A.G. LEVENTIS (NIGERIA) PLC – RC 1654

IFRS UNAUDITED INTERIM FINANCIAL STATEMENTS

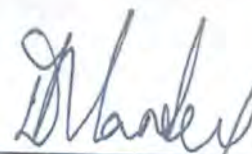
FOR THE THREE MONTHS ENDED 30 JUNE 2016

COMPLIANCE CERTIFICATE ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30TH JUNE 2016

We hereby certify that:

a) The signing officers had reviewed the report ;
b) Based on the knowledge of the officers, the report does not contain
   I. any untrue statement of a material fact, or
   II. omit to state a material, which would make the statement misleading in the light of the circumstances under which the statement was made ;
c) Based on the knowledge of such officers, the financial statements and other financial information included in the report fairly present in all material respects the financial conditions and results of operations of the company as of, and for the period presented in the report ;
d) The signing officers
   I. are responsible for establishing and maintaining controls,
   II. have designed such internal controls to ensure that material information relating to the Company and its consolidated subsidiaries is made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared,
   III. have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report,
   IV. have presented in the report their conclusions about the effectiveness of their internal controls based on their evaluation as of that date ;
e) The signing officers have disclosed to the Auditors of the Company and Audit Committee:
   I. all significant deficiencies in the design or operation of the internal controls which would adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's Auditors any material weakness in internal controls, and
   II. any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls;
f) The signing officers have identified in the report whether or not there were significant changes in internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weakness.

Mr. Michail Michailidis
Chief Finance Officer



Mr. Ahmed Mantey
Executive Director
FRC/2015/IODN/00000011542

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Unaudited Consolidated and Separate Statement of Comprehensive Income
for the period ended 30th June 2016

	The Group					The Company				
	3 months Apr - Jun 2016 N'000	3 months Apr - Jun 2015 N'000	6 Months 30 Jun 2016 N'000	6 Months 30 Jun 2015 N'000	12 Months 31 Dec 2015 N'000	3 months Apr - Jun 2016 N'000	3 months Apr - Jun 2015 N'000	6 Months 30 Jun 2016 N'000	6 Months 30 Jun 2015 N'000	12 Months 31 Dec 2015 N'000
Continuing operations										
Revenue	2,860,688	3,036,116	6,441,806	5,936,462	12,535,861	2,060,414	2,477,013	4,938,165	4,838,130	9,970,654
Cost of sales	(2,342,472)	(2,303,442)	(5,289,186)	(4,327,227)	(8,370,029)	(1,593,422)	(1,752,530)	(3,909,605)	(3,309,642)	(6,429,782)
Gross profit	**518,216**	**732,675**	**1,152,620**	**1,609,235**	**4,165,832**	**466,992**	**724,482**	**1,028,560**	**1,528,488**	**3,540,872**
Investment income	83,768	39,544	156,514	154,302	203,693	129,381	94,806	142,906	139,633	353,356
Other gains and losses	(45,103)	13,894	(94,575)	51,704	102,830	64,253	6,273	3,172	22,203	53,164
Selling and distribution expenses	(113,168)	(178,456)	(336,168)	(223,001)	(781,438)	(73,322)	(109,957)	(201,322)	(253,588)	(469,646)
Administration expenses	(610,482)	(371,077)	(1,089,075)	(1,049,847)	(2,333,214)	(612,280)	(338,607)	(909,934)	(727,834)	(2,020,719)
Finance costs	(161,012)	(234,602)	(289,419)	(288,624)	(1,023,341)	(89,716)	(193,478)	(155,381)	(113,039)	(726,232)
Share of profit from joint venture	2,730	(1,366)	6,088	(1,273)	(4,980)	-	-	-	-	-
Profit before tax	**(325,049)**	**612**	**(494,014)**	**252,497**	**329,382**	**(114,693)**	**183,519**	**(92,000)**	**595,863**	**730,796**
Income tax expense	104,016	(58,726)	158,085	(80,799)	(506,368)	36,702	(58,726)	29,440	(190,676)	(374,850)
Profit for the year from continuing operations	(221,033)	(58,114)	(335,930)	171,698	(176,986)	(77,991)	124,793	(62,560)	405,187	355,946
	(221,033)	(58,114)	(335,930)	171,698	(176,986)	(77,991)	124,793	(62,560)	405,187	355,946
Other comprehensive income for the year net of ta	-	-	-	-	28,128	-	-	-	-	(15,408)
Total comprehensive income for the year	(221,033)	(58,114)	(335,930)	171,698	(148,858)	(77,991)	124,793	(62,560)	405,187	340,538
Profit attributable to:										
Owners of the Company	(221,033)	(58,114)	(335,930)	171,698	145,865	(77,991)	124,793	(62,560)	405,187	355,945
Non-controlling Interests	-	-	-	-	(322,851)	-	-	-	-	-
	(221,033)	**(58,114)**	**(335,930)**	**171,698**	**(176,986)**	**(77,991)**	**124,793**	**(62,560)**	**405,187**	**355,945**
Total comprehensive income attributable to:										
Owners of the Company	(221,033)	(58,114)	(335,930)	171,698	165,125	(77,991)	124,793	(62,560)	405,187	355,945
Non-controlling Interests	-	-	-	-	(313,983)	-	-	-	-	-
	(221,033)	**(58,114)**	**(335,930)**	**171,698**	**(148,858)**	**(77,991)**	**124,793**	**(62,560)**	**405,187**	**355,945**
Earnings per share (kobo)										
Basic and Diluted	(8)	(2)	(13)	6	6	(3)	5	(2)	15	13

