LIVESTOCK FEEDS PLC
(a subsidiary of UAC of nigeria plc)

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FINANCIAL STATEMENTS 30 SEPTEMBER 2019

LIVESTOCK FEEDS PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	Note	3 months to September 2019 ₦'000	9 months to September 2019 ₦'000	3 months to September 2018 ₦'000	9 months to September 2018 ₦'000
Revenue from contracts with customers	4	2,601,575	7,431,223	2,140,676	5,509,921
Cost of sales	7i	(2,387,750)	(6,864,925)	(2,263,885)	(5,438,086)
Gross profit		**213,825**	**566,298**	**(123,208)**	**71,836**
Other operating income	8	20,344	85,331	59,382	203,695
Selling and Distribution expenses	7ii	(86,654)	(219,385)	(78,336)	(194,712)
Administrative expenses	7iii	(97,243)	(272,291)	(87,184)	(240,315)
Operating profit/(loss)		**50,271**	**159,953**	**(229,346)**	**(159,496)**
Interest revenue	9	7,822	10,571	22,788	30,775
Finance Expense	10	(37,425)	(156,438)	(97,865)	(346,569)
Profit/(loss) before tax	11	**20,669**	**14,086**	**(304,423)**	**(475,291)**
Income tax expense	12	(6,614)	(4,507)	-	-
Profit/(loss) for the period		**14,055**	**9,578**	**(304,423)**	**(475,291)**
Other comprehensive income			-	-	-
Total comprehensive profit/ (loss) for the period, net of tax		**14,055**	**9,578**	**(304,423)**	**(475,291)**
Profit per share					
Basic, profit/(loss) for the period attributable to ordinary equity holders	13	0.47	0.32	(10.15)	(15.84)
Diluted, profit/(loss) for the period attributable to ordinary equity holders	13	0.47	0.32	(10.15)	(15.84)

The notes on pages 2 to 44 are integral part of this financial statements.

LIVESTOCK FEEDS PLC
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Note	September 2019 ₦'000	December 2018 ₦'000	September 2018 N'000
Assets				
Non-current assets				
Property, plant and equipment	14	878,410	993,608	1,037,838
Intangible assets	15	36	144	227
Prepayment	18	-	3,169	11,533
Financial assets-available for sale	20	-	-	-
Total non-current assets		**878,446**	**996,921**	**1,049,599**
Current assets				
Inventories	16	1,315,921	2,634,003	1,463,227
Trade and other receivables	17	427,918	111,267	341,929
Refund assets	17	7,296	6,990	-
Prepayments	18	49,524	56,776	64,829
Cash and short term deposit	19	769,424	138,462	843,524
Total current assets		**2,570,083**	**2,947,499**	**2,713,509**
Total assets		**3,448,529**	**3,944,419**	**3,763,108**
Equity				
Issued capital	20	1,500,000	1,500,000	1,500,000
Share premium	20	693,344	693,344	693,344
Retained earnings		(720,526)	(730,104)	(570,697)
Total equity		**1,472,818**	**1,463,240**	**1,622,647**
Liabilities				
Non -current liabilities				
Deferred tax liabilities	12	-	-	147,081
Total Non- current liabilities		**-**	**-**	**147,081**
Current liabilities				
Trade and other payables	21	942,323	953,164	472,461
Refund liabilities	22.1	7,961	7,097	-
Income tax payable	12	4,657	150	150
Dividend Payable	23	20,768	20,768	20,768
Borrowing	24	1,000,000	1,500,000	1,500,000
Total current liabilities		**1,975,710**	**2,481,179**	**1,993,379**
Total liabilities		**1,975,710**	**2,481,179**	**2,140,460**
Total equity and liabilities		**3,448,529**	**3,944,419**	**3,763,108**

The notes on pages 2 to 44 are integral part of this financial statements.

The financial statements was approved and authorised for issue by the Board of Directors on 24 October 2019 and was signed on its behalf by:

Ag. Chairman
Mrs. Omolara Elemide
FRC/2013/ICAN/00000001850

Director
Mr. Adeyemi Abayomi
FRC/2014/CISN/00000005607

Finance Manager
Mr. Adekunle Adepoju
FRC/2013/ICAN/00000004478

LIVESTOCK FEEDS PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	Note	Issued capital (Note 21) ₦'000	Share premium (Note 21) ₦'000	Retained earnings ₦'000	Total equity ₦'000
At 1 January 2018		1,500,000	693,344	(95,405)	2,097,939
Loss for the year		-	-	(475,291)	(475,291)
Other comprehensive income		-	-	-	-
Total comprehensive income, net of tax		-	-	(475,291)	(475,291)
At 30 September 2018		**1,500,000**	**693,344**	**(570,697)**	**1,622,647**
At 1 January 2019		1,500,000	693,344	(730,104)	**1,463,240**
Effect of adoption of new accounting standards	2.4	-	-	-	-
As at 1 January 2019 (restated)		1,500,000	693,344	(730,104)	1,463,240
Profit for the year		-	-	9,578	9,578
Other comprehensive income		-	-	-	-
Total comprehensive income, net of tax		-	-	9,578	9,578
At 30 September 2019		**1,500,000**	**693,344**	**(720,526)**	**1,472,818**

The notes on pages 2 to 44 are integral part of this financial statements.

LIVESTOCK FEEDS PLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	Note	September 2019 ₦'000	September 2018 ₦'000
Cash flows from operations			
Profit/(loss) before tax		14,086	(475,291)
Adjustments to reconcile Loss before tax to net cash flows:			
Depreciation of property, plant and equipment	14	131,754	123,577
Amortisation of intangible assets	15	108	618
Adjustment in property,plant and equipment		-	-
Gain on disposal of property, plant and equipment		(2,407)	(1,169)
Appreciation in value of financial asset		-	-
Expected credit loss (note 7iii)	7iii	-	-
Profit on sales of financial asset		-	(1,591)
Finance cost	10	156,438	346,569
Interest revenue	9	(10,571)	(30,775)
Working capital adjustments:			
Decrease in inventories		1,318,082	2,339,764
Decrease/(Increase) in trade receivables		(316,651)	(206,609)
Decrease/(Increase) in prepayments and other assets		10,115	(22,614)
Decrease in trade and other payables		(9,976)	(521,728)
Cash generated from operating activities		**1,290,979**	**1,550,753**
Income tax paid	12	-	-
Net cash flows from operating activities		**1,290,979**	**1,550,753**
Investing activities			
Interest received	9	10,571	30,775
Proceeds from disposal of PPE		4,396	3,276
Proceeds from disposal of financial assets		-	16,789
Purchase of property, plant and equipment	14	(18,546)	(91,406)
Net cash flows used in investing activities		(3,579)	(40,566)
Financing activities			
Interest paid	10	(156,438)	(346,569)
Proceeds from issue of shares		-	-
Proceeds from share premium		-	-
Share capital issue cost		-	-
Loan Repayment	24	(500,000)	(500,000)
Net cash flows from financing activities		(656,438)	(846,569)
Net (decrease)/increase in cash and cash equivalents		630,962	663,618
Cash and cash equivalents at 1 January		138,462	179,908
Cash and cash equivalents at 30 September		**769,424**	**843,524**

The notes on pages 2 to 44 are integral part of this financial statements.

