



LIVESTOCK FEEDS PLC
UNAUDITED FINANCIAL STATEMENTS
30 SEPTEMBER 2014



LIVESTOCK FEEDS PLC
STATEMENT OF COMPREHENSIVE INCOME FOR 9 MONTHS ENDED 30 SEPTEMBER 2014


	Notes	2014 N'000	2013 N'000	% over LY
Revenue	8	5,460,808	4,290,612	27%
Cost of sales		(4,758,234)	(3,812,551)	25%
Gross profit		702,574	478,061	47%
Other operating income	10	77,163	73,435	5%
Marketing and distribution expenses		(162,897)	(150,904)	8%
Administrative expenses		(176,541)	(103,118)	71%
Profit from operations		440,299	297,474	48%
Finance expenses	11	(202,562)	(159,864)	27%
Finance income	12	2,788	26,590	-90%
Net finance expense		(199,774)	(133,274)	50%
Profit before taxation		240,524	164,202	46%
Income tax expenses	13	(76,968)	(52,545)	46%
Profit for the year after taxation		163,556	111,657	46%
Other comprehensive income				
Items that will not be reclassified to profit and loss		-	-	
Items that will be or may be reclassified to profit and loss		-	-	
Total other comprehensive income		-	-	
Total comprehensive income		163,556	111,657	46%
Earnings per share				
Basic EPS (kobo)	14	8.18k	9.30k	-12%
Diluted EPS (kobo)	14	8.18k	6.12k	33%

The accompanying notes on pages 7 to 32 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

Assets	Notes	September	December
		2014 N'000	2013 N'000
Property, plant and equipment	16	807,380	721,660
Financial assets-available for sale	17	17,963	17,963
Total non-current assets		825,343	739,623
Inventories	18	1,490,539	1,897,441
Trade and other receivables	19	479,160	725,604
Cash and cash equivalents	20	16,134	307,936
Total current assets		1,985,833	2,930,981
Total assets		2,811,175	3,670,604
Equity and liabilities			
Equity			
Share capital	21	1,000,000	1,000,000
Share premium	22	493,702	493,702
Retained earnings		360,998	236,028
Total equity		1,854,700	1,729,730
Gratuity	23		805
Deferred tax		40,342	40,342
Total non-current liabilities		40,342	41,147
Trade and other payables	24	741,172	923,987
Short-term borrowings	25	97,995	869,147
Dividends payable		101	101
Current tax payable	13	76,866	106,493
Total current liabilities		916,134	1,899,728
Total equity and liabilities		2,811,175	3,670,604

The financial statements and notes on pages 3 to 32 were approved by the Board of Directors on and signed on its behalf by:



Chairman
FRC/2013/IODN/0000002692



Managing Director
FRC/2014/ICAN/0000006546



Financial Manager
FRC/2013/ICAN/0000002925

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LIVESTOCK FEEDS PLC
STATEMENT OF CHANGES IN EQUITY FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2014

	Share Capital N'000	Share Premium N'000	Retained earnings N'000	Total Equity N'000
Balance at 1 January 2013	<u>600,000</u>	<u>8,028</u>	<u>25,717</u>	<u>633,745</u>
Comprehensive Income for the year :				
Profit for the year	-	-	111,657	111,657
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>111,657</u>	<u>111,657</u>
Transactions with owners, recorded directly in equity:				
Issue of shares	<u>400,000</u>	<u>485,674</u>	<u>-</u>	<u>885,674</u>
Balance at 31 September 2013	<u>1,000,000</u>	<u>493,702</u>	<u>137,374</u>	<u>1,631,076</u>
Balance at 1 January 2014	<u>1,000,000</u>	<u>493,702</u>	<u>197,442</u>	<u>1,691,144</u>
Comprehensive Income for the year :				
Profit for the year	-	-	163,556	163,556
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>163,556</u>	<u>163,556</u>
Transactions with owners, recorded directly in equity:				
Issue of shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 September 2014	<u>1,000,000</u>	<u>493,702</u>	<u>360,998</u>	<u>1,854,700</u>

LIVESTOCK FEEDS PLC
STATEMENT OF CASH FLOWS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2014

		September	December
		2014	2013
Cash flows from operating activities:	Notes	N'000	N'000
Profit for the year		163,556	210,746
Adjustment for:			
Depreciation	16	66,587	53,286
Assets written off		-	1,265
Assets transferred		-	(2,565)
Adjustment in property, plant and equipment		-	18,801
Appreciation in financial assets - available for sale	17	-	(4,461)
Interest paid	11	141,374	106,794
Interest received	12	(2,788)	(35,566)
(Profit)/loss on sale of property, plant & equipment		<u>1,522</u>	<u>(107)</u>
		370,252	348,193
Increase in inventories		406,902	(622,216)
(Increase)/decrease in trade and other receivables		246,444	(553,245)
Increase in trade and other payables		(182,814)	554,794
Increase in income tax payable		(29,627)	24,495
(Decrease)/increase in deferred taxation recognised in income .		-	(17,180)
Decrease in provision for gratuity		(805.00)	-
Tax paid		-	-
Cash outflow from operating activities		<u>810,352</u>	<u>(265,159)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	16(a)	(150,058)	(246,796)
Proceeds from disposal of property, plant and equipment		3,032	1,400
Interest received	12	2,788	35,566
Net cash used in investing activities		<u>(144,237)</u>	<u>(209,830)</u>
Cash flows from financing activities			
Interest on loan and overdraft	11	(141,374)	(106,794)
Proceeds from issue of shares	21		400,000
Proceeds from share premium		-	485,674
Proceeds from bank loans		461,210	1,240,000
Repayment of bank loans		<u>(1,277,751)</u>	<u>(1,300,245)</u>
Net cash inflow from financing activities		<u>(957,916)</u>	<u>718,634</u>
Net increase in cash and cash equivalents		(291,802)	243,645
Cash and cash equivalents at beginning of the year		<u>307,936</u>	<u>64,291</u>
Cash and cash equivalents at end of the year	20	<u><u>16,134</u></u>	<u><u>307,936</u></u>

The accompanying notes on pages 7 to 32 form an integral part of these financial statements.

