LIVESTOCK FEEDS PLC
UNAUDITED FINANCIAL STATEMENTS
30 SEPTEMBER 2017

LIVESTOCK FEEDS PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	Notes	2017 N'000 3 months to September 2017	2017 N'000 9 months to September 2017	2016 N'000 3 months to September 2016	2016 N'000 9 months to September 2016
Revenue	7	2,337,711	8,176,489	3,059,621	7,633,808
Cost of sales	8	(2,199,251)	(7,445,261)	(2,773,469)	(6,941,200)
Gross profit		138,460	731,227	286,152	692,608
Other operating income	9	6,971	42,084	35,551	188,493
Marketing and distribution expenses	10	(66,740)	(182,599)	(67,139)	(171,524)
Administrative expenses	11	(78,663)	(256,389)	(80,940)	(223,242)
Profit from operations		28	334,324	173,625	486,335
Finance expenses	12	(140,789)	(596,116)	(80,082)	(331,353)
Finance income			-	2,876	2,876
Net finance expense		(140,789)	(596,116)	(77,206)	(328,477)
Profit before taxation		(140,761)	(261,792)	96,419	157,858
Income tax expenses	13	-	-	(30,854)	(50,515)
Profit for the year after taxation		(140,761)	(261,792)	65,565	107,344
Other comprehensive income					
Items that will not be reclassified to profit and loss			-	-	-
Items that will be or may be reclassified to profit and loss			-	-	-
Total other comprehensive income		-	-	-	-
Total comprehensive income		(140,761)	(261,792)	65,565	107,344
Earnings per share					
Basic EPS (kobo)	14	-7.35	-8.73	1.97	5.37
Diluted EPS (kobo)	14	-7.35	-8.73	1.97	5.37

The accompanying notes on pages 7 to 37 form an integral part of these financial statements.

LIVESTOCK FEEDS PLC
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

Assets	**Notes**	**September 2017 N'000**	**December 2016 N'000**
Property, plant and equipment	15(a)	1,086,510	1,070,291
Intangible assets	15(b)	1,287	3,572
Financial assets-available for sale	16	8,196	8,196
Total non-current assets		1,095,993	1,082,059
Inventories	17	4,257,883	6,084,983
Trade and other receivables	18	360,204	146,160
Cash and cash equivalents	19	33,474	44,331
Total current assets		4,651,561	6,275,474
Total assets		5,747,554	7,357,533
Equity and liabilities			
Equity			
Share capital	20	1,500,000	1,000,000
Share premium	21	694,784	455,207
Retained earnings		368,604	630,396
Total equity		2,563,388	2,085,603
Deferred tax	14(c)	147,081	147,081
Total non-current liabilities		147,081	147,081
Trade and other payables	22	2,651,644	2,785,966
Short-term borrowings	23	364,522	2,294,622
Dividends payable		20,768	101
Current tax payable	13(b)	150	44,159
Total current liabilities		3,037,085	5,124,849
Total equity and liabilities		5,747,554	7,357,533

The financial statements and notes on pages 7 to 37 were approved by the Board of Directors on 26 October 2017 and signed on its behalf by:

Larry Ettah
Chairman
FRC/2013/IODN/00000002692

Modupe Asanmo
Managing Director
FRC/2014/ICAN/00000006546

Gideon F. Ogudu
Finance Manager
FRC/2013/ICAN/00000002925

LIVESTOCK FEEDS PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SPETMEBER 2017

	Share Capital N'000	Share Premium N'000	Retained earnings N'000	Total Equity N'000
Balance at 1 January 2016	1,000,000	470,684	478,115	1,948,799
Comprehensive Income for the year :				
Profit for the year	-	-	107,344	107,344
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	107,344	107,344
Transactions with owners, recorded directly in equity:				
Issue costs	-	-	-	-
Dividend paid	-	-	-	-
Balance at 30 June 2016	1,000,000	470,684	585,459	2,056,143
Balance at 1 January 2017	1,000,000	455,207	630,396	2,085,603
Comprehensive Income for the year :				
Profit for the year	-	-	(261,792)	(261,792)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(261,792)	(261,792)
Transactions with owners, recorded directly in equity:				
Issue costs	-	(9,343)	-	(9,344)
Share Issue Proceeds	500,000	248,920	-	748,920
Balance at 30 September 2017	1,500,000	694,784	368,604	2,563,388

The accompanying notes on pages 7 to 37 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 SEPTEMBER 2017

Cash flows from operating activities:	**Notes**	**2017 N'000**	**2016 N'000**
Profit for the year		(261,792)	152,281
Adjustment for:			
Depreciation	15(a)	97,168	118,671
Amortisation of intangibe asset	15(b)	2,285	3,514
Write-off in property, plant and equipment	15(a)	122	2,614
Diminution in financial assets - available for sale	16	-	111
Interest paid	12	596,116	456,280
Interest received		-	(7,158)
Tax expense		-	71,709
Profit on sale of property, plant & equipment		(2,363)	(390)
		431,536	797,632
(Increase)/decrease in inventories	17	1,827,100	(2,730,955)
Decrease/(increase) in trade and other receivables	18	(214,044)	144,504
Increase in trade and other payables	22	(113,433)	887,681
Tax paid	13(c)	(44,230)	(77,467)
Net cash (outflow)/inflow from operating activities		1,886,928	(978,605)
Cash flows from investing activities			
Purchase of property, plant and equipment	15(a)	(113,570)	(359,611)
Purchase of intangible assets	15(b)		(666)
Proceeds from disposal of property, plant and equipment		2,424	1,099
Interest received		-	7,158
Net cash (outflow)/inflow from investing activities		(111,146)	(352,020)
Cash flows from financing activities			
Interest on loans and overdraft	12	(596,116)	(456,280)
Share capital increase expenses	21	(9,344)	(15,477)
Dividend paid		-	-
Share Issue Proceeds		748,920	
Net cash inflow/(outflow) from financing activities		143,461	(471,757)
Net decrease in cash and cash equivalents		1,919,243	(1,802,382)
Cash and cash equivalents at beginning of the year		(2,250,291)	(447,909)
Cash and cash equivalents at end of the year	19	**(331,048)**	**(2,250,291)**

