LIVESTOCK FEEDS PLC

FINANCIAL STATEMENTS
30 JUNE 2013

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2013

Assets	Notes	June **2013** N'000	December 2012 N'000
Non-current assets			
Property, plant and equipment	5	644,413	546,943
Financial assets-available for sale	6	14,951	13,503
Total non-current assets		659,364	560,446
Current assets			
Inventories	7	1,415,392	1,275,225
Trade and other receivables	8	672,733	191,068
Cash & cash equivalents	12	487,157	64,291
Total current assets		2,575,282	1,530,584
Non current assets held for resale		-	-
Total assets		3,234,645	2,091,029
Equity			
Share capital	15	1,000,000	600,000
Share premium	16	493,702	8,028
Retained earnings	17	(121,402)	(186,147)
Revaluation reserve	18	206,411	206,411
Revaluation surplus on investment	18	5,818	4,515
		1,584,528	632,807
Non-current liabilities			
Gratuity	13	805	805
Deferred tax	19	58,169	58,024
		58,974	58,829
Current liabilities			
Trade and other payables	9	504,928	387,903
Lease obligation		-	-
Short-term borrowings	10	1,038,386	929,392
Dividends payable		101	101
Current tax payable	19	47,728	81,997
		1,591,143	1,399,393
Total equity and liabilities		3,234,645	2,091,029

The financial statements and notes on page 2 to 18 were approved by the Board of Directors on ……
and signed on its behalf by:

i))
ii)) **Directors**
)
iii) **Finance Controller {FRC/2013/ICAN/00000001721}**

The accounting policies on pages 6 to 11 and notes 12 to 18 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR PERIOD ENDED 30TH JUNE 2013

	Share Capital	Share Premium	Revaluation reserve.	Available for-sale financial asset	Retained Earnings/ Accumlated loss	Total attributable to Equity holders	Non controlling interest	Total Equity
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
BALANCE AS AT 1 JANUARY 2012	600,000	8,028	206,411	4,515	(325,231)	493,723	-	493,723
Comprehensive Income for the year :								
New share capital issued	-	-	-	-	-	-		-
Profit	-	-	-	-	139,084	139,084	-	139,084
other comprehensive income	-	-	-	-	-	-		-
Total comprehensive income for the year	-				(186,147)	632,807	-	632,807
Contributions and distribution to owners	-	-	-	-	-	-	-	-
Total contributions and distribution to owners	-	-	-	-	-	-	-	-
BALANCE AS AT 31 DECEMBER 2012	600,000	8,028	206,411	4,515	(186,147)	632,807	-	632,807
BALANCE AS AT 1 JANUARY 2013	600,000	8,028	206,411	4,515	(186,147)	632,807	-	632,807
Comprehensive Income for the year :								
New share capital issued	400,000	485,674	-	-	-	885,674		885,674
Profit	-	-	-	-	64,745	64,745	-	64,745
other comprehensive income	-	-	-	1,303	-	1,303	-	1,303
Total comprehensive income for the year	-	-	-	5,818	64,745	951,722		951,722
ContributionS and distribution to owners	-	-	-	-	-	-	-	-
Total contributions and distribution to owners	-	-	-	-	-	-	-	-
BALANCE AS AT 30 JUNE 2013	1,000,000	493,702	206,411	5,818	(121,402)	1,584,529	-	1,584,529

LIVESTOCK FEEDS PLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30TH JUNE , 2013

	Notes	June **2013** **N'000**	Dec., **2012** **N'000**
Cash flows from operating activities:			
Profit for the period		64,745	139,084
Adjustment for:			
Depreciation		26,150	42,033
Provision for diminution in investment		-	-
Interest paid		101,783	130,371
Interest received		(16,230)	
Loss on sale of property, plant & equipment		-	9
		176,447	**311,497**
Decrease in inventories		(140,167)	(478,548)
Increase/ in trade and other receivables		(481,665)	97,307
Increase in trade and other payables		117,025	9,354
Increase in income tax payable		(34,269)	15,302
Increase in deferred taxation recognised in income .		145	9,670
Decrease in provision for gratuity		0	(8,001)
Cash absorbed in operating activities		(362,484)	(43,419)
Cash flows from investing activities			
Purchase of fixed assets		(142,420)	(177,322)
Proceeds from disposal of fixed assets		-	1,116
Interest received		16,230	
Marketable securities			
Net cash used in investing activities		(126,190)	(176,206)
Cash flows from financing activities			
Interest on loan and overdraft		(101,783)	(130,371)
Share issue proceeds		904,000	
Short term loan		1,135,000	
Share issue cost		(18,326)	
Loan repayment		(1,116,346)	
Net cash outflow from financing activities		802,545	(130,371)
Net decrease in cash and cash equivalents		313,872	(349,995)
Cash and cash equivalents as at beginning of the year		(865,101)	(515,106)
Cash and cash equivalents as at end of the year	12	(551,229)	(865,101)

The accounting policies on pages 7 to 14 and notes on pages 15 to 26 form part of these financial statements.

Auditors' report pages 1 and 2.