1. Corporate information

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. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and specifically in compliance with Financial Reporting Standard IAS 34, in accordance with the requirements of the Financial Reporting Council of Nigeria and the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Naira which is the Company's functional currency and all values are rounded to the nearest thousand (N'000), except when otherwise indicated.

2.2 Summary of significant accounting policies

a) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) Fair value measurement

The Company measures its equity instruments at fair value balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.3 Summary of significant accounting policies

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

c) Revenue from contracts with customers

The Company is into agricultural business for the manufacturing and marketing of animal feeds and concentrates.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Company has applied IFRS 15 practical expedient to a portfolio of contracts (or performance obligations) with similar characteristics since the Company reasonably expects that the accounting result will not be materially different from the result of applying the standard to the individual contracts. The Company has been able to take a reasonable approach to determine the portfolios that would be representative of its types of customers and business lines. This has been used to categorise the different revenue stream detailed below.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

At contract inception, the Company assess the goods or services promised to a customer and identifies as a performance obligation each promise to transfer to the customer either:

- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

2.3 Summary of significant accounting policies - continued

The Company has identified one distinct performance obligations:

Performance Obligation	When Performance Obligation is Typically Satisfied	When Payment is Typically Due	How Standalone Selling Price is Typically Estimated
Animal feeds			
	Upon delivery (point in time)	0 days of delivery	Not applicable
	When control of the feeds passes to the customer; typically upon delivery	0 days of delivery	

Contract for the sale of feeds and concentrates begins when goods have been delivered to the customer and revenue is recognised at the point in time when control of the goods has been transferred to the customer, generally on delivery of the goods. The normal credit term is 90 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (if any). In determining the transaction price for the sale of feeds and concentrates, the Company considers the existence of significant financing components and consideration payable to the customer (if any).

i. Significant financing component

Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component since Livestock feeds Plc expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

ii. Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Volume incentives and trade discounts

When customers meet a set target in a particular month the Company gives a volume incentive. Trade discounts that range between 16%-20% are given to customers which is determined at the inception of the contract.

2.3 Summary of significant accounting policies - continued

Rights of return

Some contracts for the sale of Animal feeds provide customers with a right of return and volume rebates. When a contract provides a customer with a right to return the goods within a specified period, the consideration received from the customer is variable because the contract allows the customer to return the products. The Company used the expected value method to estimate the goods that will not be returned. For goods expected to be returned, the Company presented a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position.

Principal vs Agent consideration

When another party is involved in providing goods or services to its customer, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Company is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Company's role is only to arrange for another entity to provide the goods or services, then the Company is an agent and will need to record revenue at the net amount that it retains for its agency services.

PRACTICAL EXPEDIENTS
REVENUE RECOGNITION

Practical expedients [Extract]
LSF has elected to make use of the following practical expedients:

• LSF opted for the use of one year or less practical expedients for significant financing component.

•LSF applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Policy prior to 1 January, 2018

Revene recognition

Revenue represents total value of goods and services less discounts, 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 of 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 anticipated volume of sales and returns based on previous experience and other factors.

Other income

This comprises profit from sale of financial assets,plant and equipment,foreign exchange gains,fair value gains of non- financial assets measured at fair value through profit or loss and impairment loss no longer required written back.

Income arising from disposal of items of financial assets, plant and equipment and scraps is recognised at the time when proceeds from the disposal has been received by the Company.The profit on disposal is calculated as the difference between the net proceeds and the carrying amount of the assets. The Company recognises impairment no longer required as other income when the Company receives cash on an impaired receivable or when the value of an impaired investment increased and the investment is realisable.

d) Taxes

Current income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income. Current income tax is the estimated income tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

2.3 Summary of significant accounting policies - continued

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability differs from its tax base. Deferred taxes are recognized using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (tax bases of the assets or liability). The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted by the reporting date.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value added tax (VAT)

Expenses and assets are recognised net of the amount of Value added tax (VAT), except:

- When the Value added tax (VAT) incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the Value added tax (VAT) is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

- When receivables and payables are stated with the amount of Value added tax (VAT) included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

e) Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's presentation currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation of unsettled monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

f) Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Nigeria, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. However, where interim dividend is declared by the Board, it is recognised in the liability pending the approval of the shareholders. 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 date.

2.3 Summary of significant accounting policies - continued

g) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as a separate item of property, plant and equipment and are depreciated accordingly. Subsequent costs and additions are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Capital work in progress are uncompleted projects and they are not depreciated.

All other repairs and maintenance costs are charged to the profit and loss component of the statement of comprehensive income during the financial period in which they are incurred. Depreciation is recognised so as to write off the cost of the assets less their residual values over their useful lives, using the straight-line method on the following bases:

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the average expected life. The amortisation rates include:

	% per annum
Leasehold Land	3
Building	3
Machinery & Equipment	12.5
Motor Vehicle	
- Automobile	20
- Truck	12.5
Computer Equipment	33.3
Office equipment	20

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, with the changes in estimates accounted for prospectively.

h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3 Summary of significant accounting policies - continued

i) Intangible assets

Computer software
Purchased computer software is capitalised on the basis of costs incurred to acquire and bring into use the specific software. These costs are amortised on a straight line basis over the useful life of the asset. Computer software purchased from third parties. They are measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure that enhances and extends the benefits of computer software beyond their original specifications and lives, is recognised as a capital improvement cost and is added to the original cost of the software. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An Intangible 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.

The estimated useful lives for the current and comparative period are as follows:

	% per annum
Computer software	33 1/3

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

j) Financial instruments – initial recognition and subsequent measurement

Policy subsequent to 1 January ,2018.
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (d) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

2.3 Summary of significant accounting policies - continued

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

  And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables, and receivables from other related parties.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

  Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2.3 Summary of significant accounting policies - continued

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions — Note 3
- Trade receivables — Note 17

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms (if any).

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Policy prior to 1 January ,2018.