NOTES TO THE FINANCIAL STATEMENTS

1 **Reporting entity**

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

2 Basis of preparation

a **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting and Assurance Standards Board (IAASB) and specifically in compliance with Interim Financial Reporting IAS 34.

The financial statements were authorised for issue by the Board of Directors on 26 October 2017.

b **Basis of measurement**

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

c **Functional and presentation currency**

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

d **Use of estimates and judgement**

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

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

3) **Accounting Standards Issued Not yet Effective**

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for the financial period beginning 1 January 2016. They have not been adopted in preparing the financial statements for the year ended 31 December 2016 and are expected not to affect the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the table below.

IFRS Reference	Title and Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IFRS 9 (2014) (issued Jul 2014)	Financial Instruments	**Classification and measurement** Financial assets will either be measured - at amortised cost, - fair value through other comprehensive income (FVTOCI) or - fair value through profit or loss (FVTPL). **Impairment** The impairment model is a more 'forward looking' model in that a credit event no longer has to occur before credit losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income (FVTOCI), an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition. **Hedging** The new hedge accounting model introduced the following key changes: -Simplified effectiveness testing, including removal of the 80-125% highly effective threshold -More items will now qualify for hedge accounting, e.g. pricing components within a non-financial item, and net foreign exchange cash positions -Entities can hedge account more effectively the exposures that give rise to two risk positions (e.g. interest rate risk and foreign exchange risk, or commodity risk and foreign exchange risk) that are managed by separate derivatives over different periods -Less profit or loss volatility when using options, forwards, and foreign currency swaps -New alternatives available for economic hedges of credit risk and 'own use' contracts which will reduce profit or loss volatility.	Annual reporting periods commencing on or after 1 January 2018	The first time application of IFRS 9 will have a wide and potentially very significant impact on the accounting for financial instruments. The new impairment requirements are likely to bring significant changes for impairment provisions for trade receivables, loans and other financial assets not measured at fair value through profit or loss. Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.

IFRS Reference	Title and Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IFRS 15 Issued in May 2014	Revenue from contracts with customers	IFRS 15 contains comprehensive guidance for accounting for revenue and will replace existing requirements which are currently set out in a number of Standards and Interpretations. The standard introduces significantly more disclosures about revenue recognition and it is possible that new and/or modified internal processes will be needed in order to obtain the necessary information. The Standard requires revenue recognised by an entity to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework: (i) Identify the contract(s) with a customer (ii)Identify the performance obligations in the contract (iii)Determine the transaction price (iv)Allocate the transaction price to the performance obligations in the contract (v)Recognise revenue when (or as) the entity satisfies a performance obligation.	1 January 2018	The Board is currently reviewing the impact the standard may have on the preparation and presentation of the financial statements when the standard is adopted. Consideration will be given to the following: (i)At what point in time the company recognises revenue from each contract whether at a single point in time or over a period of time; (ii) whether the contract needs to be 'unbundled' into two or more components; (iii)how should contracts which include variable amounts of consideration be dealt with; (iv)what adjustments are required for the effects of the time value of money; (v) what changes will be required to the company's internal controls and processes.

4) **Critical accounting estimates and judgements**

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

i) **Income and deferred taxation**

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

ii) **Impairment of property, plant and equipment**

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

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

iii) **Legal proceedings**

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

5) **Summary of significant accounting policies**

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

a **Going concern**

The directors assess the Company's future performance and financial position on a going concern basis and have no reason to believe that the Company will not be a going concern in the year ahead. For this reason, these financial statements have been prepared on the basis of accounting policies applicable to a going concern.

b **Foreign currency**

Foreign currency transactions

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

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.

Non -monetary items that are measured in terms of cost in a foreign currency are translated using the exchange rate at the end of the period.

c **Revenue 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 to return lapses. In situations where the Company retains only insignificant risks of ownership due to the right of return, revenue is not deferred but the Company recognises the 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 **Expenditure**

Expenditures are recognised as they accrue during the course of the year. Analysis of expenses recognised in the statement of comprehensive income is presented in a classification based on the function of the expenses as this provides information that is reliable and more relevant than their nature.

The Company classifies its expenses as follows:
- Cost of sales;
- Administrative expenses;
- Marketing and distribution expenses;
- Other allowances and amortizations

Finance income and finance costs

Finance income comprises interest income on short-term deposits with banks, dividend income, changes in the fair value of financial assets at fair value through profit or loss.

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

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

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

e **Income tax expenses**

Income tax expense comprises current income tax, education tax and deferred tax.(See policy 'u' on income taxes)

f **Earnings per share**

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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.