LIVESTOCK FEEDS PLC

STATEMENT OF COMPREHENSIVE INCOME PERIOD ENDED

30TH JUNE 2013.

	Notes	June 2013 N'000	June 2012 N'000
Revenue	4	2,702,102	2,470,483
Cost of sales		(2,399,529)	(2,219,284)
Gross profit		302,573	251,199
Other operating income	11	47,757	30,100
Marketing & distribution expenses		(95,757)	(80,882)
Administrative expenses		(68,771)	(57,759)
Profit from operations		185,802	142,658
Finance expenses	14	(106,819)	(63,268)
Finance income		16,230	-
Profit before taxation		95,213	79,390
Provision for tax expenses	19{a}	(30,468)	(22,391)
Profit from continuing operations		64,745	56,999
Profit on discontinued operations net of tax		-	-
Profit for the year		64,745	56,999
Other comprehensive income			
Gain/Net changes in Net value of financial assets held for sale		1,448	1,314
Tax relating to components of other comprehensive income {19b}		(145)	(131)
Total other comprehensive income		1,303	1,183
Total comprehensive income		66,048	58,182
Profit for the year attributable to:			
Owners of the parent		64,745	56,999
Non-controlling interest		-	-
Total comprehensive income attributable to:			
Owners of the parent		66,048	58,182
Non-controlling interest		-	-
Earning per share for profit attributable to owners of the parent:			
Basic (kobo)		3.74	4.75

The accounting policies on pages 6 to 11 and notes 12 to 18 form part of these financial statements.

LIVESTOCK FEEDS PLC

4 **Revenue**

The Company produces animal feeds which is 100% of its turnover. Other products includes enzyme (Natuzyme) which is bought from other company for marketing and sales. The net margin on this is included other income.

The segmental reporting is prepared in geographical location within Nigeria which is the basis of the Company's resources allocation.

	Aba	Ikeja	Benin	Kaduna	Total
Segmental Reporting 30th June,2013	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
From external customers	849,666	1,045,091	588,129	219,216	2,702,102
Discontinued operations	-	-	-	-	-
Intersegment revenue	-	-	-	-	-
Segment revenue	849,666	1,045,091	588,129	219,216	2,702,102
Cost of sales	(772,251)	(887,953)	(542,662)	(196,663)	(2,399,529)
Gross profit	77,415	157,138	45,467	22,553	302,573
Marketing & distribution expenses	(7,765)	(43,576)	(6,798)	(7,448)	(65,586)
Trading Profit	69,649	113,562	38,669	15,105	236,987
Other income	13,031	12,284	12,680	5,876	43,872
Operating Profit	82,681	125,846	51,350	20,982	280,858
Finance expenses	(30,846)	(28,920)	(26,364)	(15,900)	(102,030)
Contribution to margin	51,835	96,926	24,985	5,082	178,829
Head Office					
Bad debt recovered					250
Interest income					16,230
Laboratory income					535
Insurance refund					596
Sales of scrap					-
Net income on Natuzyme sale					2,097
ITF refund					407
Administrative cost					(68,771)
Marketing Cost					(30,171)
Bank charges					(4,790)
Profit before tax					95,213

Segmental Reporting 30th June,2012	**Aba**	**Ikeja**	**Benin**	**Kaduna**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
From external customers	812,792	837,943	604,741	208,860	2,464,336
Discontinued operations	-	-	-	-	-
Intersegment revenue	-	-	-	-	-
Segment revenue	812,792	837,943	604,741	208,860	2,464,336
Cost of sales	(729,257)	(736,209)	(555,644)	(194,114)	(2,215,224)
Gross profit	83,535	101,734	49,097	14,746	249,112
Marketing & distribution expenses	(10,013)	(36,787)	(10,864)	(6,400)	(64,064)
Trading Profit	73,522	64,947	38,233	8,346	185,048
Other income	7,741	7,252	9,269	3,897	28,159
Operating Profit	81,263	72,199	47,502	12,243	213,207
Finance expenses	(18,536)	(15,431)	(16,360)	(8,702)	(59,029)
Contribution to margin	62,727	56,768	31,142	3,541	154,178
Head Office					
Bad debt recovered					-
Interest income					1
Laboratory income					465
Sales of scrap					854
Insurance refund					628
Net income on Natuzyme sale					2,080
ITF refund					-
Administrative cost					(57,759)
Marketing Cost					(16,818)
Bank charges					(4,239)
Profit before tax					79,390

In the period under review, unallocated operating income and expenses mainly constitute head office administrative and marketing costs. These are considered corporate and are not allocated to any segment's expenses. Interest expenses are allocated based on investment in inventories stock acquired for each mills.

LIVESTOCK FEEDS PLC

FINANCIAL STATEMENTS, 30TH JUNE 2013

NOTES TO THE FINANCIAL STATEMENTS

1 **Reporting entity**

Livestock Feeds Plc was incorporated on 20th March,1963 and commenced business on 20th May , 1963. It was quoted on the Nigerian Stock Exchange in 1978. It is engaged principally in the manufacturing and marketing of animal feeds and concentrates.