Financial Assets

The Company classifies its financial assets into the following categories: Financial assets at fair value through profit or loss(or held -for- trading), Held - to-maturity, Available -for sale financial assets and loans and receivables. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

Financial assets at fair value through profit or loss(held-for-trading)

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Financial assets are designated at fair value through profit or loss or as Held-for-trading if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. The investments are carried at fair value, with gains and losses arising from changes in their value recognised in the income statement in the period in which they arise. Such investments are the Company's investments in quoted equities.

Held-to-maturity financial assets

The Company's classifies financial assets as Held-to-maturity financial assets when the Company has positive intent and ability to hold the financial assets(i.e investments) to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to maturity financial assets are measured at amortized cost using effective interest method less any impairment losses. Any sale or reclassification of more than insignificant amount of held-to-maturity investments, not close to their maturity, would result in the reclassification of all held-to maturity financial assets as available-for sale, and prevent the Company from classifying investment securities as held-to maturity for the current and the following two financial years.

Interest on held-to-maturity financial assets are included in the income statement and are reported as'net gain or loss' on investment securities.

2.3 Summary of significant accounting policies - continued

Available-for-sale investments

Available-for-sale financial assets are non-derivative financial assets that are classified as available-for-sale or any not classified in any of the two preceeding categories and not as loans and receivables which may be sold by the Company in response to its need for liquidity or changes in interest rates, exchange rates or equity prices. They include investment in unquoted shares. These investments are initially recognised at cost. After initial recognition or measurement, available-for-sale financial assets are subsequently measured at fair value using 'net assets valuation basis'. Fair value gains and losses are reported as a seperate components in other comprehensive income until the investment is derecognised or the investment is determined to be impaired.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the statement or loss and other comprehensive income.

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.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.3 Summary of significant accounting policies - continued

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

k) Inventories

Inventories are stated at the lower of cost and net realisable value, with appropriate provisions for old and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is determined as follows:-

Raw materials

Raw materials which includes purchase cost and other costs incurred to bring the materials to their location and condition are valued using weighted average cost.

Finished goods

Cost of direct materials and labour plus a reasonable proportion of overheads absorbed by manufacturing based on normal levels of activity.

Spare parts and consumables

Spare parts which are expected to be fully utilized in production within the next operating cycle and other consumables are valued at weighted average cost after making allowance for obsolete and damaged stocks.

l) Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions — Note 3
- Property, plant and equipment — Note 14
- Intangible assets — Note 15

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companys of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.3 Summary of significant accounting policies - continued

m) Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash at banks and on hand, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

n) 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 at 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. The Company's provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

o) 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.

p) Pension and other post-employment benefits

i) Defined contribution scheme - pension

In line with the provisions of the Nigerian Pension Reform Act, 2014, Livestock Feeds Plc has instituted a defined contributory pension scheme for its employees. The scheme is funded by fixed contributions from employees and the Company at the rate of 8% by employees and 10% by the Company of total emolument, invested outside the Company through Pension Fund Administrators (PFAs) of the employees choice.

The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employees' service in the current and prior periods.

The matching contributions made by Livestock Feeds Plc to the relevant PFAs are recognised as expenses when the costs become payable in the reporting periods during which employees have rendered services in exchange for those contributions. Liabilities in respect of the defined contribution scheme are charged against the profit of the period in which they become payable.
Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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.

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18.

2.4 Changes in accounting policies and disclosures - continued

Changes in accounting policies and disclosures continued

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI or the Company's operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

a) Sale of goods with variable consideration

Some contracts for the sale of goods provide customers with a right of return. Before adopting IFRS 15, the company recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns. If revenue could not be reliably measured, the Company deferred recognition of revenue until the uncertainty was resolved. Under IFRS 15, rights of return rebates give rise to variable consideration.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company adopted IFRS 9 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018.
The cumulative effect of initially applying IFRS 9 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 39 and related Interpretations.

2.4 Changes in accounting policies and disclosures - continued

The nature of these adjustments are described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. The following are the changes in the classification of the Company's financial assets:

Trade receivables and other non-current financial assets (i.e., due from related parties) classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.

The Company has not designated any financial liabilities as fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

2.4 Changes in accounting policies and disclosures - continued

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

Company	Allowance for impairment under IAS 39 as at 31 December 2017	Re-measurment	ECL under IFRS 9 as at 1 January 2018
	N'000	N'000	N'000
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9 and contract assets	63,661	20,369	84,030

In addition to the adjustments described above, other items such as deferred taxes were adjusted to retained earnings as necessary upon adoption of IFRS 9 as at 1 January 2018.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Company's financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Company's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Company has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Company's financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Company.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Company's financial statements.

2.4 Changes in accounting policies and disclosures continued

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Company's financial statements.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

• Capital management	Note 6
• Financial instruments risk management and policies	Note 27
• Sensitivity analyses disclosures	Note 27

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction of sales of feeds and concentrates
The Company concluded that revenue for sales of feeds and concentrates is to be recognised as a point in time; when the customer obtains control the goods. The Company assess when control is transferred using the indicators below:

- The Company has a present right to payment for the goods;
- The customer has legal title to the goods;
- The Company has transferred physical possession of the asset and delivery note received;
- The customer has the significant risks and rewards of ownership of the goods; and
- The customer has accepted the goods

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The fair value of the assets of is based on the market value. This is the price which an asset may be reasonably expected to be realised in a sale in a private contract. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Company.

3. Significant accounting judgements, estimates and assumptions - continued

Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for Companyings of various customer segments that have similar loss patterns (i.e., by product type, customer type and rating).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 17 and 27.4

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

4. Revenue from contracts with customers

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	For the period ended 30 September 2019				
Segments	**Aba**	**Ikeja**	**Onitsha**	**Northern**	**TOTAL**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Type of goods or service					
Sale of livestock feeds	1,211,672	3,863,423	484,177	1,871,951	7,431,223
Total revenue from contracts with customers	**1,211,672**	**3,863,423**	**484,177**	**1,871,951**	**7,431,223**
Geographical markets					
Within Nigeria	1,211,672	3,863,423	484,177	1,871,951	7,431,223
Outside Nigeria	-	-	-	-	-
Total revenue from contracts with customers	**1,211,672**	**3,863,423**	**484,177**	**1,871,951**	**7,431,223**
Timing of revenue recognition					
Goods transferred at a point in time	1,211,672	3,863,423	484,177	1,871,951	7,431,223
Services transferred over time	-	-	-	-	-
Total revenue from contracts with customers	**1,211,672**	**3,863,423**	**484,177**	**1,871,951**	**7,431,223**