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

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

The 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 **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:

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.

i **Impairment of non-financial assets**

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

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

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

j **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.

i) **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.

ii) **Held-to-maturity financial assets**

The Company 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.

iii) **Available –for-sale investments**

Available-for-sale financial assets are non-derivative financial assets that are classified as available-for-sale or are 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 separate 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 of profit or loss and other comprehensive income.

iv) **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.

k **Impairment of financial assets**

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

Significant financial difficulty of the issuer or obligor;
A breach of contract, such as a default or delinquency in interest or principal payments; The Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider; Its becoming probable that the borrower will enter bankruptcy or any other financial reorganisation; The disappearance of an active market for that financial asset because of financial difficulties; or Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the Company;
- national or local economic conditions that correlate with defaults on the assets in the Company;
- delinquency in contractual payments of principal or interest;
- cash flow difficulties;
- breach of loan covenants or conditions;
- deterioration in the value of collateral; and,
- initiation of bankruptcy proceedings.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The amount of the impairment loss on assets carried at amortised cost is recognised immediately through the income statement and a corresponding reduction in the value of the financial asset is recognised through the use of an allowance account. A write off is made when all or part of a claim is deemed uncollectable or forgiven after all the possible collection procedures have been completed and the amount of loss has been determined. Write offs are charged against previously established provisions for impairment or directly to the income statement.

Any additional recoveries from borrowers, counterparties or other third parties made in future periods are offset against the write off charge in the income statement once they are received. Provisions are released at the point when it is deemed that following a subsequent event the risk of loss has reduced to the extent that a provision is no longer required, the asset expires, or when it transfers substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the income statement.

l **Prepayments**

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

m **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 weigted average cost after making allowance for obsolete and damaged stocks.

n **Trade and other receivables**

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

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

The amount of the impairment provision is the difference between the asset's nominal value and the recoverable value, which is the present value of estimated cash flows, discounted at the original effective interest rate. Changes to this provision are recognised under administrative costs.

When a trade receivable is uncollectable, it is written off against the provision for trade receivables.

o **Cash and cash equivalents**

For the purposes of statement of cash flows, cash comprises cash in hand and deposits held at call with banks and other financial institutions. Cash equivalents comprise highly liquid investments (including money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value with original maturities of three months or less being used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

p **Borrowings**

Borrowings are recognized initially at their issue proceeds and subsequently stated at cost less any repayments. Transaction costs where immaterial, are recognized immediately in the statement of comprehensive income. Where transaction costs are material, they are capitalized and amortised over the life of the loan. Interest paid on borrowing is recognized in the statement of comprehensive income for the period.

q **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.

r **Financial liabilities**

Financial liabilities are initially recognised at fair value when the Company become a party to the contractual provisions of the liability. Subsequent measurement of financial liabilities is based on amortized cost using the effective interest method. The Company financial liabilities includes: trade and other payables. Financial liabilities are presented as if the liability is due to be settled within 12 months after the reporting date, or if they are held for the purpose of being traded. Other financial liabilities which contractually will be settled more than 12 months after the reporting date are classified as non-current.

Trade payables

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

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

De-recognition of financial liabilities

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

s **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.

t **Employee benefits**

The Company operates the following contribution and benefit schemes for its employees:

(i) **Defined contribution pension scheme**

In line with the provisions of the Nigerian Pension Reform Act, 2004, 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 basic salary, transport and housing allowances invested outside the Group 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.

u **Income Taxes - Company income tax and deferred tax liabilities**

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.

The tax currently payable is based on taxable results for the year. Taxable results differs from results as reported in the income statement because it includes not only items of income or expense that are taxable or deductible in other years but it further excludes items that are never taxable or deductible. The Company's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

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.

v **Share capital and Share premium**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Any amounts received over and above the par value of the shares issued is classified as ‘share premium’ in equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

w **Dividend on ordinary shares**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the 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.

x **General reserve**

General reserve represents amount set aside out of profits of the Company which shall at the discretion of the directors be applied to meeting contingencies, repairs or maintenance of any works connected with the business of the Company, for equalising dividends, for special dividend or bonus, or such other purposes for which the profits of the Company may lawfully be applied.

y **Contingent liability**

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Where the Company is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability. The entity recognises a provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable, except in the extremely rare circumstances where no reliable estimate can be made. Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change probability occurs except in the extremely rare circumstances where no reliable estimate can be made.

z **Related party transactions or insider dealings**

Related parties include the related companies, the directors, their close family members and any employee who is able to exert significant influence on the operating policies of the Company. Key management personnel are also considered related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly, including any director (whether executive or otherwise) of that entity. The Company considers two parties to be related if, directly or indirectly one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

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

aa **Off Statement of financial position events**

Transactions that are not currently recognized as assets or liability in the statement of financial position but which nonetheless give rise to credit risks, contingencies and commitments are reported off statement of financial position. Such transactions include letters of credit, bonds and guarantees, indemnities, acceptances and trade related contingencies such as documentary credits. Outstanding unexpired commitments at the year-end in respect of these transactions are shown by way of note to the financial statements.

ab **Effective Interest Method**

The effective interest method is a method of calculating the amortised cost of an interest bearing financial instrument and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cashflows (including all fees and points paid or received that form an integral part of the effective interest rate, translation costs and other premiums or discounts) through the expected life of the debt instruments, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

ac **Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Finance Director (being the Chief Operating Decision Maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

6 **Determination of fair value**

A number of the Company's accounting policies and disclosures require the determination of fair value for the both financial and non-financial assets and liabilities. Fair values have been determined for measurement and /or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determing fair values is disclosed in the notes specific to that assets or liabilities.