LIVESTOCK FEEDS PLC
FINANCIAL STATEMENTS, 30 SEPTEMBER 2014
NOTES TO THE FINANCIAL STATEMENTS

1 Reporting entity

Livestock Feeds Plc was incorporated on 20th March, 1963 and commenced business on 20th May, 1963. The company was quoted on the Nigerian Stock Exchange in 1978. The Company is engaged principally in the manufacturing and marketing of animal feeds and concentrates. The registered office of the Company is located at 1 Henry Carr Street, Ikeja Lagos

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 (IASB) and specifically in compliance with Interim Financial Reporting IAS 34

3 Basis of measurement

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

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

The preparation of financial statements 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, amendments and interpretation to existing standards that are not yet effective and have not been adopted early by the Company.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) but are not yet effective, and have not been adopted early by the company.

Management anticipates that all of the relevant pronouncements will be adopted by the Company in the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below:

(a) Standards likely to have a financial impact

IFRS Reference	Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IFRS 9 (issued November 2009 and amended October 2010)	Financial instruments	<p>Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in IAS 39 have been eliminated. Under IFRS 9, there are three categories of financial assets:</p> <ul style="list-style-type: none"> - Amortised cost - Fair value through profit or loss - Fair value through other comprehensive income <p>The following requirements have generally been carried forward unchanged from IAS 39, Financial Instruments: Recognition and Measurement into IFRS 9:</p> <ul style="list-style-type: none"> - Classification and measurement of financial liabilities - Derecognition requirements for financial assets and liabilities. <p>However, IFRS 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the fair value of a financial liability that is designated at fair value through profit or loss (using the fair value option) that relate to changes in the reporting entity's own credit risk are normally recognised in other comprehensive income. The changes are to be applied prospectively from the date of adoption.</p>	To be determined	The effective date of IFRS 9 is still to be determined. The entity has not yet made an assessment of the impact of these amendments. The entity does have financial assets classified as available for sale. The entity does not have any financial liabilities designated at fair value through profit or loss. The Company will reclassify financial assets that are quoted to fair value through profit and loss, while the unquoted financial assets will be held at amortised cost. The amount held under equity will be transferred to retained earnings.
IFRS 9 (Amended December 2011)	Amendments to IFRS 9 Financial Instruments Mandatory Effective Date of IFRS 9 and Transition Disclosures	Defers the effective date of IFRS 9 to 1 January 2015. Entities are no longer required (but are still permitted) to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015.	As comparative are no longer required to be restated, if an entity takes advantage of the relief there will be no impact on comparative information that is presented in the financial statements. However, additional disclosures will be required on transactions, including the quantitative effects of reclassifying financial assets
IFRS 9 (issued November 2013)	Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS. 39)	Makes three amendments to IFRS 9: <ul style="list-style-type: none"> - Adds New hedge accounting requirements into IFRS 9- Defers the effective date of IFRS 9. - Makes available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities that are accounted for using the fair value option without the need to apply the other requirements of IFRS 9. 		The effective date of IFRS 9, of periods beginning on or after 1 January 2015, has been deleted with the effective date now being left open until all other outstanding phases of IFRS 9 have been completed. The entity has not yet made an assessment of the impact of these amendments.

IFRS Reference	Affected Standard(s)	Nature of change	Application date	Impact on initial Application
		<p>Under the new hedge accounting requirements:</p> <ul style="list-style-type: none"> - The 80-125% highly effective Threshold has been removed - Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable. - When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI - Net foreign exchange cash flow positions can qualify for hedge accounting. 		
IFRS 10 (amended October 2012)	Amendment to IFRS 10 Consolidated Financial Statements: Investment Entities	<p>The amendment defines an investment entity and requires a parent that is an investment entity to measure its investment in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.</p> <p>The amendment prescribes three criteria that must be met in order for an entity to be defined as an Investment Entity, as well as four 'typical characteristics' to consider in assessing the criteria. The amendment also introduces disclosure requirements for investment entities into IFRS 12 Disclosure of Interest in Other Entities and amends IAS 27</p>	Annual reporting periods commencing on or after 1 January 2014	The Company does not have any Subsidiaries or Associates or Joint ventures. IFRS 10 will not have any impact on the financial statements.
IAS 19 (amended November 2013)	Amendment to IAS 19 Employee Benefits: Defined Benefit Plans: Employee Contributions.	<p>The amendment introduces a narrow scope amendments that:</p> <ul style="list-style-type: none"> - Provides a practical expedient to certain contributions from employees or third parties to a defined benefit plan, but only those contributions that are independent of the number of years of service. - Clarify the treatment of contributions from employees or third parties to a defined benefit plan that are not subject to the practical expedient. These are accounted for in the same way that the gross benefit is attributed in accordance with IAS 19.70. 	Annual reporting periods commencing on or after 1 January 2014	Payments are independent of the number of years of service and the company already account for this in accordance with IAS 19-93 (a) (b) and will elect to do so again once the amendment is effective. When this amendment is first adopted for 31 December 2014 year end, there will be no impact in respect of the accounting treatment for offsetting the entity's financial assets and financial liabilities.
IAS 32 (amended November 2011)	Amendment to IAS 32 Financial instruments: Presentation Offsetting financial assets and financial liabilities.	<p>The amendment has clarified and expanded the application guidance in relation to the offsetting of financial assets and financial liabilities in respect of:</p> <ul style="list-style-type: none"> - The meaning of currently has a legally enforceable right of setoff - The application of simultaneous realisation and settlement - The offsetting of collateral amounts - The unit of account for applying the offsetting requirements 		When this amendment is first adopted for 31 December 2014 year end, there will be no impact in respect of the accounting treatment for offsetting the entity's financial assets and financial liabilities.

IFRS Reference	Title and Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IFRIC 21 (issued May 2013)	Levies	The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.	Periods commencing on or after 1 January 2014	There will be no impact relating to the timing or recognition of the entities levies until when this interpretation is first adopted.