2 **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) as issued by the International Accounting Standard Board (The IASB).

3 **Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain items of property, plan and equipment and financial assets held for sale at fair value.

The financial statements are presented in Naira, which is the Company's functional currency. The financial statements are presented in thousands of Nigerian Naira.

The preparation of financial statement in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the notes to the financial statements.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

4 **Standards and Interpretations issued but not yet adopted**

As at the date of this financial statement, 30 June 2013, the following standards and interpretations have been issued but were not yet effective nor adopted by Livestock Feeds Plc.

a) IFRS 9 - Financial instruments, issued for the first part in November 2009 and for the second part in October 2010, covers the classification and measurement of financial assets and financial liabilities respectively. IFRS 9 will be effective from 1 January 2015. Livestock Feeds Plc has not yet determined its adoption date for this standard.

b) IFRS 10 - Consolidated Financial Statements, requires the application of significant judgement in a number of respects. The standard establishes a general principle that parent entities are required to prepare consolidated financial statements and detailing circumstances under which consolidation is exempted. IFRS 10 introduces a new control model that applies to all entities and will require significant management judgement to determine whether an entity is controlled and should be consolidated. IFRS 10 is required to be applied for annual periods beginning on or after 1 January 2013.

c) The amendments to IAS 28 investments in Associates and Joint ventures, reflects changes necessitated by the introduction of IFRS 11 , but do not introduce changes to the accounting for investments in associates which are still to be recognised in accordance with the equity method

d) IAS 27 (2011) - separate financial statements: This standard replaces the parts of IAS 27 (2008) - consolidated and separate financial statements, that previously dealt with separate financial statements; the parts of IAS 27 (2008) that dealt with the preparation of consolidated financial statements and disclosures in consolidated financial statements have been replaced by IFRS 10 - consolidated financial statements, and parts of IFRS 12-Disclosure of interests and other entities.

e) The amendments to IAS 19 - Employee benefits, issued in June 2011 and effective from 1 January 2013, replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/asset. The difference between the net interest income and the actual return will be recognized in other comprehensive income(OCI). Past service costs will be recognized immediately in the period requirements related to pensions and in particular, defined benefit plans.

f) The amendments to IAS 1 - presentation of financial statements, issued in June 17, 2012 and effective for financial years beginning after 1 July 2012, establishes requirements related to presentation and classification of items within other comprehensive income, particularly as regards the grouping together of items that may be reclassified to the profit and loss section of the income statement.

The amendments do not however introduce changes as to which items should be presented in other comprehensive income or which and when items should be recycled through the income statement.

g) The amendments to IAS 32 - financial instruments and presentation, issued in December 2011, and effective from 1 January 2014, clarifies the requirements for offsetting financial assets and financial liabilities.

h) The amendment to IAS 12 - income taxes, issued in December 2010 and effective for annual periods beginning 1 January 2012, introduced a rebuttable presumption that for the purpose of measuring deferred tax assets and liabilities, the carrying amount of an investment property measured using the fair value model in IAS 40, will be recovered entirely through sale.The amendments are currently not relevant to Livestock Feeds Plc.

i) Specific borrowing cost on qualifying assets are capitalised from the date the actual cost are incurred. General borrowing cost are capitalised by applying the weighted average cost of the borrowing cost proportionate to the expenditure on the assets.

Significant policies:

The accounting policies set out below have been applied consistently to all period presented in these financial statements, unless otherwise indicated.

a) **Property, Plant and Equipment(PPE)**

All categories of property, plant and equipment are initially recognized at cost but subsequently carried at cost less accumulated depreciation and impairment thereon. Property, plant and equipment are tested for impairment at each financial year end if there are indications of impairment and are adjusted for appropriately in the Financial Statements.

Assets under construction are not depreciated. For all other property, plant and equipment, depreciation rate is calculated on straight line basis on cost less residual value of the asset over their estimated useful life as follows:

	% per annum
Freehold land & building	3
Leasehold building	shorter of 33years or lease term
Plant and equipment	12 1/2
Furniture and fittings	12 1/2
Motor vehicles:	
- Automobiles	20
-Trucks	12 1/2
Computer equipment	33 1/3

Depreciation methods and useful lives are reviewed and adjusted for, if appropriate, at each financial year end .Assets not fully constructed at the statement of financial position date are treated as assets under construction in progress . Depreciation commences when the asset is ready for its intended use.

Major renovations and improvements are capitalised and included in the carrying amount of the assets when it is probable that future economic benefits will arise and depreciated over the remaining useful life of the related asset.The cost of maintenance and repairs charged to the income statement as incurred. Gains and losses on disposal of property, plant and equipment are recognised in the income statement.

All assets held for sale are no longer depreciated but are subsequently tested for impairment.

b) **Inventory.**

Inventories are initially recognised at cost and subsequently at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:

Raw materials	Purchase cost on weighted average basis, including transportation costs.
Finished goods	Cost of direct materials and labour plus a reasonable proportion of overheads absorbed by manufacturing based on normal levels of activity.
Engineering spares	Purchase cost including freight and other incidental costs.