i **Property, plant and equipment**

The fair value of items of plant and machinery, fixtures and fittings, motor vehicles and Land and buildings is based on depreciated replacement cost and comparison approaches. "Depreciated replacement cost" reflects the current cost of reconstructing the existing structure together with the improvements in today's market adequately depreciated to reflect its physical wear and tear, age, functional and economic obsolescence plus the site value in its exisiting use as at the date of inspection while "Comparison Approach" that is the analysis of recent sale transactions or similar properties in the neighbourhood. The figure thus arrived at represents the best price that the subsisting interest in the property will reasonably be expected to be sold if made available for sale by private treaty between a willing seller and buyer under competitive market conditions.

ii **Valuation of Available for sale financial assets**

The fair value of investments in equity are determined with reference to their quoted closing bid price at the measurement date, or if unquoted, determined using a valuation technique. Valuation techniques employed is the net asset per share basis.

iii **Fair value hierarchy**

Fair values are determined according to the following hierarchy based on the requirements in IFRS 7 Financial Instrument Disclosure'.

Level 1 : quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.

Level 2: valuation techniques using observable inputs: quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities values using models where all significant inputs are observable.

Level 3: valuation techniques using significant unobservable inputs:financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable. The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active , a valuation technique is used.

b **Financial risk management**

i **General**

Pursuant to a financial policy maintained by the Board of Directors, the Company uses several financial instruments in the ordinary course of business. The Company’s financial instruments are cash and cash equivalents, trade and other receivables, interest-bearing loans and bank overdraft and trade and other payables.

The Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk, consisting of: currency risk, interest rate risk and price risk

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from Company's receivables from customers. It is the Company's policy to assess the credit risk of new customers before entering into contracts.

The Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management.

The Management determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. customers that are grouped as "high risk" are placed on a restricted customer list, and future credit services are made only with approval of the Management, otherwise payment in advance is required.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Banks with good reputation are accepted by the Company for business transactions.

The maximum credit risk as per statement of financial position,without taking into account the aforementioned financial risk coverage instruments and policy, consists of the book values of the financial assets as stated below:

	2017	2016
	N'000	N'000
Trade receivables (Note 19)	180,227	84,857
Cash and cash equivalents	33,474	44,331
	213,701	129,188

As at the reporting date there was no concentration of credit risk with certain customers.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Banks with good reputation are accepted by the Company for business transactions.

Cash is held with the following institutions	2017	2016
	N'000	N'000
Access Bank Plc	1,397	1,207
Guaranty Trust Bank Plc	11,611	12,999
Skye Bank Plc	140	140
Stanbic IBTC Plc	2,485	2,422
First City Monument Bank Limited	1,554	11,206
Sterling Bank Limited	4	10
First Bank Limited	4,850	15,876
Zenith Bank Plc	949	-
Union Bank Plc	9,972	-
	32,963	43,860

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Liquidity projections including available credit facilities are incorporated in the regular management information reviewed by the Board of Management. The focus of the liquidity review is on the net financing capacity, being free cash plus available credit facilities in relation to the financial liabilities. The following are the contractual maturities of financial liabilities:

As at 30 June 2017

	Book value	Contractual cashflow	One year or less	1-5 years
Borrowings	364,522	-	364,522	-
Trade and other payables	2,651,644	-	2,651,644	-
	3,016,166	-	3,016,166	-

As at 31 December 2016

	Book value	Contractual cashflow	One year or less	1-5 years
Borrowings	2,294,622	-	2,294,622	-
Trade and other payables	2,785,966	-	2,785,966	-
	5,080,588	-	5,080,588	-

Market risk

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

Foreign exchange risk

The functional currency of the Company is the Nigerian naira.

Interest rate risk

The Company has fixed interest rate liabilities. In respect of controlling interest risks, the policy is that, in principle, interest rates for loans payable are primarily fixed for the entire maturity period. This is achieved by contracting loans that carry a fixed interest rate. The effective interest rates and the maturity term profiles of interest-bearing loans, deposits and cash and cash equivalents are stated below:

As at 30 June 2017	Effective interest rate	one year or less	1-5 years	Total
Cash and cash equivalents	511	-	-	511
Borrowings	(364,522)	-	-	(364,522)
	(364,011)	-	-	(364,011)

Fair Value

Financial instruments accounted for under assets and liabilities are cash and cash equivalents, receivables, and current and non-current liabilities. The fair value of most of the financial instruments does not differ materialy from the book value.

Revenue

7) The Company produces animal feeds which is 100% of its turnover. Other products include Fish feed 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:

	2017 N'000	2016 N'000
Aba	1,860,442	1,328,070
Ikeja	3,071,516	2,776,160
Benin	930,999	1,208,620
Northern operations	2,313,531	2,320,958
	8,176,489	7,633,808

Segment reporting

The Executive Management Team is the Company's Chief Operating Decision Maker. Management has determined operating segments based on the information reported and reviewed by the Executive Management Team for the purposes of allocating resources and assessing performance. The Executive Management Team reviews internal management reports on at least a monthly basis.

