday 13th September, 2011 and at any adjournment thereof.

Dated this..... day of.....2011

Signature.....

**NOTES**

1. To be valid, this proxy must be duly stamped as directed in the notes contained in the notice of meeting and it must reach the registered office of the Company not less than 48 hours before the time for holding the meeting.
2. If executed by a corporation, the proxy card should be sealed with the Common Seal.
3. In the case of joint holders, the Signature of any of them will suffice, but the names of all joint shareholders should be shown.

	RESOLUTION	For	Against
1.	To adopt the Reports and Accounts		
2.	To elect Mr. J. D. Lawuyi MON as Director		
3.	To re-elect the following Directors: Prof. D.T. Mayson Engr. C. A. Osezua OON		
4.	To authorise the Directors to fix the Auditors' remuneration		
5.	To appoint members of the Audit Committee.		
6.	To approve the Directors Remuneration		

Please indicate with an "X" in the appropriate square how you wish your votes to be cast on resolutions set out above. Unless otherwise instructed the proxy will vote or abstain from voting at his/her discretion.

**ADEBOLA O. AJANAKU (MRS)**  
Acting Company Secretary



# Bymo

LIQUID DETERGENT

For all purpose cleaning



Laundry



Kitchen Utensils & Tiles



Car Wash



MORISON