Unaudited Consolidated and Separate Statement of Financial Position
as at 30th June 2016

	The Group		The Company	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Assets	N'000	N'000	N'000	N'000
Non-current assets				
Property, plant and equipment	6,295,799	6,762,099	4,070,110	4,483,024
Investment properties	5,862,177	5,780,066	5,641,365	5,680,002
Other intangible assets	23,857	35,418	17,840	23,186
Interest in subsidiaries	-	-	728,603	728,603
Interest in join ventures	191,088	227,978	185,000	185,000
Deferred tax assets	38,781	-	-	-
Long term prepayment	14,147	14,147	14,147	14,147
Other financial assets	4,668	4,668	4,668	4,668
Total non-current assets	12,430,517	12,824,376	10,661,733	11,118,630
Inventories	4,085,230	4,026,000	4,235,090	3,720,998
Trade and other receivables	4,772,386	3,446,195	5,313,337	4,843,511
Current portion of prepayment	86,639	189,479	86,639	173,277
Cash and bank balances	2,845,502	2,015,855	2,692,876	1,921,534
Total current assets	11,789,756	9,677,529	12,327,942	10,659,320
Total assets	**24,220,273**	**22,501,905**	**22,989,676**	**21,777,950**
Equity and Liabilities				
Capital and reserves				
Share capital	1,323,645	1,323,645	1,323,645	1,323,645
Share premium	210,548	210,548	210,548	210,548
Other reserve	4,799,578	4,782,459	4,364,200	4,364,200
Retained earnings	3,047,235	3,823,380	5,256,886	5,334,877
Attributable to equity holders of the parent	9,381,006	10,140,032	11,155,279	11,233,270
Non-controlling interests	(1,049,050)	(1,049,050)	-	-
Total equity	**8,331,956**	**9,090,982**	**11,155,279**	**11,233,270**
Non-current liabilities				
Finance lease liabilities	548,412	912,069	548,412	**912,069**
Loans and borrowings	1,335,217	1,103,673	1,335,217	1,103,673
Retirement benefit obligation	461,329	422,980	362,405	342,996
Deferred tax liabilities	1,096,942	1,023,878	519,383	972,202
Long term deferred revenue	318,390	269,197	318,390	269,197
Total non-current liabilities	**3,760,290**	**3,731,797**	**3,083,808**	**3,600,137**
Current liabilities				
Bank overdrafts	2,388,964	2,398,002	830,245	830,245
Finance lease liabilities	524,680	405,265	524,680	405,265
Trade and other payables	7,515,386	5,391,211	5,809,053	4,397,300
Loans and borrowings	452,818	452,818	452,818	452,818
Deferred revenue	702,120	454,563	679,207	404,329
Current tax liabilities	544,059	577,267	454,586	454,586
Total current liabilities	**12,128,028**	**9,679,126**	**8,750,589**	**6,944,543**
Total liabilities	**15,888,317**	**13,410,923**	**11,834,397**	**10,544,680**
Total equity and liabilities	**24,220,273**	**22,501,905**	**22,989,676**	**21,777,950**