(b) Standards likely to have a disclosure impact only

IFRS 12 (issued May 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structure entities	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities. The company however has no subsidiaries or associates.
IFRS 7 (amended December 2011)	Amendment to IFRS 7 Financial Instruments: Disclosure Disclosures - Offsetting financial assets and financial liabilities	Additional disclosures required in relation to information about rights of offset and related arrangements for financial instruments under an enforceable master netting arrangement (or similar arrangement). Minimum disclosure requirements, in a tabular format that splits financial assets and financial liabilities, are: (a) Gross financial assets and liabilities under a master netting (or similar) agreement (b) The amounts offset under IAS 32 (c) The net amount presented in the statement of financial position (i.e. (a) - (b)) (d) The amounts subject to an enforceable master netting agreement (or similar) not included in the amount offset under IAS 32 (i.e. (b), being those that fail to meet the offsetting criteria as well as those related to financial collateral (e) The net of (d) less (c) and (d): Also required is the description of the nature of the right of set-off, in relation to amount presented under		As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. Currently, the entity does not have (and is unlikely to have) any enforceable master netting (or similar) arrangements in place, and therefore the amendment will not add any additional quantitative and qualitative disclosures.
IAS 36 (amended May 2013)	Amendment to IAS 36 Impairment of Assets Recoverable amount disclosures for non-financial assets	- Requires the disclosure of the recoverable amount of an asset (or CGU) only in periods in which impairment has been recorded or reversed in respect of that assets/(or CGU) - Expand and clarify the disclosure requirements when an asset (CGUs) recoverable amount has been determined on the basis of fair value less disposal. - Specifically Require the disclosure of the discount rate when an asset (or CGU) has been impaired (or impairment reversed) where the recoverable amount has been determined based on fair value less costs of disposal using a present value technique.	1 January 2014	As this is a disclosure standard only, there will be no impact on amounts recognised in the primary financial statements. However, the amount of information disclosed regarding impairment may be reduced.

(c) Standards not likely to have any impact

IFRS Reference	Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IAS 27 (issued May 2011)	Separate Financial Statements	Requirements for consolidation removed and inserted into IFRS 10 Consolidated Financial Statements (mentioned in Standards likely to have a Financial Impact above) Disclosures removed and inserted into IFRS 12 Disclosure of Interests in Other Entities.	Annual periods commencing on or after 1 January 2013	Company does not prepare consolidated financial statements.
IAS 28 (issued May 2011)	Investments in Associates and Joint Ventures	Disclosures removed and inserted into IFRS 12 Disclosure of Interests in Other Entities	Annual periods commencing on or after 1 January 2013	The Company has no investment in Associate or Joint Ventures.
IFRS 10, IFRS 11, and IFRS 12 (amended June 2012)	Transition guidance - Consolidated financial statements, Joint arrangements, and Disclosures of Interests in other entities.	The amendments clarify certain aspects when an entity transactions from IAS 27 Consolidated and Separate Financial Statements/ SIC 12 Consolidation - Special Purpose Entities to the new consolidated standards IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other entities.	Annual periods commencing on or after 1 January 2013	The Company does not prepare consolidated financial statements.

5 **Significant accounting policies:**

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

a) **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.

b) **Finance income and finance cost**

Finance income comprises interest income on short-term deposits with banks.

Interest income on short-term deposits is recognised by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount in the income statement.

Dividend income from investments is recognised in the income statement when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company) and the amount of income can be measured reliably.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss where the Company holds such financial assets and impairment losses recognised on financial assets (other than trade receivables). Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement.

c) **Property, Plant and Equipment**

i) **Recognition and measurement**

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Items of property, plant and equipment under construction are disclosed as capital work in progress. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

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

ii) **Subsequent costs**

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

iii) **Depreciation**

Depreciation is calculated on items of property, plant and equipment to write down the cost of each property, plant and equipment until they are brought into use.

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

	% per annum
Freehold land & building	3
Leasehold building	shorter of 33 years 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

The assets depreciable methods, useful lives and residual values are reviewed annually and adjusted if necessary.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

iv) Derecognition

Derecognition is included in the profit and loss component of the statement of comprehensive income within other income' in the year that the asset is derecognised.

d) 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 and handling 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 costs expected to be incurred to completion and disposal.

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

e) Borrowing Costs

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.

f) 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. All other lease arrangement apart from finance lease is operating lease.

g) Government grant

Benefits accruing to the Company on government assisted loans granted at a below market rate of interest is treated as a government 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.

h) 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 statement of financial position date. Exchange differences arising on settlement of monetary items or on the retranslation of monetary items at rates different from those at 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.

i) Financial instruments

i) Financial assets

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

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

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

ii) Loans and receivables

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

iii) Trade and other receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection is expected within one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Accrued, but not invoiced revenues, are also classified as trade receivables.

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

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

iv) Prepayments

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

v) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, bank balances, investments in money market instruments with maturity dates of less than three months and are risk free net of bank overdraft.

vi) Derecognition of financial assets

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

vii) Financial liabilities and equity instruments

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

Financial liabilities are presented as if the liability is due to be settled within 12 months after the reporting date, or if they are held for the purpose of being traded. Other financial liabilities which contractually will be settled more than 12 months after the reporting date are classified as non-current.

viii) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

vix) Bank borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest rate; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings to be settled within twelve months period are classified as current liabilities while borrowings to be settled over twelve months are classified as non-current liabilities.

x) De-recognition of financial liabilities

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

xi) Offsetting financial instruments

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

xii) Impairment of financial instruments

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

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

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

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

j) Share capital, reserves and dividends**i) Share capital**

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

ii) Reserves

Reserves include all current and prior period retained earnings.

iii) Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the company. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position.

k) Employee benefits**Defined Contribution schemes**

The group has two defined contribution plans for its employees;

- i) A statutory pension scheme and
- ii) A Gratuity scheme

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

(i) Pension Scheme

The Pensions Reform Act of 2004 and as amended in 2014 requires all companies to pay a minimum of 8% of basic salary (including housing and transport allowances) to a pension fund on behalf of all full time employees to a pension fund administrator. The contributions are recognised as employee benefit expenses when they are due. The company has no further payment obligation once the contributions have been paid.

(ii) Gratuity Scheme

Under the gratuity scheme, the company contributes on an annual basis a fixed percentage of some employees salary to a fund managed by a fund administrator. The funds are invested on behalf of the employees and they will receive a payout based on the return of the fund upon retirement.

l) **Provisions**

-

A provision is recognized only if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured as the best estimate of the expenditure required to settle the obligation at the reporting date. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

- 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:

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.

m) **Taxation****i) Current income tax**

The income tax expense for the period comprises current and deferred tax expense. Tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the reporting date where the Company operates and generates taxable income.