Goods in transit	Invoice price

Net realisable value is based on estimated normal selling price less further cost expected to be incurred to completion and disposal.

Provision is made for obsolete, slow-moving or defective items where appropriate.

c) **Financial assets available for sale**

Quoted investments are valued at the lower of cost and market value.The amount by which cost exceeds market value is charged to income statement for the period. Realised gains and losses on disposal of quoted investments are taken to the income statement in period of disposal

d) **Current income tax**

Income tax and education tax are provided for based on the ruling rates and tax law as pronounced by the regulatory authority-Federal Inland Revenue Services(FIRS). Tax computations are made on an annual basis and provided for in the accounts on the basis of ruling tax rates and applicable tax laws.

e) **Deferred income tax**

Deferred tax income is provided in full, using the liability method on temporary differences arising between tax bases of assets and liabilities and their carrying amount in the financial statements. Deferred income tax is determined using tax rate that has been enacted by the date of the financial position and are expected to apply when related deferred income tax is realised or the deferred income tax liability is settled.

f) **Borrowing Cost**

Specific borrowing costs on qualifying assets are capitalised from the date the actual costs are incurred. General borrowing costs are capitalised by applying the weighted average cost of the borrowing proportionate to the expenditure on the assets.

g) **Leased assets**

Where substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the company (a "finance lease"), the asset is treated as if it had been purchased outright.Upon initial recognition, the lease is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The corresponding lease commitment (capital and interest) is shown as a liability. The lease payments are analysed between capital and interest, and the interest element is charged to the statement of comprehensive income over the period of the lease.

h) **Government grant**

Benefits accruing to the Company on government assisted loans granted at a below market rate of interest is treated as a governme grant. The benefit of such a government assisted loan is the difference between market rate of interest and the below market rate applicable to the government assisted loan.The grant so measured is recognised as income in the financial statements.

i) **Provisions.**

Provisions are recognised if , as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably and is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

j) **Foreign Currencies transactions.**

Transactions denominated in foreign currencies are translated and recorded in Naira at the ruling rate at the date of the transaction. Monetary assets and liabilities dominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date Exchange differences arising on settlement of monetary items or on the retranslation of monetary items at rates different from those which were initially recognised are taken to the income statement.

All exchange differences on assets and liabilities denominated in foreign currencies are taken to the income statement except for exchange difference on foreign currency borrowings to the extent that they are used as an effective hedge against equity investment in foreign currencies.This will be taken directly to a translation reserve.

k) **Cash and cash equivalents.**

For purpose of reporting cash flows, cash and cash equivalents includes cash in hand , cash balances with bank and investments in money market instruments which are subject to insignificant risk changes in their fair value.Cash and cash equivalents are carried at amortised cost in the statement of financial position.

l) **Bank borrowings**

Interest bearing loans and overdrafts are recognised initially at fair value, net of direct costs and subsequently stated at amortised cost. Finance charges, including premium payable on settlement or redemption and direct issue costs are accounted for on an effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

m) **Segment reporting**

The company adopts the requirements of IFRS 8 - Operating segments. The standard requires operating segments to be identified on the basis of internal financial information about component of the company that are regularly reviewed by the Chief Operating Decision Maker {Managing Director}, to allocate resources to the segments and to assess their performance.

n) **Trade receivables.**

Trade receivables are non-derivative financial assets which are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment .A provision for impairment of a trade receivable is established when there is objective evidence that the company will not collect all the amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will either be bankrupt or default or delinquent in payment are considered indicators that the trade receivables is impaired.
The amount of the provision is the difference between the asset`s carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of loss is recognised in the income statement. When a trade receivable is uncollectable, it is written off against the allowance for trade receivables.

o) **Employee benefits**

The company operates a defined contribution plan. A contribution plan is defined as a pension plan under which the company pays a fixed contribution into a separate entity. The company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the benefit relating to employee service in current and prior period.

For defined contribution plans the company pays contribution to publicly or privately administered Pension Fund Administrators PFA on a mandatory, contractual or voluntary basis. The company has no further payment obligation once the contribution has been paid. The contribution are recognised as employee benefit expenses in the comprehensive income statement when they are due.

p) **Dividends**

(1) Dividends on ordinary shares are appropriated from retained earnings and recognised as liability in the period in which they are declared until they are paid.Dividends that are proposed but not yet declared are disclosed in the notes to the financial statements.

Unclaimed dividends:
(ii) Dividends which remain unclaimed for a period exceeding twelve years from the date of declaration and which are no longer actionable by shareholders in accordance with section 385 of the Companies and Allied Matters Act, CAP C20, LFN,2004 are written back to retained earnings.

Critical accounting estimates and judgement.

The Company makes estimates and assumptions about the future that affects the reported amount of assets and liabilities. Estimate and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstance. In the future, actual results may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognised prospectively by including it in the comprehensive income of the period of change if the change affects that period only, and also recognised if it affects both current and future periods.

Estimates and assumptions that may have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are stated in the financial statements.