Consolidated and Separate Statement of Cash Flows
for the period ended 30th June 2016

	The Group		The Company	
	June 2016 N'000	**June 2015 N'000**	**June 2016 N'000**	**June 2015 N'000**
Cash flows from operating activities				
Cash receipts from customers	3,386,738	5,993,382	10,629,383	4,934,674
Payments to suppliers and employees	(1,418,652)	(4,185,954)	(9,109,195)	(3,209,332)
Tax paid	-	(50,450)		(35,954)
Net cash generated by operating activities	1,968,086	1,756,978	1,520,188	1,689,389
Cash flows from investing activities				
Proceed from disposal of property, plant and equipment	-		-	-
Purchase of property, plant and equipment	(540,366)	(308,926)	(385,976)	(283,955)
Purchase of intangible assets	-			-
Investment in a new joint venture	-	(24,500)		(24,500)
Proceed from sales of subsidiary	-		-	-
Interest received	83,768	83,989	129,381	166,392
Net cash generated by/(used in) investing activities	(456,599)	(249,437)	(256,595)	(142,064)
Cash flows from financing activities				
Interest paid	(270,267)	(451,405)	(89,716)	(357,003)
Dividend paid	-		-	-
Finance Lease	(404,117)	(439,105)	(404,117)	(439,105)
Net cash used in financing activities	(674,384)	(890,510)	(493,831)	(796,108)
Net increase in cash and cash equivalents	837,103	617,031	769,761	751,217
Cash and cash equivalents at beginning of the year	(380,566)	(1,388,074)	1,092,870	(356,662)
Cash and cash equivalents at end of the year	**456,537**	**(771,044)**	**1,862,631**	**394,555**

Consolidated and Separate Statement of Changes in Equity
for the period ended 30th June 2016

The Group

	Share capital N'000	Share premium N'000	Other reserve N'000	Retained earnings N'000	Attributable to equity holders of the parent N'000	Non-controlling interests N'000	Total N'000
Balance at 1 January 2015	1,323,645	210,548	4,364,512	4,219,178	10,117,883	(732,043)	9,385,840
Profit for the year	-	-	-	145,865	145,865	(322,851)	(176,986)
Other comprehensive income	-	-	19,260	-	19,260	8,868	28,128
Total comprehensive income	-	-	19,260	145,865	165,125	(313,983)	(148,858)
Reclassification from retained earnings	-	-	398,687	(398,687)	-	-	-
Acquisition of NCI without change in control				(142,976)	(142,976)	(3,024)	(146,000)
Balance at 31st December 2015	**1,323,645**	**210,548**	**4,782,459**	**3,823,380**	**10,140,032**	**(1,049,050)**	**9,090,982**
Balance at 1 January 2016	**1,323,645**	**210,548**	**4,782,459**	**3,823,380**	**10,140,032**	**(1,049,050)**	**9,090,982**
Loss for the period	-	-	-	(776,145)	(776,145)		(776,145)
Other comprehensive income for the year	-	-	-	-	-	-	-
Loss for the period	-	-	-	(776,145)	(776,145)	-	(776,145)
Other comprehensive income	-	-	17,119	-	17,119	-	17,119
Balance at 31st March 2016	**1,323,645**	**210,548**	**4,799,578**	**3,047,235**	**9,381,006**	**(1,049,050)**	**8,331,956**