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

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

ii) Deferred tax

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

Deferred tax is not recognised for:

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

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

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

n) **Related party transactions**

Related parties include the related companies, the directors, their close family members and any employee who is able to exert significant influence on the operating policies of the company. Key management personnel are also considered related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Company considers two parties to be related if, directly or indirectly one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Where there is a related party transactions with the company, the transactions are disclosed separately as to the type of relationship that exists with the company and the outstanding balances necessary to understand their effects on the financial position and the mode of settlement.

6 **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 estimates and assumptions made to determine their carrying value and related depreciation are critical to the company's financial position 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 time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

(iii) **Impairment of assets**

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

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

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

iv) **Legal Proceedings.**

In accordance with IFRS, the company recognises a provision where there is a present obligation from a 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 disclosed 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 these statements 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.

7) **General Objectives, Policies and processes**

The Board has overall responsibility for the determination of the company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance 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 reports its findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Financial Management risk

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 fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). The company is exposed to cash flow interest rate risk from long term borrowings at variable rates.

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 meet 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 describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous period unless otherwise stated in this note

Revenue

8)

The Company produces animal feeds which is 100% of its turnover. Other products include enzyme (Natuzyme) which is bought from other Companies for marketing and sales. The net margin on this is included in other income. Analysis of sales for the year is as follows:

	2014	2013
	N'000	N'000
Aba	1,552,532	1,340,372
Ikeja	2,093,409	1,637,016
Benin	1,191,750	940,882
Northern operation	<u>623,117</u>	<u>372,341</u>
	<u>5,460,808</u>	<u>4,290,612</u>

Segment reporting

9) The Executive Management Team is the Company's Chief Operating Decision Maker. Management has determined operating segments based on the information reported and reviewed by the Executive Management Team for the purposes of allocating resources and assessing performance. The Executive Management Team reviews internal management reports on at least a monthly basis. These internal reports are prepared on the same basis as the accompanying consolidated and separate financial statements.

The Company has four reportable segments based on location of the principal operations as follows:

- Aba
- Ikeja
- Benin
- Northern operation

Segmental Revenue and operating profit - 30 September 2014

	Aba	Ikeja	Benin	Northern	Total
	N'000	N'000	N'000	operation	N'000
	N'000	N'000	N'000	N'000	N'000
From external customers	1,552,532	2,093,409	1,191,750	623,117	5,460,808
Intersegment revenue	-	-	-	-	-
Segment revenue	<u>1,552,532</u>	<u>2,093,409</u>	<u>1,191,750</u>	<u>623,117</u>	<u>5,460,808</u>
Cost of sales	<u>(1,371,462)</u>	<u>(1,775,534)</u>	<u>(1,037,915)</u>	<u>(573,324)</u>	<u>(4,758,234)</u>
Gross profit	181,071	317,876	153,835	49,793	702,574
Marketing & distribution expenses	<u>(9,349)</u>	<u>(96,013)</u>	<u>(13,119)</u>	<u>(9,661)</u>	<u>(128,142)</u>
Trading profit	171,722	221,863	140,715	40,132	574,432
Other income	<u>1,988</u>	<u>2,864</u>	<u>7,057</u>	<u>264</u>	<u>12,173</u>
Operating Profit	<u>173,710</u>	<u>224,727</u>	<u>147,772</u>	<u>40,396</u>	<u>586,605</u>
Finance expenses	<u>(42,401)</u>	<u>(41,374)</u>	<u>(40,546)</u>	<u>(11,859)</u>	<u>(136,180)</u>
Contribution to margin	<u>131,309</u>	<u>183,353</u>	<u>107,226</u>	<u>28,537</u>	<u>450,425</u>

Head Office

Dividend income	721
Interest income	2,788
Gains on available for sales financial assets	-
Laboratory income	421
Insurance refund	90
Unrequired provision	805
Loss on disposal of asset	(1,612)
Net income on Natuzyme sale	2,677
Miscellaneous income	241
ITF refund	458
Administrative cost	(176,541)
Marketing Cost	(34,755)
Bank charges	<u>(5,194)</u>
Profit before tax	<u>240,524</u>

Segment assets and liabilities - 30 September 2014

Non-current assets	Head office	Aba	Ikeja	Benin	Northern operation	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Property, plant and equipment	230,298	108,015	328,112	108,492	32,462	807,380
Current assets	N'000	N'000	N'000	N'000	N'000	N'000
Inventories	559,494	244,474	365,526	232,668	88,376	1,490,539
Trade and other receivables	264,528	58,753	111,918	19,887	24,075	479,160
Cash and cash equivalents	3,290	735	4,177	5,170	2,761	16,134
	<u>827,312</u>	<u>303,961</u>	<u>481,621</u>	<u>257,726</u>	<u>115,212</u>	<u>1,985,833</u>

The Inventories figure under the head office represents materials stock piled at the external warehouses in funtua, kano and Zaria and will be transferred to the various Mills in the current year while Trade and other receivables represents deposits for raw materials

Current liabilities	N'000	N'000	N'000	N'000	N'000	N'000
Trade and other payables	557,301	90,955	70,067	5,569	17,280	741,172
Short-term borrowings	97,995	-	-	-	-	97,995
Dividend payable	101	-	-	-	-	101
Current tax payable	76,866	-	-	-	-	76,866
	<u>732,263</u>	<u>90,955</u>	<u>70,067</u>	<u>5,569</u>	<u>17,280</u>	<u>916,134</u>