4. Revenue from contracts with customers - Continued

4.1 Disaggregated revenue information - Continued

	For the year period ended 30 September 2018				
Segments	**Aba**	**Ikeja**	**Onitsha**	**Northern**	**TOTAL**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Type of goods or service					
Sale of livestock feeds	1,221,635	2,514,379	321,375	1,452,533	5,509,921
Total revenue from contracts with customers	**1,221,635**	**2,514,379**	**321,375**	**1,452,533**	**5,509,921**
Geographical markets					
Within Nigeria	1,221,635	2,514,379	321,375	1,452,533	5,509,921
Outside Nigeria	-	-	-	-	-
Total revenue from contracts with customers	**1,221,635**	**2,514,379**	**321,375**	**1,452,533**	**5,509,921**
Timing of revenue recognition					
Goods transferred at a point in time	1,221,635	2,514,379	321,375	1,452,533	5,509,921
Services transferred over time	-	-	-	-	-
Total revenue from contracts with customers	**1,221,635**	**2,514,379**	**321,375**	**1,452,533**	**5,509,921**

Performance obligations

Information about the Company's performance obligations are summarised below:

Sale of Animal feeds

The performance obligation is satisfied upon delivery of livestock feeds and payment is generally due within 30 to 90 days from delivery.

Contract balances	**2019**	**2018**
	N'000	**N'000**
Trade receivables	467,931	164,745

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.
In 2019, N63.661 Million was recognised as provision for expected credit losses on trade receivables.

5. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the executive directors of Livestock Feeds Plc. The executive directors reviews the Company's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segments based on these reports. Assessment of performance is based on operating profits of the operating segment that is reviewed by the executive directors. Other information provided to the executive directors is measured in a manner consistent with that of the financial statements.

The company generated all its revenue in Nigeria.

The company operates only in the Feed Milling industry hence all information on the statement of profit or loss and other comprehensive income and statement of financial position remains the same.

	2019	2018
	N'000	N'000
Revenue from external customers	7,431,223	5,509,921
Operating profit/(Loss)	159,953	(159,496)
Finance cost (Note 10)	(156,438)	(346,569)
Finance income (Note 9)	10,571	30,775
Profit/(Loss) before taxation	14,086	(475,291)
Income tax expense	(4,507)	-
Total assets	3,448,529	3,763,108
Total liabilities	1,975,710	2,140,460

Revenue

The Company (all segments) produces animal feeds which is 100% of its turnover. Other products include Fish Feed , Vet drugs and also an 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:

	2019	2018
	N'000	N'000
Aba	1,211,672	1,221,635
Ikeja	3,863,423	2,514,379
Onitsha Operations	484,177	321,375
Northern Operations	1,871,951	1,452,533
	7,431,223	**5,509,921**

The Company has four reportable segments based on location of the principal operations as follows:
Aba
Ikeja
Onitsha Operations
Northern Operations

Segmental revenue and operating profit-30 September 2019

	Aba	Ikeja	Onitsha Operations	Northern Operations	Total
	N'000	N'000	N'000	N'000	N'000
From external customers	1,211,672	3,863,423	484,177	1,871,951	7,431,223
Segment revenue	1,211,672	3,863,423	484,177	1,871,951	7,431,223
Cost of sales	(1,157,640)	(3,587,285)	(449,259)	(1,670,740)	(6,864,925)
Gross profit	**54,032**	**276,138**	**34,918**	**201,210**	**566,298**
Marketing and distribution expense	(10,865)	(147,009)	(11,114)	(13,472)	(182,461)
Trading profit	**43,167**	**129,128**	**23,804**	**187,738**	**383,837**
Other income	28,862	52,209	476	-	81,547
Operating profit	**72,029**	**181,338**	**24,280**	**187,738**	**465,384**
Finance expense	(55,059)	(101,379)	-	-	(156,438)
Contribution to margin	**16,970**	**79,958**	**24,280**	**187,738**	**308,946**

5. Segment information - continued

Head Office	
Dividend income	31
Interest income	10,571
Laboratory income	609
Insurance refund	71
(Loss) realised on Foreign currency	-
Profit on sale of financial assets	-
Gain on disposal of assets	2,407
Miscellaneous income	660
ITF Refund	-
Sale of scraps	7
Administrative cost	(272,291)
Marketing Cost	(36,925)
Profit before tax	**14,086**

Segment assets and liabilities- 30 September 2019

Non-current assets	**Head office**	**Aba**	**Ikeja**	**Onitsha Operations**	**Northern Operations**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Property,plant and equipment	237,616	311,669	273,124	41,950	14,051	878,410
Intagible assets	36	-	-	-	-	36
Prepayment (Due after one year)	-	-	-	-	-	-
			1,237			
Current assets	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Inventory	514,301	263,816	355,078	31,695	151,032	1,315,921
Trade and other receivables	55,739	104,135	225,461	42,749	56,654	484,738
Cash and cash equivalents	765,140	1,485	2,776	4	19	769,424
	1,335,179	**369,436**	**583,315**	**74,448**	**207,706**	**2,570,083**

The inventory balance at the head office represents materials held in Livestock feeds Plc warehouses and those held at external warehouse in Kola and Zaria and will be transferred to the various mills in the current year while trade and other receivables represents receivables from debtors and deposit for raw materials.

Current liabilities	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Trade and other payables	897,703	13,822	18,011	8,197	12,552	950,284
Short- term borrowings	1,000,000					1,000,000
Dividend payable	20,768					20,768
Current tax payable	4,657					4,657
	1,923,129	**13,822**	**18,011**	**8,197**	**12,552**	**1,975,710**

Segmental revenue and operating loss -30 September 2018

	Aba	**Ikeja**	**Onitsha Operations**	**Northern Operations**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
From external customers	1,221,635	2,514,379	321,375	1,452,533	5,509,921
Segment revenue	1,221,635	2,514,379	321,375	1,452,533	5,509,921
Cost of sales	(1,220,373)	(2,497,491)	(332,265)	(1,387,956)	(5,438,085)
Gross profit	**1,262**	**16,888**	**(10,890)**	**64,577**	**71,836**
Marketing and distribution expense	(9,199)	(108,849)	(11,247)	(10,631)	(139,926)
Trading loss	**(7,938)**	**(91,962)**	**(22,137)**	**53,946**	**(68,090)**
Other income	43,513	89,802	12,356	51,192	196,861
Operating profit	**35,575**	**(2,160)**	**(9,782)**	**105,138**	**128,771**
Finance expense	(73,983)	(163,752)	(17,291)	(91,543)	(346,569)
Contribution to margin	**(38,408)**	**(165,913)**	**(27,073)**	**13,595**	**(217,797)**

5. Segment information - continued

Head Office	
Dividend income	1,357
Interest income	30,775
Laboratory income	815
Insurance refund	(323)
Gain/(Loss) Realised on Foreign Currency	(115)
ITF refund	1,269
Profit on sale of financial assets	1,591
Gain on disposal of assets	1,205
Miscellaneous income	620
Sale of scraps	412
Administrative cost	(240,315)
Marketing Cost	(54,785)
Loss before tax	**(475,291)**