The Company

	Share capital N'000	Share premium N'000	Other reserve N'000	Retained earnings N'000	Attributable the parent holders of the parent N'000	interests controlling interests N'000	Total N'000
Balance at 1 January 2015	1,323,645	210,548	4,379,608	4,978,932	10,892,733	-	10,892,733
Profit for the year	-	-	-	355,945	355,945	-	355,945
Other comprehensive income	-	-	(15,408)	-	(15,408)	-	(15,408)
Total comprehensive income	-	-	(15,408)	355,945	340,537	-	340,537
Payment of dividends	-	-	-	-	-	-	-
Balance at 31st December 2015	**1,323,645**	**210,548**	**4,364,200**	**5,334,877**	**11,233,270**	**-**	**11,233,270**
Balance at 1 January 2016	**1,323,645**	**210,548**	**4,364,200**	**5,334,877**	**11,233,270**	**-**	**11,233,270**
Profit for the period	-	-	-	(77,991)	(77,991)	-	(77,991)
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(77,991)	(77,991)	-	(77,991)
	-	-	-	-	-		-
Payment of dividends	-	-	-	-	-	-	-
Balance at 31st March 2016	**1,323,645**	**210,548**	**4,364,200**	**5,256,885**	**11,155,279**	**-**	**11,155,279**

Notes to the consolidated and separate financial statements

1. Description of business

The Company was incorporated in 1958 as a limited liability company and converted to a public company on 29 November 1978.
The principal activities of the Group and Company include the sale and servicing of passenger cars, commercial vehicles, agricultural and construction equipment, property letting and management, provision of financial and other specialised services and investments in subsidiaries and affiliated companies engaged in the provision of food, hospitality services, manufacturing and sales of flexography and rotogravure inks for flexible packaging products and paints.

1.1 The analysis of ownership structure of 5% and above as at 30 June 2016

Name of shareholder	No. of shares held	Percentage of share capital
Leventis Holding S A	1,510,616,882	57.06
Boval S A	640,537,970	24.2
Leventis Overseas Ltd	177,198,452	6.69

The ultimate holding company is Leventis Holding SA, a company registered in Luxembourg.

The company has no ultimate controlling party as the ownership of the holding company is spread across a number of trusts, with a variety of appointed trustees.

1.2 Going concern status

The Group has consistently been making profits. The Directors believe that there is no intention or threat from any source to curtail significantly its line of business in the foreseeable future. Thus, these financial statements are prepared on a going concern basis.

1.3 Operating environment

Because Nigeria produces and exports large volumes of oil, Nigerian's economy is particularly sensitive to the price of oil on the world market which has fluctuated significantly during 2014 and 2013, the effect of which led to devaluation of Naira in the last quarter of year 2014.

Emerging markets such as Nigeria are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Nigeria and the country's economy in general.

The global financial system is exhibiting signs of stress and many economies around the world are experiencing lesser or no growth than in prior years. These conditions could slow or disrupt Nigeria's economy, adversely affect the Company's access to capital and cost of capital for the Company and, more generally, its business, results of operations, financial condition and prospects.

2. Significant accounting policies

2.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements comprise:

- Consolidated statement of profit or loss and other comprehensive income
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Notes to the consolidated financial statements.

These financial statements cover the period from 1 January 2016 to 31 March 2016

Notes to the consolidated and separate financial statements

2.2 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and requirements of the Companies and Allied Matters Act (CAMA) of Nigeria and the Financial Reporting Council (FRC) Act of Nigeria.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.3.1 Changes in the Group's ownership interests in existing subsidiaries (cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

i. Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;

ii. Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Notes to the consolidated and separate financial statements

2.4 Business combinations (cont'd)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 2.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described at Note 2.6 below.

2.6 Investments in associates and subsidiaries

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

2.6 Investments in associates and subsidiaries (cont'd)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When applicable, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.7 Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably. Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group reports its interest in jointly controlled entities using equity accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operation".

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transaction with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Notes to the consolidated and separate financial statements

2.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added taxes and other sales-related taxes.

2.8.1 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.8.2 Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the service for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred.

2.8.3 Rental income

The Group's policy for recognition of revenue from leases is described in Note 2.9.1.

2.8.4 Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, 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.