Segmental Reporting - 30 September 2013	Aba	Ikeja	Benin	Northern operation	Total
	N'000	N'000	N'000	N'000	N'000
From external customers	1,340,372	1,637,016	940,882	372,341	4,290,612
Intersegment revenue	-	-	-	-	-
Segment revenue	1,340,372	1,637,016	940,882	372,341	4,290,612
Cost of sales	(1,221,135)	(1,388,803)	(869,221)	(333,392)	(3,812,551)
Gross profit	119,237	248,213	71,661	38,949	478,061
Marketing & distribution expenses	(12,136)	(70,960)	(10,718)	(10,987)	(104,800)
Trading Profit	107,101	177,253	60,943	27,963	373,260
Other income	33,489	29,976	29,272	13,235	105,972
Operating Profit	140,590	207,229	90,215	41,198	479,232
Finance expenses	(62,678)	(54,684)	(50,662)	(25,931)	(193,955)
Contribution to margin	<u>77,912</u>	<u>152,545</u>	<u>39,553</u>	<u>15,267</u>	<u>285,277</u>
Head Office					
Bad debt recovered					250
Interest income					26,590
Laboratory income					706
Sales of scrap					12
Insurance refund					646
ITF Refund					407
Net income on Natuzyme sales					3,139
Dividend income					2,889
Administrative cost					(103,118)
Marketing Cost					(46,104)
Bank charges					(6,493)
Profit before tax					<u>164,202</u>

Segment assets and liabilities

Non-current assets	Head office	Aba	Ikeja	Benin	Kaduna	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Property, plant and equipment	305,554	115,973	68,757	113,560	34,323	638,167
Current assets	N'000	N'000	N'000	N'000	N'000	N'000
Inventories	49,941	365,493	254,379	260,430	115,692	1,045,935
Trade and other receivables	243,726	51,338	82,579	27,020	13,295	417,958
Cash and cash equivalents	603,355	10,483	654	2,561	2,252	619,305
	<u>897,023</u>	<u>427,314</u>	<u>337,611</u>	<u>290,012</u>	<u>131,239</u>	<u>2,083,199</u>

	Head office	Aba	Ikeja	Benin	Kaduna	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Current liabilities						
Trade and other payables	125,264	29,607	47,251	15,380	12,244	229,746
Short-term borrowings	746,253	-	-	-	-	746,253
Dividend payable	101	-	-	-	-	101
Current tax payable	69,804	-	-	-	-	69,804
	<u>941,422</u>	<u>29,607</u>	<u>47,251</u>	<u>15,380</u>	<u>12,244</u>	<u>1,045,903</u>

In the period under review, unallocated operating income and expenses mainly constitute head office other income, 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.

10 **Other operating income**

The analysis of other operating income is as follows:

	2014	2013
	N'000	N'000
Sale of sacks	6,028	6,387
Rental Income	26	51
Laboratory income	421	706
Weighing income	1,858	2,030
Insurance claims received	90	646
Service charge	1,167	-
Net income on Natuzyme sales	2,677	3,139
Sales of scrap	475	927
Bad debt recovered		250
Registration Fees	256	
Unrequired Provision	805	
Gain/(loss) on disposal of property, plant and equipment	(1,522)	107
ITF Refund	458	407
Dividend Income	721	2,889
Container Refund		-
Interest income		
Truck Income	2,514	2,826
Government grant	61,188	53,070
	<u>77,163</u>	<u>73,435</u>

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 15.5% commercial rate during the period

11 **Finance expenses**

The analysis of finance expense is as follows:

	N'000	N'000
Overdraft charges	20,349	1,134
Interest on loans	115,985	91,075
Bank COT	5,041	14,585
Government grant	61,188	53,070
	<u>202,562</u>	<u>159,864</u>

12 **Finance income**

The analysis of finance income is as follows:

	N'000	N'000
Interest received on bank deposits	2,788	26,590
	<u>2,788</u>	<u>26,590</u>

Finance income represents interest income received from fixed deposit investments from a commercial bank

13) Current tax payable	N'000	N'000
Balance, beginning of the year	106,492	81,997
Income tax charge for the year (a)	76,968	89,232
Adjustment for under provision	-	-
	<u>183,460</u>	<u>171,229</u>
Payments during the year		
- Company income tax	(100,016)	(59,201)
- Education tax	<u>(6,578)</u>	<u>(5,535)</u>
Balance, end of the year	<u>76,866</u>	<u>106,492</u>

14 Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per shares is as follows:

	N'000	N'000
Profit for the year after taxation	<u>163,556</u>	<u>111,657</u>
Weighted number of ordinary shares for the purposes of basic earnings per share	<u>2,000,000</u>	<u>1,200,000</u>
Basic earnings per share	<u>8.18</u>	<u>9.30</u>
Weighted number of ordinary shares for the purposes of diluted Earning per share	<u>2,000,000</u>	<u>1,822,222</u>
Diluted earnings per share	<u>8.18</u>	<u>6.13</u>

The share issue proceeds was made available to the company on the 28th March 2013 after Securities and Exchange Commission approval

16(a). **Property, Plant and Equipment**

<u>Cost/Valuation</u>	Land & Building =N='000	Machinery & equipment =N='000	Motor Vehicles =N='000	Furniture, fittings & equipment =N='000	Computer equipment & software =N='000	=N='000
Balance as at 1 January 2014	350,901	147,197	112,076	13,280	16,059	350,592
Additions	2,628	12,991	22,523	3,493	2,175	106,248
Disposals	-	-	(10,258)		(92)	
Transfers in	-	-			164.85	
Transfers out						
Writte off						
Adjustment		-				
Reclassification	8,652	269,681	5,040		5,721	(283,973)
Balance as at 30th September 2014	<u>362,181</u>	<u>429,870</u>	<u>129,381</u>	<u>16,773</u>	<u>24,027</u>	<u>172,867</u>
Accumulated depreciation	Land & Building =N='000	Machinery & equipment =N='000	Motor Vehicle =N='000	Furniture & Fittings =N='000	Computer equipment & software =N='000	Construction in Progress =N='000
Balance as at 1 January 2014	120,851	84,201	44,743	6,702	10,699	-
Charge for the year	12,713	24,276	26,130	1,159	2,310	-
On disposals			(6,024)		(92)	-
Transfers in					52	-
Transfers out						-
Writte off						-
Balance as at 30th September 2014	<u>133,563</u>	<u>108,477</u>	<u>64,849</u>	<u>7,861</u>	<u>12,968</u>	<u>-</u>
Carrying amounts at:						
30 September 2014	<u>228,618</u>	<u>321,393</u>	<u>64,532</u>	<u>8,912</u>	<u>11,059</u>	<u>172,867</u>

- i) 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 StabicBTC Bank interest of N1.1billion noted
- ii) The company has N180million CACS fund with StanbicBTC 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 LC deposit and other charges and interest charges to the tune of N5,240,264 has been capitalised under construction in progress.