(i) **Recognition of deferred taxation assets**

The extent to which deferred tax asset can be recognised is based on an assesment of the probability of the Company's future taxable profit.

(ii) **Valuation of Property Plant and Equipment**

Property Plant and equipment represents a significant proportion of the asset base of the company. Therefore the estimatess and assumptions made to determine their carrying value and related depreciation are critical to the company's financial postion and performance.

Estimation of useful life:
The charge in respect of periodic depreciation is derived after determining the estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of assets are determined by management at the tin the asset is acquired and reviewed annually for appropriateness.The lives are based on historical experience with similar assets as well asanticipation of future events which may impact their life such as changes in technology.

(iii) **Impairment of assets**

Assets are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amoun may not be recoverable. An impairment loss is recognised for the amount by which the asset carrying amount exceeds its recoverabl amount.The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

(iv) **Fair value of financial assets**

(i) Equity and debt securities:

The fair value of investment in equity and debt securities is determined with reference to their quoted closing bid price at the measurement date, or if unquoted, determined using valuation techniques.Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

, Subsequent to initial recognition, the fair value of held-to-maturity investments are determined for disclosure purpose only.

(ii) Trade and other recievables:

The fair value of trade and other receivable, excluding construction work in progress, are estimated at the present value of future cas flows,discounted at the market rate of interest at the measurement date.Short term receivable with no stated interest rate are measu at the original invoice amount if the effect of discounting is immaterial.Fair value is determined at initial recognition and for disclosure purpose, at each annual reporting date.

(v) **Revenue recognition**

Revenue represents total value of goods and services less discount, rebates, returns and value added tax thereon. Revenue from sale of goods is recognised when the company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the company will receive previously agreed value upon payment.Where a buyer has a right of return, the company defers the recognition of revenue until the right to return lapses.In situations where the company retains only insignificant risks of ownership due to the right of return,revenue is not deferred but the company recognises the provision based on previous experience and other factors.

(vi) **Legal Proceedings.**

In accordance with IFRS, the company recognise a provision where there is a present obligation from past event, where a transfer of the economic benefit is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability is disclose in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are currently recognised or disclosed in the financial statements could have a material effect on the company's financial position. Application of these accounting principles to legal cases requires the Company's management to ascertain various factual and legal matters beyond its control. The Company reviews outstanding legal cases following developments in the legal proceedings at each reporting date, in order to assess the need for provision and disclosures in its financial statements. Among the factors considered in making decisions on provision are the legal implication and estimated level of damages. This will also include the progress after the date of the financial statements but before those statement are issued, the opinions or view of legal advisers, experience on similar cases and any decision of the company's management as to how it will respond to the litigation, claims or assessment.

Financial Management

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Market risk
- Liquidity risk

i) Credit Risk

Credit risk is the risk of financial loss to the company, if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The company is mainly exposed to credit risk from credit sales.It is company policy to assess the credit risk of new customers before entering into contracts.Such credit ratings are taken into account by local business practices.

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for credit worthiness before the company's standard payment and delivery terms and conditions are offered. The company's review includes external ratings, when available. Purchase limits are established for each customer, which represent maximum open amount without requiring approval from the Risk Management Committee.

The Risk management /Credit Worthiness Committee determines concentration of credit risk by quarterly monitoring the credit worthiness rating of existing customers and through a monthly review of the trade receivables ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics.Customers that are graded as "high risk" are placed on a restricted customer list, and future credit sales are made only with approval of Risk Management Committee, otherwise payment in advance is required.

ii) **Market risk**

Market risk arises from the company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluntuate because of changes in interest rates (interest rate risk),foreign exchange rates(currency risk) or other market factors(other price risk).

Fair Value and Cash flow interest rate risk:
The company is exposed to cash flow interest rate risk from long term borrowings at variable rates. It is currently company policy tha borrowings are at fixed rate borrowings.

iii) **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 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.

The Board approves 12-month cash flow projection which indicated that the company is expected to have sufficient liquid resources to meets its obligation under all reasonably expected circumstances.

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note desc the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantita 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 proces for managing those risks or the methods used to measure them from previous period unless otherwise stated in this note

Principal Financial instruments:

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

1 Trade receivables
2 Cash and Cash equivalents
3 Trade and other payables
4 Bank overdraft
5 Fixed rate bank loans
6 Investments in quoted securities

A summary of the Financial instruments held by category is provided below:

Financial assets	**March 2013 N'000**	**Dec. 2012 N'000**
Cash and cash equivalents	487,157	64,291
Trade and other receivables	672,733	191,068
Investment in quoted securities	14,951	13,506
Total Financial assets	**1,174,841**	**268,865**

Financial Liabilties	**2012 N'000**	**2011 N'000**
Trade and other payables	504,928	387,903
Loans and borrowings	1,038,386	929,392
Total Financial liabilities	**1,543,315**	**1,317,295**

General Objectives, Policies and processes

The Board has overall responsibilty for the determination of the company's risk mangement objectives and policies and, while retaining ultimate responsibilty for them, it has delegated the authority for designing and operating processes that ensure the effective implemenation of the objectives and policies to the company's finance function. The Board receives quarterly reports from the company's financial controller 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 internal auditor also reviews the risk management policies and processes and report its findings to the Audit Committee.