2.9 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.9.1 The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes to the consolidated and separate financial statements

2.9.2 The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.10 Foreign currency translation

For the purpose of the consolidated financial statements, the results and financial position of the Group is expressed in Naira, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

2.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and the uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the consolidated and separate financial statements

2.12 Pensions and other post-employment benefits

The Group operates a defined contribution based retirement benefit scheme for its staff, in accordance with the Pension Reform Act of 2004 revised in 2014 with employee and employer contributing 8% and 10% of the employees' relevant emoluments respectively.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contribution.

The Group also operates a gratuity scheme (defined benefit plan), for its qualified staff, for which the benefits are related to employees' length of service and remuneration.

In relation to the unfunded gratuity scheme plan the liability recognised at the statement of financial position date is the present value of the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuary using the Projected Unit Credit Method.

Actuarial gains and losses that arise are recognised in shareholders' equity in the statement of other comprehensive income in the period they arise. Past service costs are recognised immediately to the extent that benefits are vested and otherwise are amortised on a straight-line basis over the average period until the benefits become vested. Current service costs and any past service costs, together with the unwinding of the discount on plan liabilities, offset by the expected return on plan assets where applicable, are charged to operating expenses.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost.

2.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.13.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the period.

2.13.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the consolidated and separate financial statements

2.13.2 Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.13.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.14 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation on buildings is charged to profit and loss account.

Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method except where another method gives a true reflection of the pattern of consumption. The basis for depreciation is as follows:

	Years
Leasehold land and buildings	20 - 50
Investment property	20 - 50
Plant and machinery – factory production	on unit of production
Improvement to leasehold	4 - 10
Plant and machinery – generators and other	4 - 10
Office equipment and furniture	5 - 20
Computer equipment	2 - 3
Trucks	4 - 10
Motor vehicles	2 - 4

Notes to the consolidated and separate financial statements

2.14 Property, plant and equipment (cont'd)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

2.15 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation using the straight-line method applying 2% per annum adjusted for any impairment.

The Group elected to use the previous GAAP revaluation of investment properties at or before the date of transition to IFRS as deemed cost at that date.

The revaluation uplift recognised under previous GAAP has been reclassified within other reserves.

Any impairment loss arising after the transition to IFRS is recognised in the consolidated profit or loss and is not offset against the amount accumulated in equity under previous GAAP.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is recognised.

2.16 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

Notes to the consolidated and separate financial statements

2.16 Impairment of tangible and intangible assets excluding goodwill (cont'd)

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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.16.1 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

2.17 Inventories

Inventories are stated in the financial statements at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.18 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group determines the classification of its financial instruments at initial recognition.

Description of asset/liability	Classification
Investments	Available-for-sale
Loans and advances receivable	Loans and receivables
Loans to subsidiaries	Loans and receivables
Trade and other receivables	Loans and receivables
Cash and cash equivalents	Loans and receivables
Loans payable and borrowings	Financial liabilities at amortised cost
Trade and other payables	Financial liabilities at amortised cost
Loans from subsidiaries	Financial liabilities at amortised cost

Notes to the consolidated and separate financial statements

2.19 Financial assets

Financial assets are classified into the following specified categories: 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2.20. Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

2.20.1 Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed equity shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of other reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

2.20.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment loss.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Notes to the consolidated and separate financial statements

2.20.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, 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.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference\ between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the consolidated and separate financial statements

2.20.4 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

2.21 Financial liabilities and equity instruments

2.21.1 Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.21.2 Financial liabilities

Financial liabilities are classified as other financial liabilities.

2.21.3 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

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

In particular trade payables are held at amortised cost which equates to nominal value. Long-term payables are discounted where the effect is material.

Notes to the consolidated and separate financial statements

2.21.4 Derecognition of financial liabilities

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

2.22 Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit and loss.

Such derivatives are measured at fair value at the date the contracts are entered into and subsequently remeasured to their fair value at the end of each reporting period. The resultant gain or loss is recognised in profit and loss immediately.

2.23 Segmental reporting

A segment is a distinguished component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments, where applicable.

The Group's primary format for segment reporting is based on business segments that comprise the structure used by the chief operating decision-maker (Group Managing Director) to make key operating decisions and assess performance.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group evaluates the performance of its business segments based on operating profit. The Group accounts for intersegment sales and transfers as if the sales and transfers were entered into under the same terms and conditions as would have been entered into in a market related transaction.