17 **Available for sale financial assets**

The details and carrying amount of AFS financial assets are as follows: **0**

	2014		2013	
	Cost N'000	Value N'000	Cost N'000	Value N'000
Balance at the beginning of the year	19,999	13,503	19,999	13,503
Gains on available for sale financial assets	-	4,460	-	4,460
Balance at the end of the year	<u>19,999</u>	<u>17,963</u>	<u>19,999</u>	<u>17,963</u>

AFS financial assets represent investment in quoted shares in the following companies: First Bank of Nigeria Plc, United Bank for Africa Plc, Zenith Bank Plc, AFRIPRUD and UBA Capital Plc. The fair value of the shares is at 31 December 2013 as obtained from Nigerian Stock Exchange is as analysed below:

	2014	2013
	N'000	N'000
18 Inventories		
Raw materials	1,371,694	1,873,425
Finished goods	94,872	13,957
Engineering spares	20,741	7,935
Stock-in-transit	3,194	-
Diesel	39	2,048
Other consumables	-	76
	<u>1,490,539</u>	<u>1,897,441</u>

19 **Trade and other receivables**

	N'000	N'000
Gross trade receivables	191,258	69,348
Less: impairment (Note 19 (c))	<u>(45,936)</u>	<u>(45,936)</u>
Total financial assets other than cash and cash equivalents	145,322	23,412
Deposit for materials	296,138	651,335
Other debtors	4,024	5,880
Prepayments	<u>33,677</u>	<u>44,977</u>
	<u>479,160</u>	<u>725,604</u>

The deposit for materials represents advance payment to suppliers for procurement of major raw materials out of which the sum of N284million balance of advance payment to Northern rice & Oil for the milling of raw soya to soya bean cake

	September	December
	2014 N'000	2013 N'000
a) The age analysis of trade receivables is as analysed below:		
0 - 90 days	82,641	16,745
91 - 180 days	15,495	5,360
181 - 360 days	5,165	3,389
Over 360 days	<u>42,021</u>	<u>43,854</u>
	<u>145,322</u>	<u>69,348</u>

b)	Trade receivables that are past due but not impaired are as follows:	2014	2013
		N'000	N'000
	Ikeja	3,201	2,006
	Aba	1,492	315
	Benin	2,455	4,345
	Kaduna	-	-
		<u>7,148</u>	<u>6,666</u>

The Managements are of the opinion that the receivables are recoverable

c)	Trade receivables that are past due and impaired are as follows:	2014	2013
		N'000	N'000
	Ikeja	26,076	26,076
	Aba	8,651	8,651
	Benin	8,390	8,390
	Kaduna	2,819	2,819
		<u>45,936</u>	<u>45,936</u>

20 **Cash and cash equivalents**

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

		N'000	N'000
	Bank balances	16,134	64,251
	Short term investment	-	243,685
		<u>16,134</u>	<u>307,936</u>

The short term investment (financial asset held to maturity) represents part of the UACN special placement proceeds fixed with StanbicBTC pending the utilization of the fund for technical upgrade. However this was fully liquidated and utilised in the second quarter of the current year

21 **Share capital**

	<u>Authorised</u>	September	December
	<u>Value</u>	2014	2013
		N'000	N'000
	2,000,000,000 ordinary shares of 50kobo each	<u>1,000,000</u>	<u>1,000,000</u>

	<u>Number</u>	000	000
	2,000,000,000 ordinary shares of 50kobo each	<u>2,000,000</u>	<u>2,000,000</u>

Issued and fully paid Share capital

	<u>Value</u>	September	December
		N'000	N'000
	2,000,000,000 ordinary shares of 50kobo each		
	Balance at beginning of the year	1,000,000	600,000
	Additions during the year	-	400,000
	Balance at the end of the year	<u>1,000,000</u>	<u>1,000,000</u>

	<u>Number</u>	September	December
		000	000
	2,000,000,000 ordinary shares of 50kobo each		
	Balance at beginning of the year	2,000,000	1,200,000
	Movement in share	-	800,000
	Balance at the end of the period	<u>2,000,000</u>	<u>2,000,000</u>

The Company received the sum of N904 million being special placement proceeds from UACN Plc of Nigeria on 8th February 2013. The Securities and Exchange Commission approved the allotment of the shares on 18th March 2013. As a result, there was an increase in share capital from N600 million to N1 billion while a total sum of N18.326 million was incurred as issuing cost as at 31 December 2013 and defrayed against the share premium of N504million:

	September 2014 N'000	December 2013 N'000
22 <u>Share premium</u>		
The movement in share premium during the year is as follows:		
Balance at beginning of the year	493,702	8,028
Addition during the year	-	504,000
Issuing cost	-	(18,326)
Balance at the end of the year	<u>493,702</u>	<u>493,702</u>
23 <u>Gratuity</u>	September	December
	N'000	N'000
Balance at the beginning of the year	805	8,805
Addition during the year	-	-
Payment during the year	(805)	(8,000)
Balance at the end of the year	<u>-</u>	<u>805</u>
24 <u>Trade and other payables</u>	N'000	N'000
Trade creditors	180,584	124,806
Accruals (Note 24(a))	78,883	56,092
Other creditors (Notes 24(c))	34,910	60,783
Amount due to related companies (Note 24(d))	446,795	682,305
	<u>741,172</u>	<u>923,987</u>
a) <u>Accruals</u>	N'000	N'000
Ex-staff balances	-	3,871
Provision for interest	3,378	5,239
Accrued staff benefits	21,403	12,782
Professional fees	4,867	13,952
Listing, register and others	28,727	691
Industrial training fund	247	1,015
Other accrued expenses (Note 24(c))	20,261	18,542
	<u>78,883</u>	<u>56,092</u>
b) <u>Other accrued expenses</u>	N'000	N'000
Promotional expenses	14,460	3,282
Contingent liabilities-Ceres Nig Ltd and Bemil Nig Ltd others	5,801	5,801
	<u>20,261</u>	<u>18,542</u>
c) <u>Other Creditors</u>	N'000	N'000
Withholding tax	10,509	10,212
NSITF	629	71
NHF	235	161
Pay as you earn (PAYE)	1,718	870
Trade incentives	18,756	10,659
VAT	158	204
Deposit for feeds delivery	-	32,808
Pension	2,904	5,798
	<u>34,910</u>	<u>60,783</u>
d) <u>Amount due to related Companies</u>	N'000	N'000
MDS logistics	6,511	8,878
Amount due to UACN Plc	278,509	512,126
Amount due to CAP Plc	161,775	161,302
	<u>446,795</u>	<u>682,306</u>
25 <u>Bank loans and borrowings</u>		
<u>Current</u>	N'000	N'000
Bank Overdraft	97,995	250,452
Secured bank loans (Note 25(a))		618,695
	<u>97,995</u>	<u>869,147</u>