5(a). **Property. Plant and Equipment**

Cost/Valuation	**Land & Building =N='000**	**Machinery =N='000**	**Motor Vehicle =N='000**	**Furniture & Fittings =N='000**	**Computer =N='000**	**Construction in Progress =N='000**	**Total =N='000**
Balance as at 1 January 2013	351,842	135,732	98,556	12,873	10,986	167,844	777,834
Additions	-	894	20,720	643	101	120,063	142,420
Disposals	-	-	-	-	-	-	-
Transfers in(lease asset),	-	-	-	-	-	-	-
Reclassification	-	15,005	-	90	-	(33,896)	(18,801)
Assets held for sale	-	-	-	-	-	-	-
Balance as at 31 June 2013	351,842	151,631	119,276	13,606	11,087	254,011	901,453

Cost/Valuation	**Land & Building =N='000**	**Machinery =N='000**	**Motor Vehicle =N='000**	**Furniture & Fittings =N='000**	**Computer =N='000**	**Construction in Progress =N='000**	**Total =N='000**
Balance as at 1 January 2012	264,003	113,455	73,523	8,461	9,600	140,894	609,937
Additions	82,889	25,532	29,403	4,412	1,386	33,700	177,322
Disposals	-	(3,255)	(8,960)	-	-	-	(12,215)
Transfers in (from leased assets)	-	-	2,790	-	-	-	2,790
Transfers in/(out)	4,950		1,800			(6,750)	-
Assets held for sale	-	-	-	-	-	-	-
Balance as at 31 December 2012	351,842	135,732	98,556	12,873	10,986	167,844	777,834

Depreciation

	Land & Building =N='000	**Machinery =N='000**	**Motor Vehicle =N='000**	**Furniture & Fittings =N='000**	**Computer =N='000**	**Construction in Progress =N='000**	**Total =N='000**
Balance as at 1 January 2013	104,709	74,206	36,100	6,200	9,675	-	230,890
Additions	8,354	7,827	9,025	603	340	-	26,150
Disposals							
Transfers in (from leased assets)							
Transfers in/(out)							
Assets held for sale							
Balance as at 30 June 2013	113,063	82,033	45,125	6,803	10,015	-	257,040

	Land & Building =N='000	**Machinery =N='000**	**Motor Vehicle =N='000**	**Furniture & =N='000**	**Computer =N='000**	**Construction =N='000**	**Total =N='000**
Balance as at 1 January 2012	90,907	64,966	27,686	5,496	9,126	-	198,181
Additions	13,802	11,886	15,093	704	549	-	42,034
Disposal	-	(2,646)	(8,446)	-	-	-	(11,092)
Reclassified			1,767				1,767
Transfers	-			-	-	-	-
Assets held for resale	-	-	-	-	-	-	-
Balance as at 31 December 2012	104,709	74,206	36,100	6,200	9,675	-	230,890
Net book values at:							
30 June 2013	238,779	69,598	74,151	6,803	1,072	254,011	644,413
31 December 2012	247,133	61,526	62,456	6,673	1,311	167,844	546,943

5(b) **Lease Assets**

Motor Vehicle Cost	**June 2013 N'000**	Dec., **2012 N'000**
As at 1st January	-	2,790
Addition	-	-
Reclassified	-	(2,790)
	-	-
Depreciation		
As at 1st January	-	2,185
Addition	-	-
Reclassified	-	(2,185)
	-	-
Net Book Value		

i) The Building was professionally re-valued as at 30th March, 1999, by Messrs Yinka Sonaike and company, Estate Surveyors and Valuers on the basis of open market value. The value was incorporated in the books at that date. The surplus that arose on the revaluation (=N=229,346,000) was credited to the revaluation reserve net of deferred capital gains tax arising from surplus.

ii) There is a deed of debenture dated 14th September 2009 over the company's fixed and floating assets value at N1.8billion(Open Market Value) and N1.3Billion (Forced Sales Value) valued by Jide Taiwo & Co as at March 2009 with StabicIBTC Bank interest of N1.1billion noted

iii) The company has N180million CACS fund with StanbicIBTC Bank Plc for the acquisition of equipment i.e two 2500MT capacity Silos and Extruder machine from YEMTAR in Turkey. The LC has been opened and the total sum of =N=33,281,559.80 being being LC deposit and other charges and interest charges to the tune of N3,499,558.89 has been capitalised under construction in progress.

6 **Financial assets available for sale**

Quoted	Cost	June 2013 Value	Cost	December 2012 Value
	=N= '000	=N= '000	=N= '000	=N= '000
Opening balance	19,999	13,503	19,999	8,486
Additions/appreciation	-	1,448	-	5,017
Disposal	-	-	-	-
	19,999	14,951	19,999	13,503
Net gain/(loss)	-	-	-	
Ordinary Shares at cost	19,999	14,951	19,999	13,503
	19,999	14,951	19,999	13,503

The investment represents shares of First Bank of Nigeria Plc,United Bank for Africa and Zenith Bank Plc in the Nigeria stock market. The investment is valued at the quoted prices on the Nigeria Stock Exchage as at the reporting date i.e N17.90, N8.10 and N19.80 for FBN, UBA and Zenith Bank respectively. Based on the quoted prices, the company has always been providing for any dimunition in the value of the investment.