Segment assets and liabilities- 31 December 2018

Non-current assets	**Head office**	**Aba**	**Ikeja**	**Onitsha Operations**	**Northern Operations**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Property,plant and equipment	236,647	355,437	326,979	52,797	21,748	993,608
Intagible assets	144	-	-	-	-	144
Prepayment (Due after one year)	3,169	-	-	-	-	3,169
Current assets	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Inventory	1,378,163	434,625	689,521	7,344	124,350	2,634,003
Trade and other receivables	61,108	64,235	61,728	16,013	(28,051)	175,033
Cash and cash equivalents	120,761	7,257	5,420	1,524	3,500	138,462
	1,560,032	**506,117**	**756,669**	**24,881**	**99,799**	**2,947,498**
Current liabilities	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Trade and other payables	940,203	7,650	8,607	687	3,114	960,261
Short- term borrowings	1,500,000	-	-	-	-	1,500,000
Dividend payable	20,768	-	-	-	-	20,768
Current tax payable	150	-	-	-	-	150
	2,461,121	**7,650**	**8,607**	**687**	**3,114**	**2,481,179**

In the year 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 segments expenses. Interest expenses are allocated based on investment in inventory acquired for each mills.

6. Capital management

For the purpose of the Company's capital management, capital includes issued capital, share premium and retained earnings attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio below 60% and a minimum B credit rating. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and bank balances.

	2019	**2018**
	₦'000	**₦'000**
Trade and other payables	942,323	953,164
Borrowing	1,000,000	1,500,000
Cash and short term deposit (Note 19)	(769,424)	(138,462)
Net debt	**1,172,899**	**2,314,702**
Total capital: Equity	1,472,818	1,463,240
Capital and net debt	**2,645,718**	**3,777,942**
Gearing ratio	**44%**	**61%**

No changes were made in the objectives, policies or processes for managing capital during the periods ended 30 september 2019 and 2018.

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

7. Expense by Natures

	2019	2018
	₦'000	₦'000
7i. Cost of sales		
Change in inventories of finished goods and work in progress	6,432,047	4,959,408
Salaries & Other Benefits	158,621	202,179
Business travelling & entertainment expenses	7,400	9,559
Electricity and power	46,658	40,819
Depreciation of property,plant & equipment (Note 14)	124,784	117,256
Rents-third party	39,137	35,592
Security expenses	14,500	17,479
Local repair and renewal	24,353	16,982
Laboratory expenses	3,710	3,800
Vehicle repairs expenses	514	1,796
Sundry vehicle expenses	1,588	4,408
Other expenses ***	11,615	28,808
Total cost of sales	**6,864,925**	**5,438,086**

*** Other expenses includes subsciption,market research,uniforms,office stationery & printing,
telephone expenses, postal services and computer charges which were incurred by the company during the year

7ii. Selling and distribution		
Salaries & Other Benefits	51,101	45,408
Business Travelling expenses	11,097	10,051
Distribution expenses	134,577	97,843
Corporate gifts/marketing investment	17,119	37,803
Depreciation	51	72
Other expenses ***	5,440	3,536
	219,385	**194,712**

*** Other expenses include all other expenses that are related to selling & distribution but not stated above such as Miscellaneous/ sundry expenses, electricity & power,market research,subscription,vehicle expenses etc which were incurred during the year.

	2019	2018
7iii. Administrative expenses	₦'000	₦'000
Salaries & Other Benefits	72,293	91,213
Consultancy	10,292	2,460
Auditor's fee	8,144	11,156
Subscription	3,813	5,267
Corporate public relations	10,371	7,797
AGM expenses	4,140	7,000
Internet/e-mail charges	13,076	9,366
Depreciation of property,plant & equipment (Note 14)	6,920	6,157
Amortisation of intangible assets	108	654
Insurance	11,275	9,472
Commercial service fees (Note 27b)	78,032	57,876
Bank Charges-AMF	5,353	6,512
Expected credit loss (trade receivables)	35,916	-
Other expenses ***	12,558	25,385
	272,291	**240,315**

*** Other expenses include all other expenses that are related to administrative expenses but not stated above such as Miscellaneous/ sundry expenses,subscription,vehicle expenses, computer charges, advet & publicity etc which were incurred during the year.

8. Other operating income

Sale of sacks	3,843	3,383
Laboratory income *	609	874
Weighing income **	831	1,777
Insurance claims received	71	(358)
Sales of scrap	167	532
Gain on disposal of property,plant and equipment	2,407	1,205
Registration fees & other Miscellaneous	825	730
ITF Refund		1,269
Dividend Income	31	1,357
Profit on sale of financial assets		1,591
Truck income		107
Government grant	76,548	191,342
Others	-	(115)
Total other operating income	**85,331**	**203,695**

* The Company has Laboratories in Ikeja mill and Aba mill where third parties come for Lab analysis and they pay for this service.

9. Interest revenue

Interest income on short-term bank deposits	9,334	30,775
Interest Income - Dividend Payables	1,237	
Total administrative expenses	**10,571**	**30,775**

10. Finance Expense

Overdraft charges	-	(697)
Interest on loans	(79,890)	(154,530)
Government grants	(76,548)	(191,342)
	(156,438)	**(346,569)**

11. Profit/Loss before taxation

Profit/ Loss before taxation is stated after charging:	**2019** **₦'000**	**2018** **₦'000**
Amortisation of intangible assets (Note 15)	108	654
Depreciation (Note 14)	131,755	123,485
Auditors remuneration (Note 7iii)	8,144	11,156

12. Income tax

The major components of income tax expense for the years ended 30 September 2019 and 2018 are:

Statement of profit or loss	**2019**	**2018**
	₦'000	**₦'000**
Current income tax:		
Income tax charge	4,226	-
Education tax charged	282	-
	4,507	-
Deferred tax:		
Relating to origination and reversal of temporary differences	-	-
Income tax expense (Benefit) reported in the statement of profit or loss	**4,507**	**-**
Reconciliation of income tax payable		
As of 1 January	150	150
Income tax expense for the year	4,507	
Payment during the year	-	-
As at 30 September	**4,657**	**150**

13. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2019	**2018**
	₦'000	**₦'000**
Profit/ (Loss) attributable to ordinary equity holders for basic earnings	9,578	(475,291)
	Thousands	**Thousands**
Average number of ordinary shares for basic EPS	3,000,000	3,000,000
Basic Earnings per share (Kobo)	0.32	(15.84)
Diluted Earnings per share (Kobo)	0.32	(15.84)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