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

- Aba
- Ikeja
- Benin
- Northern operations

Segmental Revenue and operating profit - 30 September 2017

	Aba N'000	Ikeja N'000	Benin N'000	Northern operations N'000	Total N'000
From external customers	1,860,442	3,071,516	930,999	2,313,531	8,176,489
Segment revenue	1,860,442	3,071,516	930,999	2,313,531	8,176,489
Cost of sales	(1,694,061)	(2,796,829)	(847,740)	(2,106,631)	(7,445,261)
Gross profit	166,380	274,687	83,260	206,900	731,227
Distribution expenses	(8,752)	(105,531)	(13,083)	(13,198)	(140,564)
Trading profit	157,628	169,156	70,177	193,702	590,663
Other income	6,164	12,648	6,364	6,997	32,174
Operating Profit	163,792	181,805	76,541	200,699	622,837
Finance expenses	(160,538)	(180,118)	(83,794)	(171,665)	(596,116)
Contribution to margin	3,254	1,686	(7,253)	29,034	26,721
Head Office					
Dividend income					1,801
Interest income					-
Laboratory income					997
Insurance refund					2,678

Gain on disposal of asset	2,363
Miscellaneous income	1,060
Sale of scraps	1,011
Administrative cost	(256,389)
Marketing Cost	(42,035)
Profit before tax	(261,792)

Segment assets and liabilities - 30 September 2017

Non-current assets	**Head office**	**Aba**	**Ikeja**	**Benin**	**Northern operation**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Property, plant and equipment	457,347	160,988	329,716	118,375	20,084	1,086,510
Intangible assets	1,287	-	-	-	-	1,287

Current assets	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Inventories	1,520,159	790,297	1,050,644	398,883	497,901	4,257,883
Trade and other receivables	128,601	66,857	88,881	33,744	42,121	360,204
Cash and cash equivalents	16,040	9,625	3,686	868	3,256	33,474
	1,664,799	866,778	1,143,211	433,495	543,278	4,651,561

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

Current liabilities	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Trade and other payables	2,622,463	731	2,356	-	26,094	2,651,644
Short-term borrowings	364,522	-	-	-	-	364,522
Dividend payable	20,919	-	-	-	-	20,919
	3,007,904	731	2,356	-	26,094	3,037,085

Segmental Reporting - 30 September 2016	**Aba**	**Ikeja**	**Benin**	**Northern operation**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
From external customers	1,328,070	2,776,160	1,208,620	2,320,958	7,633,808
Segment revenue	1,328,070	2,776,160	1,208,620	2,320,958	7,633,808
Cost of sales	(1,254,784)	(2,366,954)	(1,162,781)	(2,156,681)	(6,941,200)
Gross profit	73,286	409,206	45,839	164,278	692,608
Distribution expenses	(6,594)	(94,284)	(20,224)	(11,790)	(132,892)
Trading Profit	66,692	314,922	25,615	152,488	559,716
Other income	53,892	77,291	23,796	28,708	183,687
Operating Profit	120,583	392,213	49,411	181,196	743,404
Finance expenses	(107,238)	(85,288)	(69,319)	(69,508)	(331,353)
Contribution to margin	13,345	306,926	(19,908)	111,688	412,051

Head Office	**N'000**
Laboratory income	779
Interest income	2,876
Miscellaneous income	2,716
Industrial training fund refund	1311
Administrative cost	(223,242)
Marketing Cost	(38,632)
Profit before tax	157,858

Segment assets and liabilities-31 December 2016

Non-current assets	**Head office N'000**	**Aba N'000**	**Ikeja N'000**	**Benin N'000**	**Kaduna N'000**	**Total N'000**
Property, plant and equipment	154,114	211,405	531,709	151,965	21,098	1,070,291
Intangible assets	3,572	-	-	-	-	3,572
Current assets	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Inventories	1,641,187	1,769,061	877,907	441,126	1,355,702	6,084,983
Trade and other receivables	65,754	41,662	25,475	12,058	1,211	146,160
Cash and cash equivalents	28,587	12,729	1,209	313	1,493	44,331
	1,735,528	1,823,452	904,591	453,497	1,358,406	6,275,474
Current liabilities	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Trade and other payables	2,255,885	150,865	46,078	163,985	169,153	2,785,966
Short-term borrowings	2,294,622	-	-	-	-	2,294,622
Dividend payable	101	-	-	-	-	101
Current tax payable	-	-	-	-	-	-
	4,550,608	150,865	46,078	163,985	169,153	5,080,689

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 segment's expenses. Interest expenses are allocated based on investment in inventory acquired for each mills.

8 **Cost of sales**	**N'000**	**N'000**
Raw material consumed	7,012,652	6,539,053
Staff salaries and wages	179,097	168,881
Business travelling & entertainment expenses	11,947	15,235
Uniforms	616	39
Electricity and power	37,232	32,351
Rents-3rd party	36,673	40,988
Clean and sanitation	3,077	2,450
Security expenses	18,043	14,163
Office stationery& printing	1,502	2,257
Telephone expenses	1,017	1,093
Postal services	205	294
Depreciation	89,077	79,594
Local repair & renewal	24,526	30,685
Laboratory expenses	4,699	1,648
Miscellaneous/sundry	611	4,077
Corporate public relations	144	18
Vehicle repairs expenses	2,231	1,640
Sundry vehicle expenses	1,813	2,059
Internet/e-mail Charges	6,343	-
Computer charges	2,649	-
Other expenses	11,109	4,674
	7,445,261	**6,941,200**

9 **Other operating income**

The analysis of other operating income is as follows:

	2017 N'000	2016 N'000
Sale of sacks	11,090	6,127
Laboratory income	1,205	816
Weighing income	4,181	2,678
Insurance claims received	-	10,293
Sales of scrap	1,011	752
Gain on disposal of property, plant and equipment	2,363	293
Registration fees & other Miscellaneous	1,160	3,076
ITF Refund		1,311
Dividend Income	1,801	
Truck Income	898	1,760
Government grant	18,375	161,386
	42,084	188,493

i) Government grant is savings made on interest charges paid on facilities obtained from Stanbic IBTC Plc, on Federal Government agriculture intervention fund (CACS). The facility is obtained at 9% interest charge as against prevailing 20% commercial rate during the period