The amount due to UACN plc is inclusive of the sum of N252,773,972 which represents loan payable obtained at 13.5% to augment the working capital of the company while amount due to CAP plc is in respect of 90 day facility also at 13.5%

- a) The Company had an overdraft facility of N50million with Stanbic IBTC Plc and has been fully liquidated on 30th September 2014
- b) The Company also had an advance facility (revolving term loan) of N870 million with Stanbic IBTC Plc which was also fully liquidated on the 30th September 2014
- 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 but the facility has finally expired on the 30th September 2014. However the company had requested for a renewal of the facility which shall be utilised for stock piling of grains during next harvesting season
- c) The sum of N500million term loan and N500million overdraft facilities was approved by Zenith bank Plc for the company to stock pile materials at the rate of 15.5% p.a but only the sum of N97.7million of the overdraft facility was utilised by the company while the term loan remained un-utilised as at 30th September 2014.
- d) The Company has equipment finance facility (CACS fund) of N180 million as at 31 December 2013 for which all conditions have been met and the Letter of credit has been opened for the equipment. The Equipment are two 2500MT storage capacity Silos and an Extruder Machine.

September , 2014

	Floating rate N'000	Fixed rate N'000	Total N'000
Expiry within 1 year	-	500,000	500,000
Expiry within 1 and 2 years	-	-	-
Expiry in more than 2 years	-	180,000	180,000

31 December, 2013

	Floating rate N'000	Fixed rate N'000	Total 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

27	Capital commitments and contingent liabilities	Sep 2014 N'000	Dec 2013 N'000
	Capital expenditure authorised	268,240	585,000
	Capital expenditure authorised & contracted	<u>150,058</u>	<u>422,000</u>

28 **Principal Financial instruments:**

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

- Trade receivables
- Cash and Cash equivalents
- Trade and other payables
- Bank overdraft
- Fixed rate bank loans
- Investments in quoted securities

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

Financial assets	N'000	N'000
Cash and cash equivalents	16,134	307,936
Trade and other receivables	479,160	725,604
Investment in quoted securities	<u>17,963</u>	<u>17,963</u>
	<u>513,257</u>	<u>1,051,503</u>
Financial Liabilities	N'000	N'000
Trade and other payables	741,172	923,987
Loans and borrowings	<u>97,995</u>	<u>869,147</u>
	<u>839,167</u>	<u>1,793,134</u>

ii) **Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the US dollar as a result of importing some micro materials notably natuzyne and spare parts for its extruder machine.

The company does not make use of derivatives to hedge its exposures. Letters of credit are issued by the company to the foreign suppliers for the direct purchase of materials, other materials are purchased through local importers in Naira.

	30 September 2014				
	Naira N'000	USD N'000	GBP N'000	Others N'000	Total N'000
Financial assets					
Available for sale investments	17,963	-	-	-	17,963
Trade and other receivables	479,160	-	-	-	479,160
Cash and short-term deposits	16,134	-	-	-	16,134
	<u>513,257</u>	-	-	-	<u>513,257</u>
Financial liabilities					
Trade and other payables	741,172	-	-	-	741,172
Loans and borrowings	97,995	-	-	-	97,995
	<u>839,167</u>	-	-	-	<u>839,167</u>
	31 December 2013				
	Naira N'000	USD N'000	GBP N'000	Other N'000	Total N'000
Financial assets					
Available for sale investments	17,963	-	-	-	17,963
Trade and other receivables	944,409	-	-	-	944,409
Cash and short-term deposits	307,936	-	-	-	307,936
	<u>1,270,309</u>	-	-	-	<u>1,270,309</u>
Financial liabilities					
Trade and other payables	923,987	-	-	-	923,987
Loans and borrowings	869,147	-	-	-	869,147
	<u>1,793,134</u>	-	-	-	<u>1,793,134</u>

(ii) Price risk

The Company is exposed to equity securities price risk because of investments held by the company and classified in the statement of financial position as available-for-sale.

The company is also exposed to the commodity price risk of grains (maize, soya beans and wheat) due to seasonal trends and the availability of harvest produce. The Company does not hedge against this risk and no commodity exchange exists within Nigeria. There are operational controls in place to monitor qualities and to ensure that sufficient quantities are produced and stored in silos and warehouses in the harvest seasons in the gradual milling during the year. In case of local crop failure resulting in shortages, import action are undertaken in collaboration with Grand Cereals Limited which is also a subsidiary of UACN

(iii) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from only short-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the company to fair value interest rate risk. The boards of the company set its own borrowing limits under the parent company guidance.

	Weighted average interest rate	30 September 2014		Non-interest bearing
		Interest bearing Variable rate	Interest bearing Fixed rate	
Financial assets				
Available for sale investments		-	-	17,963
Trade and other receivables		-	-	479,160
Cash and bank balances		-	-	16,134
Short-term deposits	10	-	-	-
		-	-	513,257
Financial liabilities				
Trade and other payables		-	-	741,172
Loans and borrowings	12	-	97,995	-
		-	97,995	741,172
31 December 2013				
	Weighted average interest rate	Interest bearing Variable rate	Interest bearing Fixed rate	Non-interest bearing
Financial assets				
Available for sale investments		-	-	17,963
Trade and other receivables		-	-	725,604
Cash and bank balances		-	-	307,936
		-	-	1,051,503
Financial liabilities				
Loans and borrowings	9	-	869,147	-
Trade and other payables		-	-	923,987
		-	869,147	923,987

(b) Credit risk

Credit risk is monitored and managed by the credit committee on weekly basis. The credit committee analyses the credit risk for each of the new customer before standard payment and delivery terms and conditions are offered

Credit risk arises from cash and cash equivalents, accounts receivable and deposits with banks and financial institutions.