7. **Inventories**

	June 2013 N'000	Dec. 2012 N'000
Raw materials	1,369,532	1,244,137
Finished goods	31,053	20,003
Engineering spares	13,025	8,834
Stock-in-transit	415	1,629
Diesel	1,367	620
Other consumables	-	-
	1,415,392	1,275,223

8. **Trade and other receivables**

	2013 N'000	2012 N'000
Gross trade receivable	151,208	86,364
Less: Provision for doubtful debts	(49,073)	(49,073)
Total financial assets other than cash and cash equivalents	102,136	37,291
Deposit for materials	530,921	125,269
Other debtors	13,366	8,702
Prepayments	26,310	19,806
Total Trade and Other receivables	672,733	191,068

The company made adequate provision for doubtful debts and based on impairment tests, there is no need to make further provision for impairment

9. **Trade and other payables**

	N'000	N'000
Trade creditors	396,389	317,904
Accruals	86,853	49,236
Other Creditors	21,686	20,763
Total Financial liabilities excluding loans and borrowings	504,928	387,903

{i} **Accruals**

Ex-staff balances	3,871	3,014
Provision for interest	6,731	3,436
Accrued salary & other staff benefits	34,454	26,133
Professional fees	4,418	4,982
Listing, register and others	1,863	767
Social security	-	-
Other accrued expenses	35,516	10,904
	86,853	49,236

{ii}	**Other Creditors**	**June 2013 N'000**	Dec., **2012 N'000**
	Withholding tax	10,894	11,548
	NSITF	83	83
	NHF	282	21
	Pay as you earn (PAYE)	759	767
	Trade incentives	7,366	6,017
	VAT	246	283
	Deposit for feeds delivery	278	278
	Pension	1,778	1,766
		21,686	20,763

10.	**Bank loans and borrowings**	**June 2013 N'000**	Dec; **2012 N'000**
	Non-Current		
	Bank loans:		
	secured	-	-
	unsecured	-	-
	Collaterised borrowings	-	-
	Redeemable preference shares	-	-
	Finance lease creditors	-	-
	Current		
	Overdraft	45,323	59,392
	Bank loans:		
	Secured	992,652	870,000
	Unsecured	-	-
	Collaterised borrowings	-	-
	Convertible debt	-	-
	Finance lease creditors	-	-
		1,037,975	929,392
	Total loans and borrowings	**1,037,975**	**929,392**

The currency profile of the company's loans and borrowings is as follows:

	2012 N'000	**2011 N'000**
	1,037,975	**929,392**

a) The Company has an overdraft facility of N50million with Stanbic IBTC Plc as at 30th June 2013

b) The Company has an advance facility (revolving term loan) of N870 million with Stanbic IBTC Plc out of which N538million has been utilised as at 30th June 2013

The above facilities are obtained under the Commercial Agriculture Credit Scheme(CACS fund) of the Central Bank of Nigeria at the rate of 9% which expires within 1 year and is subject to renewal every August.

c) The company also got N500million Time loan from Gtbank Plc which was disbursed in April 2013 to procure some crirtical materials and to pay off part of our indebtedness to GCL for procurement of SBM on its behalf.The facility is running at a commercial rate of 17% all in and is expected to terminate on 15th April 2014.The application to convert the facility to Agric loan under NIRSAL scheme through GTBank has reached an advance stage
Central Bank of Nigeria NIRSAL Scheme for Agric Business allows beneficiaries a refund of 20% of all interest paid on facilities obtained from Commercial Banks

d) The Company had an agreement with Grand Cereals Ltd which is also another subsidiary of UACN Plc to locally procure 2500MT of soya Bean Meal and import 7,000Mt tons of maize on its behalf.However The sum of N257million for the procurement of SBM had been fully paid as at April while N350million had also been paid as at 30th June 2013 in respect of the Maize importation and the outstanding now stood at N151million excluding interest payable currently running at 8.5%

GCL also has poultry Feeds in its porfolio and this arrangement is part of the synergy derivable from the UACN group

e) The Company has equipment finance facility (CACS fund) of N180 million as at 30th June 2013 for which all conditions have been met but the Letter of credit has been open for the Equipment. The Equipment are two 2500MT storage capacity Silos and an Extruder Machine.

June, 2013	**Floating rate**	**Fixed rate**	**Total**
	N'000	**N'000**	**N'000**
Expiry within 1 year	-	1,420,000	1,420,000
Expiry within 1 and 2 years	-	-	-
Expiry in more than 2 years	-	180,000	180,000

Dec, 2012	**Floating rate**	**Fixed rate**	**Total**
	N'000	**N'000**	**N'000**
Expiry within 1 year	-	920,000	920,000
Expiry within 1 and 2 years	-	-	-
Expiry in more than 2 years	-	180,000	180,000

11.