10 **Marketing and distribution**	**N000**	**N000**
Salaries & other benefits	38,814	33,746
Business travelling expenses	8,938	8,637
Distribution expenses	103,461	101,414
Corporate gifts/marketing investment	24,116	22,940
Depreciation	1,649	1,707
Other expenses	5,622	3,080
TOTAL	**182,599**	**171,524**

11 **Administrative expenses**	**N'000**	**N'000**
Salaries & other benefits	86,076	75,799
Commercial service fee	85,777	80,149
Audit charges	11,156	11,884
Consultancy (Note 11(a))	6,452	4,224
Subscription	5,679	5,498
Agm expenses	6,762	5,294
Internet/e-mail charges	4,198	1,560
Insurance premium	9,367	6,135
Depreciation	8,728	9,378
Research	1,964	-
Business travelling & entertainment	6,301	4,368
Electricity & power	3,054	1,452
Telephone expenses	1,039	1,404
Bank charges-Account Maintenance	11,341	8,396
Other expenses	8,494	7,701
TOTAL	**256,389**	**223,242**

12 **Finance expenses**

	2017	2016
The analysis of finance expenses is as follows:	N'000	N'000
Overdraft charges	34,195	3,923
Interest on loans	543,546	166,043
Government grants	18,375	161,386
	596,116	331,353

13 **Taxation**

	2017	2016
Current Income tax	N'000	N'000
a) Profit and loss account		
Company income tax		
Tertiary education tax		
	-	-
Deferred tax		-
Additional taxes		-
	-	-

	2017	2016
b) **Current tax payable**	N'000	N'000
Balance, beginning of the year	44,380	77,246
Income tax charge for the year (a)		
Adjustment for under provision		
	44,380	77,246
Payments during the year		
- Company income tax		(70,412)
- Education tax	(6,972)	(7,055)
Wihtholding tax credit	(37,258)	-
Provision for the year		
Income tax	-	37,187
Additional income tax	-	221
Additional education tax	-	-
Education tax		6,972
Balance, end of the year	150	44,159

c **Deferred taxation**

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

	Property, plant and equipment N'000	Impairment of Trade receivables N'000	Unrealised exchange gain N'000	Total N'000
As at 1 January 2017	119,752	-	-	119,752
Charge to income statement	27,329	-	-	27,329
At 30 September 2017	147,081	-	-	147,081

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

14 Earnings per share

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

	'000	'000
Profit for the period after taxation	(261,792)	107,344
Weighted number of ordinary shares for the purposes of basic earnings per share	3,000,000	2,000,000
Basic earnings per share	-8.73	5.37
Weighted number of ordinary shares for the purposes of diluted Earning per share	3,000,000	2,000,000
Diluted earnings per share	-8.73	5.37

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

Cost/Valuation	Land & Building =N='000	Machinery & equipment =N='000	Motor Vehicles =N='000	Furniture, fittings & equipment =N='000	Computer equipment =N='000	Construction in Progress =N='000	Total =N='000
Balance as at 1 January 2017	358,481	640,645	148,466	27,694	25,887	383,752	1,584,925
Additions		409	48,930	2,748	958	60,526	113,570
Disposals	-	-	(30,680)	-	-	-	(30,680)
Transfers in/(out)	13,514	-	-	-	-	(13,514)	(0)
Write offs	-	(1)	-	-	-	(121)	(122)
Balance as at 30 September 2017	371,995	641,053	166,715	30,442	26,845	430,643	1,667,692

Accumulated depreciation	Land & Building =N='000	Machinery & equipment =N='000	Motor Vehicle =N='000	Furniture & Fittings =N='000	Computer equipment =N='000	Construction in Progress =N='000	Total =N='000
Balance as at 1 January 2017	164,297	231,062	92,874	9,690	16,711	-	514,634
Charge for the year	12,868	56,306	22,235	2,171	3,588	-	97,168
On disposals		(0)	(30,620)	-	-	-	(30,620)
Write offs	-	-	-	-	-	-	-
Balance as at 30 September 2017	177,165	287,368	84,489	11,860	20,299	-	581,182
Carrying amount at:							
30 September 2017	194,830	353,684	82,226	18,581	6,546	430,643	1,086,510
31 December 2016	194,185	409,582	55,590	18,005	9,174	383,755	1,070,291

Property, Plant and Equipment

Cost/Valuation	Land & Building =N='000	Machinery & equipment =N='000	Motor Vehicles =N='000	Furniture, fittings & equipment =N='000	Computer equipment & software =N='000	Construction in Progress =N='000	Total =N='000
Balance as at 1 January 2016	341,259	465,660	141,314	22,265	20,875	263,103	1,254,476
Additions	17,222	910	21,018	5,837	5,884	308,740	359,611
Disposals	-	-	(13,868)	-	-	-	(13,868)
Transfers in/(out)	-	188,088	-	-	-	(188,088)	-
Write offs	-	(14,013)	-	(1,062)	(875)	-	(15,950)
Balance as at 31st December 2016	358,481	640,645	148,464	27,040	25,884	383,755	1,584,269