14. Property, plant and equipment

	Leasehold Land	Building	Machinery & Equipment	Motor Vehicles	Office Equipment	Computer equipment	Capital work in progress	Total
	N'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cost								
1 January 2018	75,000	302,344	649,924	157,513	30,994	33,042	428,241	1,677,058
Additions	-	-	6,056	17,430	4,171	1,681	73,168	102,506
Disposal	-	-	(9,337)	(14,844)	(776)	(1,672)	-	(26,629)
Reclassification	-	12,724	298,944	1,205	767	5,917	(319,557)	-
31 December 2018	**75,000**	**315,068**	**945,587**	**161,304**	**35,156**	**38,968**	**181,852**	**1,752,935**
Additions	-		306	-	1,496	273	16,470	18,546
Disposal	-		(3,577)	(19,296)	(338)	-	-	(23,211)
Reclassification	-	1,360					(1,360)	-
30 September 2019	**75,000**	**316,428**	**942,316**	**142,008**	**36,314**	**39,241**	**196,962**	**1,748,269**
Accumulated depreciation								
1 January 2018	47,664	133,507	306,051	82,655	13,129	21,972	-	604,978
Depreciation for the year	8,411	9,157	110,695	35,446	8,306	6,892	-	178,907
Disposal	-	-	(9,130)	(13,219)	(538)	(1,671)		(24,558)
31 December 2018	**56,075**	**142,664**	**407,616**	**104,882**	**20,897**	**27,193**	**-**	**759,327**
Depreciation for the year	6,308	7,204	84,368	24,165	4,895	4,813	-	131,754
Disposal	-	-	(2,274)	(18,680)	(268)	-		(21,222)
30 September 2019	**62,383**	**149,869**	**489,711**	**110,367**	**25,524**	**32,006**	**-**	**869,860**
Net book value								
As at 30 September 2019	**12,617**	**166,559**	**452,605**	**31,641**	**10,791**	**7,235**	**196,962**	**878,410**
As at 31 December 2018	**18,925**	**172,404**	**537,971**	**56,422**	**14,259**	**11,775**	**181,852**	**993,608**

There was no existence of restrictions on the title to the company's Property plant and equipment. No asset was pledged as securities for liabilities during the year (2019: Nil). No contractual commitment on any of the Company's Property, plant and equipment.

15. Intangible assets

	September 2019	December 2018	September 2018
Computer software with definite useful life	**₦'000**	**₦'000**	**₦'000**
Cost:			
At 1 January	13,069	13,069	13,069
Additions	-	-	-
At 30 September	**13,069**	**13,069**	**13,069**
Amortisation			
At 1 January	12,925	12,188	12,224
Amortisation	108	737	618
At 30 September	**13,033**	**12,925**	**12,842**
Carrying value	**36**	**144**	**227**

Computer software consists of acquisitions costs of software used in the day-to-day operations of the Company. These assets were tested for impairment and no impairment loss was recognised during the period ended 30 September 2019 (2018: Nil).

16. Inventories

	September 2019 ₦'000	December 2018 ₦'000	September 2018 ₦'000
Raw materials	819,968	2,288,986	1,163,280
Finished goods	202,148	119,577	146,318
Engineering spares	46,031	48,999	44,694
Diesel	7,345	5,324	2,206
Inventory with third party for conversion	238,596	169,753	105,715
Other consumables	1,833	1,364	1,014
	1,315,921	**2,634,003**	**1,463,227**

During 2019, there was no material written off Inventories by the Company (2018: Nil).

17. Trade and other receivables

	September 2019 ₦'000	December 2018 ₦'000	September 2018 ₦'000
Receivables from third-party customers	467,931	164,745	352,786
Allowance for expected credit losses	(99,577)	(63,661)	(35,866)
	368,354	101,084	**316,920**
Other receivables*	59,564	10,183	25,009
	427,918	111,267	341,929
Refund asset	7,296	6,990	-
	435,214	**118,257**	**341,929**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. For terms and conditions relating to related party receivables, refer to Note 25.

*This amounts generally arise from transactions outside the sales of feeds and related activities in the day to day operations of the company. These include WHT receivables, advances to staff etc. All other receivables are due and payable within one year from the end of the reporting period.

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

Set out below is the movement in the allowance for expected credit losses of trade and other receivables:

	2019 ₦'000	2018 ₦'000
As at 1 January 2018	63,661	(35,866)
Impact of IFRS 9 adoption		(20,369)
Restated amount		(56,235)
Provision for expected credit losses (Note 27.4)		(63,661)
Reversal of impairment under IAS 39	-	56,235
	-	**63,661**

The significant changes in the balances of trade and other receivables are disclosed in Note 2.4 while the information about the credit exposures are disclosed in Note 27.4.

Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's Internal and internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's grading system are explained in Note 27.4 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 27.4.

Debt instruments measured at amortised cost	**2019**		**2019**
Internal grading system	***Stage 1 Individual N'000***	***Simplified Model Collective N'000***	***Total N'000***
Standard grade	-	467,931	467,931
	-	**467,931**	**467,931**

Debt instruments measured at amortised cost

	Stage 1 Individual N'000	***Simplified Model Collective N'000***	***Total N'000***
ECL allowance as at 1 January 2018 under IFRS 9	-	63,661	63,661
New assets originated or purchased	-	(63,661)	(63,661)
	-	(63,661)	(63,661)
Assets derecognised or repaid (excluding write offs)			
	-	(35,916)	(35,916)
Unwind of discount (recognised in interest income)			
Write off			
	-	**(99,577)**	**(99,577)**

Trade receivables and refund assets

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

(In thousands of naira)	2019
01-Jan	7,296
Effect of adoption of IFRS 15	-
Amount deferred as a result of unexpired rights	7,296
Performance obligations recognised in the period	
Revenue recognized in the period from:	
Amounts included in the return assets at the beginning of the period	-
31-Jul	**14,592**

18. Prepayments

	September 2019 ₦'000	December 2018 ₦'000	September 2018 ₦'000
Due within one year			
Import prepayment	72	72	2,271
Others	19,042	19,365	37,395
Rent	26,819	21,440	33,541
Insurance	3,591	15,899	3,155
	49,524	**56,776**	**76,362**
Due after one year			
Import prepayment	-	-	-
Others	-	3,169	11,533
Rent	-	-	-
Insurance	-	-	-
	-	**3,169**	**11,533**
Reconciliation of Prepayment			
01-Jan	59,945	53,748	53,748
Additions	93,135	182,835	86,686
Amortization	(103,556)	(176,638)	(64,072)
30-Sep	**49,524**	**59,945**	**76,362**

Prepayments represent payment made in advance for rent, insurance, car grant etc. on assets.