The financial information of the Group's business segments is reported to the Group Managing Director for purposes of making decisions about allocating resources to the segment and assessing its performance.

The Group operation comprises three major service lines; food and hospitality, sales, transportation and servicing of engines and other services.

3 Application of new and revised international financial reporting standards (IFRS)

In the current year, the Company has applied some new and revised IFRSs issued by the International Accounting Standard Board (IASB) that are mandatorily effective for accounting periods that commence on 1st January 2014. The IFRSs and the changes are tabulated below:

IFRS/Interpretation Reference	Standard Name	Nature of New Standard/Amendment/Interpretation	Effective Date
IAS 32	Financial Instruments – Presentation	Amendments to application guidance on the offsetting of financial assets and financial liabilities.	Annual periods beginning on or after 1 January 2014
IAS 36	Impairment of assets	Amendments requiring additional disclosures of recoverable amounts of assets and cash generating units (CGU's) when an impairment loss is recognised or reversed and where the recoverable amount is determined based on the fair value less costs of disposal.	Annual periods beginning on or after 1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement	Amendments for novation of derivatives which have been designated as hedging instruments	Annual periods beginning on or after 1 January 2014
IFRIC 21	Levies	A government may impose a levy on an entity. This Interpretation addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.	An entity shall apply this Interpretation for annual periods beginning on or after 1 January 2014

The application of amendments to IAS 32 IAS 36, IAS 39 and IFRIC 21 has had no material impact on the disclosures in the Group's consolidated financial statements.

3.1 Accounting standards and interpretation issued but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS/Interpretation Reference	Standard Name	Nature of New Standard/Amendment/Interpretation	Effective Date
IFRS 15	Revenue from Contracts with customers	Accounting for revenue arising from contracts with customers	Annual periods beginning on or after 1 January 2017

The full impact of these IFRSs interpretations is currently being assessed by the Company, but none of these pronouncements are expected to result in any material adjustments to the financial statements.

Notes to the consolidated and separate financial statements

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying the Group's accounting policies

The following critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet 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 discussed below.

4.3 Review of the useful life of tangible assets

The management reviewed the useful economic lives and residual values of tangible fixed at the end of the accounting period. No changes were made to those determined in prior years.

4.4 Impairment of trade and other receivable

The Company makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgment to evaluate the adequacy of the allowance of doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

4.5 Defined benefit plan

The unfunded defined gratuity liability recognised at the statement of financial position date is the present value of the defined benefit obligation. The defined benefit obligation is calculated annually by an independent actuary using the Projected Unit Credit Method. The use of this method involves a number of actuarial assumptions. These assumptions are the entity's best estimates of the variables that will determine the final cost of the postemployment benefit provided. These variables include assumptions about mortality rates, change in retirement age, and financial assumptions, such as discount rates and benefit levels.

4.6 Allowance for inventories written down

Reviews are made periodically by management on damaged, obsolete and slow moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

4.7 Impairment of assets

Determining whether assets are impaired requires an estimation of the value in use of the cash-generating units to which assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. There were indicators of impairments in the foods section of the Group, but after testing, no impairment was identified. Therefore, no impairment loss was recognised during the period under review.

		The Group		The Company	
		30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
		N'000	N'000	N'000	N'000
1	**Inventories**				
	Raw materials	115,928	93,530	-	-
	Work in progress	68,141	35,483	68,141	35,483
	Good in transit	799,324	319,043	799,324	318,652
	Finished goods	2,224,550	2,869,349	1,963,220	2,827,865
	Production spare parts	877,286	708,595	1,404,405	538,998
		4,085,230	**4,026,000**	**4,235,090**	**3,720,998**
2	**Cash and cash equivalents**				
	Cash and bank balances	2,845,502	2,015,855	2,692,876	1,921,534
	Bank overdrafts	(2,388,964)	(2,398,002)	(830,245)	(830,245)
		456,537	**(382,147)**	**1,862,631**	**1,091,289**

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.