	June **2013**	June **2012**
Other operating income	**N'000**	**N'000**
Sale of Sacks	4,979	5,312
Rental Income	39	78
Laboratory income	535	465
Weighing income	1,399	1,705
Insurance claims received	596	628
Service charge	1,037	
Net income on Natuzyme sales	2,097	
Sales of scrap	499	849
Bad debt recovered	250	
Gain/(loss) on fixed assets disposal	-	(9)
ITF refund	407	
Government grant	35,919	21,071
	47,757	30,100

Government grant is savings made on interest charges paid on facilities obtained from Stanbic IBTC Plc, on Federal Government agriculture intervention fund (CACS). The facility is obtained at 9% interest charge as against prevailing 17% commercial rate during the period and 21% in the corresponding period 2012.

12. **Cash and cash equivalents**

	June 2013	Dec; **2012**
	N'000	**N'000**
Bank balances	52,193	64,291
Financial assets held to maturity	434,964	-
	487,157	64,291
Bank loan & overdraft	(1,038,386)	(929,392)
Cash and cash equivalents	(551,229)	(865,101)

For purpose of the cash flow statement, cash and cash equivalents include cash on hand and in banks, net of bank borrowings.

The short term investment (financial asset held to maturity) represents part of the UACN special placement proceeds fixed with StanbicIBTC for 30days at the rate of 9.75% per annum as at 30th June 2013

		June 2013 N'000	Dec; 2012 N'000
13.	**Gratuity**		
	Opening balance brought forward	805	8,805
	Addition during the year	-	-
		805	8,805
	Payment during the year	-	(8,000)
	Balance at the end of the period	805	805

		June 2013 N'000	June 2012 N'000
14.	**Finance expenses**		
	Overdraft charges	5,879	774
	Interest on loan	59,984	36,714
	Bank COT	5,036	4,709
	Interest on lease		-
	Government grants	35,919	21,071
		106,819	63,268

15. **Share capital**

	June 2013 N'000	Dec; 2012 N'000
Value		
Ordinary shares of 50kobo each		
Balance at beginning of the year	1,000,000	1,000,000
Movement in share	-	-
Balance at the end of the period	1,000,000	1,000,000
Number		
Ordinary shares of 50kobo each		
Balance at beginning of the year	2,000,000	2,000,000
Movement in share	-	-
Balance at the end of the period	2,000,000	2,000,000

	June 2013 N'000	Dec; 2012 N'000
Issued and fully paid Share capital		
Value		
Ordinary shares of 50kobo each		
Balance at beginning of the year	600,000	600,000
Movement in share	400,000	-
Balance at the end of the period	1,000,000	600,000
Balance at beginning of the year	1,200,000	1,200,000
Movement in share	800,000	-
Balance at the end of the period	2,000,000	1,200,000

The company received the sum of N904million being special placement proceeds from UACN Plc of Nigeria on the 8th February 2013 and SEC approval for allotment was gotten on 18th March 2013.This increased the share capital of the company from N600million to N1billion while a total sum of N18.326million had been spent as issuing cost as at 30th June 2013 and defrayed against the share premium of N504million as indicated below:

		June 2013 N'000	Dec,. 2012 N'000
16.	**Share premium**		
	Balance at beginning of the year	8,028	8,028
	Movement	485,674	-
	Balance at the end of the period	493,702	8,028

17. **Retained earnings**

	2013 N'000	2012 N'000
Balance at beginning of the year	(186,147)	(325,231)
Movement -Profit/loss for the period	64,745	139,084
Balance at the end of the period	(121,402)	(186,147)

18. **Other components of equity**

	2013 N'000	2012 N'000
Revaluation reserve		
Balance at beginning of the year	206,411	206,411
Movement -Profit/loss for the period	-	-
Balance at the end of the period		
Revaluation surplus on		
Balance at beginning of the year	4,515	0
Movement -Profit/loss for the period	1,303	4,515
Balance at the end of the period	5,818	4,515

19. **Taxation**

	2013	2012
a) Current tax	**N'000**	**N'000**
Balance at the beginning of the year	81,997	66,694
Current tax on profit	30,468	64,737
Adjustment for under provision in prior period	-	2,712
Total current tax	112,465	134,143
Payment during the period	(64,737)	(52,146)
	47,728	**81,997**

b) Deferred tax	**N'000**	**N'000**
Balance at the beginning of the year	58,024	47,853
Add: Charged for the year	145	10,171
Balance at the end of the period	58,169	58,024

20 **Reserves**

The following describes the nature and purposes of each reserve within equity:

Reserve	Description and Purpose
Share premium	Amount subscribed for share capital in excess of nominal value
Revaluation reserve	Gains/losses arising on revaluation of the company's property(other than investment property)
Available -for-sale reserve	Gains/losses arising on financial assets classified as available for sale
Retained earnings	All other gains and losses and transactions with owners (e.g dividends) not recognised elsewhere