19. Cash and short term deposit

	September 2019 ₦'000	December 2018 ₦'000	September 2018 ₦'000
Cash on hand	96	267	605
Cash at banks	48,660	138,195	52,251
Short term Deposit	720,668	-	790,668
	769,424	**138,462**	**843,524**

Cash at banks earns interest at floating rates based on daily bank deposit rates while short term deposit is at 11% p.a

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 September:

	September 2019 ₦'000	December 2018 ₦'000	September 2018 ₦'000
Cash on hand and at bank and short term deposit	769,424	138,462	843,524

20. Issued capital and reserves

Authorised shares			
4,000,000 ordinary shares of 50Kobo each	2,000,000	2,000,000	2,000,000
Ordinary shares issued and fully paid			
3,000,000 ordinary shares of 50kobo each	1,500,000	1,500,000	1,500,000
Share premium			
At 1 January	693,344	693,344	693,344
At 31 December	693,344	693,344	693,344

21. Trade and other payables

Trade payables	336,146	539,315	156,275
Related parties (Note 25)	470,672	326,651	194,627
Other payables (Note 22.1)	143,468	94,294	121,559
	950,284	**960,260**	**472,461**

Terms and conditions of the above financial liabilities:

• Trade payables are non-interest bearing and are normally settled on 60-day terms

• Other payables are non-interest bearing and have an average term of six months

• For terms and conditions with related parties, refer to Note 25

For explanations on the Company's liquidity risk management processes, refer to Note 27.4.

22.1 Other payables	2019 ₦'000	2018 ₦'000	2018 ₦'000

VAT payable	60	28	26
Accrued liabilities	132,885	85,131	119,103
WHT Payable	2,562	2,039	2,430
Refund liabilities	7,961	7,097	-
	143,468	**94,294**	**121,559**

Trade payable and refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

(In thousands of naira)	**2019**
01-Jan	-
Effect of adoption of IFRS 15	(7,961)
Amount deferred as a result of unexpired rights	(7,961)
Performance obligations recognised in the period	
Revenue recognized in the period from:	
Amounts included in the return assets at the beginning of the period	7,961
31-Dec	**(7,961)**

Net refund assets (refund liabilities) consists of

(In thousands of naira)	**2019**	**2018**	**Change**	**Change**
Refund assets	**7,296**	6,990	**306**	**4%**
Refund liabilities	**(7,961)**	(7,097)	**(864)**	**12%**
Net contract assets (liabilities)	**(665)**	**(107)**	**(558)**	**521%**

23. Dividend payable

Amounts recognised as distributions to ordinary shareholders in the year comprise:

	2019 N'000	2018 N'000	2018 N'000
At 1 January	(20,768)	(20,768)	(20,768)
*Final dividend	-	-	-
Reclassification to Other payable	-	-	-
***Dividend refunded	-	-	-
Payments during the year		-	-
At 31 December	(20,768)	(20,768)	(20,768)

**Dividend reclassified as other payable are over 12 years.

***The dividend refunded relates to a recall of dividend deposited with the Registrars which have stayed over and above 18 months

24. Interest-bearing loans and borrowings

Borrowings Current portions	**2019 N'000**	**2018 N'000**	**2018 N'000**
Borrowings	(1,000,000)	(1,500,000)	(1,500,000)
	(1,000,000)	**(1,500,000)**	**(1,500,000)**
Reconciliation of interest-bearing loans and borrowings			
At 1 January	**(1,500,000)**	**(2,000,000)**	**(2,000,000)**
Repayment of borrowing during the year	**500,000**	**500,000**	500,000.00
Addition during the year			
Net	**(1,000,000)**	**(1,500,000)**	**(1,500,000)**
Maturity			
0 - 1 year	**(1,000,000)**	**(1,500,000)**	(2,000,000)
Over 1 year	**-**	**-**	-
Total	**(1,000,000)**	**(1,500,000)**	**(2,000,000)**

The Company obtained a Commercial Agriculture Credit Scheme (CACS) loan of N2 billion and N1.5 billion was renewed at an interest rate of 8% for 1 year through Union Bank Of Nigeria out of which N500m was paid back on 3rd July,2019.

25. Related party disclosures

The immediate and ultimate parent, as well as controlling party of the company is UAC of Nigeria Plc incorporated in Nigeria. There are other companies that are related to Livestock Feeds Plc through common shareholdings and directorship. The following table provides the total amount of transactions that have been entered into with related parties during the year.

30 September 2019	**Commercial service fees ₦'000**	**Purchases from related parties ₦'000**	**Amounts owed by related parties ₦'000**	**Amounts owed to related parties ₦'000**
Entity with significant influence over the Company:				
UAC of Nigeria Plc	78,032	10,938	-	70,120
Other related party				
Grand Ceareal Nigeria Limited	-	2,052,869	-	464,484
	78,032	**2,063,807**	**-**	**534,604**
31 December 2018				
Entity with significant influence over the company:				
UAC of Nigeria Plc	25,216	8,758	-	49,573
Subsidiary and fellow subsidiaries:				
Grand Cereal Nigeria Limited	-	1,855,265	-	420,011
Chemical and Allied Products Plc(CAP)			20,000	
Portland Paints Plc			20,000	
	25,216	**1,864,023**	**40,000**	**469,584**

25. Related party disclosures - continued

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

26. Commitments and contingencies

Commitments

The directors are of the opinion that all known liabilities and commitments which are relevant in assessing the state of affairs of the company have been taken into consideration in the preparation of these financial statements.

Legal claim contingency

The Company is involved in some legal action in the ordinary course of the business. The Company has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these financial statements.

27. Financial assets and financial liabilities

27.1 Financial assets

Debt instruments at amortised cost	2019 ₦'000	2018 ₦'000
Cash and short term deposit (note 19)	769,424	138,462
Trade and other receivables (Note 17)	435,214	118,257

Debt instruments at amortised cost include trade receivables and receivables from related parties.

27.2 Financial liabilities

Financial liabilities at amortised cost	2019 ₦'000	2018 ₦'000
Borrowing (Note 24)	1,000,000	1,500,000
Trade and other payables (Note 22)	950,284	960,260

27.3 Fair values

The management assessed that the fair values of cash and bank balances, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

27.4 Financial instruments risk management objectives and policies

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables, and cash and bank balances that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by the audit and governance committee of the board that advises on risks and the appropriate risk governance framework for the Company. The audit and governance committee of the board provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions, Recognised financial assets and liabilities not denominated in Naira units	Cash flow forecasting Sensitivity analysis	Contractual agreements on exchange rates
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate negotiations
Credit risk	Cash and cash equivalents, trade receivables, and held-to-maturity investments	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit. Investment guidelines for and held-to-maturity investments.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities.