Accumulated depreciation	Land & Building =N='000	Machinery & equipment =N='000	Motor Vehicle =N='000	Furniture & Fittings =N='000	Computer equipment & software =N='000	Construction in Progress =N='000	Total =N='000
Balance as at 1 January 2016	147,596	175,662	78,310	7,504	12,928	-	422,000
Charge for the year	16,700	67,005	27,724	2,585	4,657	-	118,671
On disposals		-	(13,160)	-	-	-	(13,160)
Transfers in	-	(11,604)	-	(1,054)	(875)		(13,533)
Balance as at 31 December 2016	164,296	231,063	92,874	9,035	16,710	-	513,978
Carrying amounts at:							
31 December 2016	194,185	409,582	55,590	18,005	9,174	383,755	1,070,291

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

ii) None of the assets is held under finance lease

15(b) **Intangible assets**

Cost	**N'000**
At 1 January 2017	**13,069**
Additions	-
At 30 September 2017	**13,069**
At 1 January 2016	**12,501**
Additions	666
At 31 December 2016	**13,167**
Accumulated amortisation	
At 1 January 2017	**9,497**
Amortisation charge	2,285
Write off	-
At 30 September 2017	**11,782**
At 1 January 2016	**5,982**
Amortisation charge	3,514
Write Off	99
At 31 December 2016	**9,595**
Carrying amount as at:	
30 September 2017	**1,287**
31 December 2016	**3,572**

iii) The intangible asset is an Open Enterprise Resource Planning accounting software acquired by the Company.

16 **Available for sale financial assets**

The details and carrying amount of available for sale financial assets are as follows:

	2017		2016	
	Cost	**Market**	**Cost**	**Market**
	N'000	**N'000**	**N'000**	**N'000**
Balance at the begining of the year	19,999	8,196	19,999	8,307
Diminution on available for sale financial assets	-	-	-	(111)
Balance at the end of the year	19,999	8,196	19,999	8,196

16(a) Available for sale financial assets represent investment in quoted shares in the following Companies: First Bank of Nigeria Ltd, United Bank for Africa Plc, Zenith Bank Plc, AFRIPRUD and UBA Capital Plc. The fair value of the shares as at 31 December 2016 as obtained from Nigerian Stock Exchange is as analysed below:

	Number of Units	**Price per unit**	**2017 Value**
		=N=	=N=
First Bank of Nigeria Ltd	339,634	3.46	1,175,134
United Bank for Africa Plc	53,550	4.57	244,724
Zenith Bank Plc	453,495	14.89	6,752,541
AFRIPRUD	1,622	3.05	4,947
UBA Capital Plc	6,490	2.86	18,561
			8,195,906

	2017 September	2017 December
17 **Inventories**	**N'000**	**N'000**
Raw materials	2,978,704	5,052,326
Finished goods	275,627	92,174
Engineering spares	34,232	27,355
Diesel	3,371	1,853
Stock with third party for conversion	961,906	909,469
Other consumables	4,044	1,806
	4,257,883	6,084,983

The inventory with third party for conversion represents the value of the Company's inventory item of Raw Soya Seeds with Northern Rice Oil Mill Ltd and Golden Oil Ltd for the conversion of the rawseeds to Soya Bean Cake and Soya Bean Meal respectively

18 **Trade and other receivables**

		September	**December**
		N'000	**N'000**
(a)	Gross trade receivables	180,227	84,857
	Less: impairment (Note 19(d))	(29,031)	(29,031)
	Total financial assets other than cash and cash equivalents	151,196	55,826
	Deposit for materials	107,073	39,506
	Other debtors	23,170	11,386
	Prepayments	78,766	39,442
		360,204	146,160

(b) The age analysis of trade receivables is as analysed below:

	2017	2016
	N'000	N'000
0 - 90 days	128,923	35,516
91 - 180 days	12,328	5,260
181 - 360 days	1,309	2,601
Over 360 days	37,667	41,480
	180,227	84,857

c) Trade receivables that are past due but not impaired are as follows:

	2017	2016
	N'000	N'000
Ikeja	3,939	13,021
Aba	1,877	2,230
Benin	2,820	5,827
Kaduna	-	-
	8,636	21,078

The Management is of the opinion that the receivables are recoverable

d) Trade receivables that are past due and impaired are as follows:

	2017	2016
	N'000	N'000
Ikeja	8,653	8,653
Aba	15,053	15,053
Benin	5,325	5,325
	29,031	29,031

19 **Cash and cash equivalents**

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

	September	December
	N'000	N'000
Cash on hand	511	505
Bank balances	32,963	43,826
Bank borrowings	(364,522)	(2,294,622)
	(331,048)	(2,250,291)

20 **Share capital**

Authorised

Value

	N'000	N'000
4,000,000,000 ordinary shares of 50kobo each	2,000,000	2,000,000
Number	000	000
4,000,000,000 ordinary shares of 50kobo each	2,000,000	2,000,000

Issued and fully paid Share capital

Value

3,000,000,000 ordinary shares of 50kobo each	N'000	N'000
Balance at beginning of the year	1,000,000	1,000,000
Additions during the year	500,000	-
Balance at the end of the year	1,500,000	1,000,000

Number	2017	2016
3,000,000,000 ordinary shares of 50kobo each	000	000
Balance at beginning of the year	2,000,000	2,000,000
Movement in share	1,000,000	-
Balance at the end of the year	3,000,000	2,000,000