For banks and financial institutions, the company utilises institutions that have manageable reputational risk but do not strictly monitor their formal ratings. In addition the group monitors its exposures with individual institutions and has internal limits to control maximum exposures. The company does not maintain a minimum threshold for its investments based on credit rating. When considering investments the company compares the risk exposure to the returns provided by the institution.

Credit terms are set with customers based on past experiences, payment history and reputation of the customers are short term, typically 14 days.

Concentration of credit risk

	30 September 2014			
	Total gross amount	Fully performing	Past due but not impaired	Impaired
Trade receivables	191,258	138,174	7,148	45,936
Receivables from group companies	-	-	-	-
Other receivables	332,134	-	-	-
Advances to staff	1,704	1,704	-	-
Cash and bank balances	16,134	-	-	-
	541,230	139,878	7,148	45,936

	31 December 2013			
	Total gross amount	Fully performing	Past due but not impaired	Impaired
Trade receivables	69,348	16,746	6,666	45,936
Receivables from group companies	-	-	-	-
Other receivables	-	-	-	-
Advances to staff	4,466	4,466	-	-
Cash and bank balances	307,936	307,936	-	-
Short term deposits	243,685	243,685	-	-
	625,435	572,833	6,666	45,936

Details of the credit quality of performing assets are as follows:

Counterparties without external credit ratings

	30 September	31 December
	2014	2013
	N'000	N'000
Trade receivables		
Group 1	-	-
Group 2	-	-
Group 3	145,322	69,348
	145,322	69,348

The Company defines the ratings as follows:

Group 1 - These are balances with Blue Chip, Listed and other large entities with a low chance of default.

Group 2 - These are balances with small - medium sized entities with no history of defaults

Group 3 - These are balances with small - medium sized entities with a history of defaults or late payments.

Counterparties with external credit ratings

	30 September	31 December
	2014	2013
	N'000	N'000
Cash and Short term deposits		
AAA	16,134	307,936

External ratings were based on ratings according to Fitch Rating and Agosto & Co.

The Directors have assessed that there are no increased risk to the Company's cash and short term deposits with banks that are rated less than an A as they have done proper due diligence on these institutions and continuously monitor their performance. Also deposit with banks are insured by the Nigerian Deposit Insurance Corporation.

Details of the past due but not impaired assets are as follows:

	30 September	31 December
	2014	2013
	N'000	N'000
Trade receivables		
Past due by 1-30 days	7,148	6,666
Past due by 31-60 days	-	-
	7,148	6,666

Details of the impaired assets are as follows:

	30 September 2014 N'000	31 December 2013 N'000
<u>Trade receivables</u>		
Past due by 1-60 days	-	-
Past due by 61-180 days	-	-
Past due > 180 days	45,936	49,073
	45,936	49,073

Reconciliation of the provision for impairment:

	2014 N'000	2013 N'000
<u>Trade receivables</u>		
At 1 January	45,936	49,073
Provision for receivables impairment		(3,137)
Receivables written off during the year	-	-
At 30 September	45,936	45,936

(c) Liquidity risk

Cash flow forecasting is performed on quarterly basis and monitor by the company to ensure it has sufficient cash to meet operational needs. The company also ensures that at all times it does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

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

	Between 3			
	Less than 3 months	months and 1 year	Between 1 and 5 years	Over 5 years
At 30 September 2014				
Loans and borrowings	97,995			
Finance lease liabilities	-	-	-	-
Trade and other payables	741,172		-	-
	839,167	-	-	-
	Between 3			
	Less than 3 months	months and 1 year	Between 1 and 5 years	Over 5 years
At 31 December 2013				
Loans and borrowings	-	869,147	-	-
Finance lease liabilities	-	-	-	-
Trade and other payables	923,987	-	-	-
	923,987	869,147	-	-

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The company currently wholly equity financed and has no interest bearing debt in its capital structure

	30 September 2014 N'000	31 December 2013 N'000
Interest bearing debt	-	-
Total equity	1,000,000	1,000,000
Total capital	1,000,000	1,000,000
Gearing ratio	-	-

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liabilities, either directly (that is, as prices) or indirectly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2013.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets			
Available-for-sale financial assets			
- Equity securities	17,963	-	-
Total assets	<u>17,963</u>	<u>-</u>	<u>-</u>

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2012.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets			
Available-for-sale financial assets			
- Equity securities	17,963	-	-
Total assets	<u>17,963</u>	<u>-</u>	<u>-</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price.

Financial instruments by category

	30 September 2014			
	Fair value through profit or loss N'000	Available for sale N'000	Loans and receivables N'000	Other financial liabilities N'000
Financial assets				
Available for sale investments	-	17,963	-	-
Trade and other receivables	-	-	479,160	-
Financial instruments at fair value through profit or loss	-	-	-	-
Cash and short-term deposits	-	-	16,134	-
	<u>-</u>	<u>17,963</u>	<u>495,294</u>	<u>-</u>
Financial liabilities				
Trade and other payables	-	-	-	741,172
Loans and borrowings	-	-	-	97,995
	<u>-</u>	<u>-</u>	<u>-</u>	<u>839,167</u>
	31 December 2013			
	Fair value through profit or loss N'000	Available for sale N'000	Loans and receivables N'000	Other financial liabilities N'000
Financial assets				
Available for sale investments	-	17,963	-	-
Trade and other receivables	-	-	725,604	-
Financial instruments at fair value through profit or loss	-	-	-	-
Cash and short-term deposits	-	-	307,936	-
	<u>-</u>	<u>17,963</u>	<u>1,033,540</u>	<u>-</u>
Financial liabilities				
Trade and other payables	-	-	-	923,987
Loans and borrowings	-	-	-	869,147
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,793,134</u>