27.4 Financial instruments risk management objectives and policies - Continued

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include deposits and loans and borrowings.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not expose to this risk as the Company has no long-term debt obligations.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

Management monitors rolling forecasts of the Company’s liquidity reserve and cash and bank balances (Note 19) on the basis of expected cash flows.

This is generally carried out at each of the respective in accordance with practice and limits set by the Company. These limits vary to take into account the liquidity of the market in which the entity operates. In addition, the Company’s liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company’s exposure to the risk of changes in foreign exchange rates relates primarily to the Company’s operating activities (when revenue or expense is denominated in a foreign currency). The Company's exposure to foreign currency risk at the end of the reporting period expressed in the individual foreign currency unit was as follows:

		2019 N‘000		2018 N‘000
Cash and short term deposits				
Euro	€	390.82	€	390.82
United State Dollar (USD)	$	861.47	$	861.47
Pound sterling	£	450.00		450

Foreign Currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Company’s loss before tax is due to changes in the fair value of monetary assets and liabilities.The Company’s exposure to foreign currency changes for all other currencies is not material.

		1,237.00		**31 December 2018**
	Change in USD rate	Effect on profit before tax **₦‘000**	Change in USD rate	Effect on profit before tax **₦‘000**
	+10%	5	+10%	9
	-10%	(5)	-10%	(9)

27.4 Financial instruments risk management objectives and policies - Continued

Credit risk
Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to related parties and to customers, including outstanding receivables.

(i) Risk management
Credit risk is managed on a company basis. For banks and financial institutions, only independently rated parties with a minimum national rating of 'A' are accepted.

There is no independent rating for customers. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by line management.

Sales to customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions. The credit ratings of the investments are monitored for credit deterioration.

Treasury, trading and interbank relationships
The Company's treasury, trading and bank relationships and counterparties comprise financial services institutions like banks. For these relationships, the Company's teasury department analyses publicly available information such as financial information and other external data, e.g., the rating of Good Rating Agency, and assigns the internal rating, as shown in the table below.

Nigeria Mapping Table

Global-scale long term local currency rating	**National scale long term rating**	**National scale short term rating**	**Agusto rating**	**Implied S&P rating class (without modifiers)**	**Implied S&P rating categories (with modifiers)**
BB+ and above	ngAAA	ngA-1	AAA	B	B+
BB	ngAA+	ngA-1	AA	B	B
BB-	ngAA, ngAA-	ngA-1	AA	B	B
B+	ngA+, ngA, ngA-	ngA-1, ngA-2	A	B	B
B	ngBBB+, ngBBB,ngBBB-	ngA-2, ngA-3	BBB	B	B-
B-	ngBB+, ngBB	ngB	BB	B	B-
CCC+	ngBB-, ngB+	ngB	B	CCC	CCC+
CCC	ngB, ngB-, ngCCC+	ngC	B	CCC	CCC
CCC-	ngCCC, ngCCC-	ngC	CCC	CCC	CCC-
CC	ngCC	ngC	CC	CC	CC
C	ngC	ngC	C	C	C
R	R	R	D	D	D
SD	SD	SD	D	D	D
D	D	D	D	D	D

(ii) Security
No security is obtained for trade receivables either in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. However, some guests are required to provide security deposits for credit transactions while others are granted credit on the strength of their credibility and past performances. In the case of default, unpaid balances are set off against security deposit while others are referred to debt collection agents.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. There are no credit ratings for Livestock feeds plc trade and other receivables. Credit ratings from Global Credit Rating Co. (GCR) are highlighted below:

	2019	2018
	₦'000	₦'000
Cash at bank and short-term bank deposits A+(nga)	48,660	138,195
Unrated cash and cash equivalents	96	267
Unrated trade and other receivables	435,214	118,257
Maximum credit exposure	**483,970**	**256,719**

(iii) Impairment of trade and related party receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for companyings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions.

27.4 Financial instruments risk management objectives and policies - continued

Expected credit loss measurement - other financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12-month and Lifetime PDs are derived by mapping the internal rating grade of the obligors to the PD term structure of an external rating agency for all asset classes. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs, etc. – are monitored and reviewed on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period. The significant changes in the balances of the other financial assets including information about their impairment allowance are disclosed below respectively.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.3 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the company obtains the data used from third party sources (Central Bank of Nigeria, Standards and Poor's etc.) and a team of expert within its credit risk department verifies the accuracy of inputs to the company's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the company’s base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2017 and 31 December 2018.

Impairment allowance for financial assets

In assessing the Company’s internal rating process, the Company’s customers and counter parties are assessed based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

• Any publicly available information on the Company’s customers and counter parties from Internal parties. This includes Internal rating grades issued by rating agencies, independent analyst reports, publicly traded bond or press releases and articles.

• Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.

• Any other objectively supportable information on the quality and abilities of the client’s management relevant for the company’s performance.

27.4 Financial instruments risk management objectives and policies - continued

The table below shows the Company's internal credit rating grades.

Internal rating grade	**12 month PD range**	**Implied S&P rating**
1	0.58%	Very Good+
2	1.42%	Very Good
3	2.43%	Very Good-
4	16.3%	Good+
5	28.05%	Good
7	41.03%	Average+
8	100	Bad
Non- performing		
9	100%	Very Bad

The table below shows the credit quality and the maximum exposure to credit risk based on the Company’s internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company’s internal grading system are explained in Note 27.4 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 27.4

Trade receivables	**2019**		**2018**
Internal grading system	***Simplified Model Collective N'000***	***Total N'000***	***Total N'000***
Standard grade	467,931	467,931	77,092
	------------	------------	------------
	467,931	**467,931**	**77,092**
	========	========	========

Trade receivables	**2018**	
	Simplified Model Collective N'000	***Total N'000***
Gross carrying amount as at 1 January 2018	77,092	**77,092**
New assets originated or purchased	467,931	**467,931**
Assets derecognised or repaid (excluding write offs)	(77,092)	**(77,092)**
	------------	------------
	467,931	**467,931**
	========	========

Impairment allowance for trade receivables	**2019**	
	Model Collective N'000	***Total N'000***
	N'000	**-**
ECL allowance as at 1 January 2019 under IFRS 9	63,661	**63,661**
New assets originated or purchased	(63,661)	**(63,661)**
Assets derecognised or repaid (excluding write offs)	(63,661)	**(63,661)**
Additions	(35,916)	**(35,916)**
	------------	------------
	(99,577)	(99,577)
	========	========

The Company monitors its risk of a shortage of funds using a liquidity planning tool.
The Company’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures,and preference shares. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.