At the Annual General Meeting held at Golden Tulip Festac Amuwo-Odofin, Lagos State on 17 September, 2015, it was resolved that the authorised share capital of the Company be increased from N1 billion to N2 billion. The increase was effected in 2015 and the sum of N23 million incurred was charged to the share premium account. In addition, at the same Annual General Meeting, an approval was given to the Company to give rights issue to the shareholders.The Company commenced the filing of application for the rights issue in 2016 and incurred a sum of N15 million in the process while N2.9million has been incured in the current year . The amount incurred so far has been charged to share premium account

21 Share premium

The movement in share premium during the year is as follows:

	September	December
	N'000	N'000
Balance at beginning of the year	455,207	470,684
Issuing cost	(9,343)	(15,477)
Additions during the year	248,920	-
Balance at the end of the year	694,784	455,207

22 Trade and other payables

	N'000	N'000
Trade creditors	164,005	479,616
Accruals (Note 22(a))	108,433	54,932
Other creditors (Notes 22(c))	42,605	118,535
Amount due to related Companies (Note 22(d))	2,336,600	2,132,883
	2,651,644	2,785,966

a) Accruals

	N'000	N'000
Ex-staff balances	3,007	3,007
Accrued staff benefits	21,239	13,669
Professional fees	9,746	2,363
Industrial trainning fund	2,686	3,168
Other accrued expenses (Note 23(b))	71,755	32,725
	108,433	54,932

b) Other accrued expenses

	N'000	N'000
Promotional expenses	21,799	1,301
Accrued legal expenses-Ceres Nig Ltd and Bemil Nig Ltd	5,801	5,801
Others	44,155	25,623
	71,755	**32,725**

c) Other payables

	N'000	N'000
Withholding tax	1,605	14,093
Pay as you earn (PAYE)	205	280
Trade incentives	9,634	16,393
VAT	39	91
Deposit for feeds delivery	30,667	87,678
Provision for interest	455	-
	42,605	118,535

d) Amount due to related Companies

	N'000	N'000
MDS logistics	2,670	100,343
Amount due to UACN Plc	1,952,353	1,389,432
Amount due to UAC Foods Ltd	257,521	100,994
Amount due to CAP Plc		505,908
Amount due to Grand Cereals Ltd	124,056	36,206
	2,336,600	2,132,883

23 **Bank loans and borrowings**

Current	N'000	N'000
Bank Overdraft	61,070	494,622
Secured bank loans	303,452	1,800,000
	364,522	2,294,622

a) The Company obtained a loan of N1.8 billion at an interest of 7% for 1 year under the Commercial Agriculture Credit Scheme from Central Bank of Nigeria in January 2016 through IBTC Bank and was fully repaid on the 31st January 2017 by refinancing arrangement with the bank at the rate of 21.5% p.a for 90days pending the renewal of CACS by Central bank of Nigeria but this has been fully settled as at 30th September 2017. The application submmitted in January 2017 for renewal of this facility is yet to be approved by Central bank of Nigeria as at this date

b) The renewal of N500million term loan and N500million overdraft facilities were approved by Zenith bank Plc for the Company to finance working capital requirements with respect to production of animal feeds and to finance bulk purchase and stock piling of grains during the harvest season at the rate of 23% p.a and both facilities were utilised in the 1st quarter of the year.However the facility was fully liquidated in the third quarter of the year.

c) The First Bank of Nigeria Plc also approved a short term facility of N1billion at the rate of 19.25% for 90days for the procurement of grains but only the sum of N985million was utilised by the company and was also fully repaid in the this quarter

d) The sum of N300million overdraft was approved by the GTBank Plc to augment the working capital of the company at the rate of 23% p.a and the sum sum of N61million was outstanding balance as at at 30th September 2017

	N'000	N'000	N'000
Expiry within 1 year	1,336,322		1,336,322
Expiry within 1 and 2 years	-	-	-
Expiry in more than 2 years	-	-	-
31 December, 2016	**Floating rate**	**Fixed rate**	**Total**
	N'000	**N'000**	**N'000**
Expiry within 1 year	2,294,622	-	2,294,622
Expiry within 1 and 2 years	-	-	-
Expiry in more than 2 years	-	-	-

24 **Related party transactions**

The Company's related parties consist of Companies within the UACN Plc group and the parent Company itself, their key management personnel and their close family members.

The following transactions were carried out with related parties:

(i) The sum of N1.807billion and N250 million term loan was received from the Parent Company UACN Plc and UAC Foods Limited at the rate of 15.5% and 18% respectively to boost the working capital of the Company and specifically for the procurement of grains during the year.

(ii) The Company also got a term loan of N500 million from CAP plc which is also a member of the UACN group for the same purpose of material stockpiling at the rate of 15.5% p.a for 90days with option of roll over. The facility has been fully settled as at 30th September 2017.

(iii) The Company had a product manufacture and sales agreement with Grand Cereal Ltd which is also another subsidiary of UACN Plc for its Northern operation and the amount payable as at 30th september 2017 is N124million

(iv) The Company also got a term loan of N250 million from MDS Logistics which is also a member of the UACN group for the same purpose of material stockpiling at the rate of 15.5% p.a for 90days with option of roll over. However,the company is only indebted to MDS to the tune of N2.6million as at period ended

25 **Capital commitments and contingent liabilities**

	2017	2016
	N'000	N'000
Capital expenditure authorised	-	329,170
Capital expenditure authorised & contracted	-	185,658

26 **Comparative figures**

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

27 **Subsequent events**

In the opinion of the Directors, there were no other significant subsequent events that could have material effect on the state of affairs of the Company as at 30 June 2017 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed in these financial statements.