LIVESTOCK FEEDS PLC
FINANCIAL STATEMENTS
31 DECEMBER 2016

BDO

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

1, Henry Carr Street,
P.M.B. 21097, Ikeja, Lagos State, Nigeria
Telephone: +234-8077281600
E-mail: info@livestockfeedsplc.com
website: www.livestockfeedsplc.com
Regd. Number - RC. 3315

BRANCHES:

IKEJA MILL
1, Henry Carr Street,
P.M.B. 21097, Ikeja.
Tel: 08077281527

ABA MILL
12, Industrial Layout,
P.M.B. 7119, Aba.
Tel: 08077281492

NORTHERN OPERATIONS
Km 17, Zawan Roundabout
Zawan, Jos South
Plateau State.
Tel: 08077281465

ONITSHA OPERATIONS
No. 15a Pokobros Avenue
Off Atani Road, Onitsha
Anambra State
Tel: 08077257575

REPORT OF THE AUDIT COMMITTEE TO MEMBERS OF LIVESTOCK FEEDS PLC

"In compliance with Section 359(6) of the Companies and Allied Matters Act CAP C20, Laws of the Federation of Nigeria, 2004, we have reviewed the audited Financial Statements of the Company for the year ended 31st December, 2016 and report as follows:

(a) The accounting and reporting policies of the Company are consistent with legal requirements and agreed ethical practices.

(b) The scope and planning of the external audit for the year ended 31st December, 2016 were, in our opinion adequate.

(c) We reviewed the findings and recommendations in the Internal Auditor's Report and the External Auditor's Management Controls Report and we were satisfied with the management responses thereto.

(d) The Company maintained effective systems of accounting and internal control system during the year in review.

We have deliberated with the External Auditors, who confirmed that all necessary cooperation was received from management and that they had issued a clean report in respect of the year ended 31st December, 2016.

Alhaji Waheed A. Adegbite
Chairman, Audit Committee
FRC/2013/ICAN0000002532

Dated 17th March, 2017

Members of the Committee:

Alhaji Waheed A. Adegbite	Chairman
Pastor Albert O. Edun	Member
Mrs. Omolara Elemide	Member
Mr. Anthony Ikpea	Member
Prince Bassey Manfred	Member
Mr. Biodun Oyapero	Member

Tel: +234 1 4483050, 7941867
www.bdo-ng.com

ADOL House
15 CIPM Avenue
Central Business District
Alausa, Ikeja
P.O.Box 4929, GPO, Marina
Lagos, Nigeria

INDEPENDENT AUDITORS REPORT

TO THE SHAREHOLDERS OF LIVESTOCK FEEDS PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Livestock Feeds Plc, which comprise, the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting and Assurance Standards Board, and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria, Act No 6, 2011 and the Companies and Allied Matters Act, CAP C20, LFN 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements attached as an appendix to our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Ethics Standards Board Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventory

Risk

Finished goods are transferred from the product shop (production floor) to finished goods account at standard cost without adjusting for variances. Whilst raw materials transferred at standard cost are adjusted for price variance to convert the costs to actual. Therefore, if the effect of variances are not properly reflected in the valuation of finished goods, the value of finished goods may be misstated in the financial statements.

Response

Our audit procedures in response to the risk included, amongst others:

Observed physical inventory and performed control testing on inventory management processes

Verified counts observed by tracing and agreeing to the final inventory listing

Reviewed inventory valuation procedures and re-performed the valuation

Reviewed accuracy and reasonableness of the cost used in valuation

In addition to the above audit procedures for raw materials costing we:

a) Selected samples of weighted average costing computation and re-performed the computation based on source documents
b) Compared the average price of materials used with latest purchase invoice for reasonableness
c) Using the price used in the valuation of raw materials, recomputed the finished goods cost per unit based on material mix
d) Agreed computation of overhead/labour absorption rate
e) Derived overhead and labour rates based on annual production overhead and labour budget
f) Checked that adequate allowance has been made for slow moving, damaged and obsolete inventory items.

Revenue recognition

Risk

Income is recognised when invoices and waybills are endorsed as sales and posted into the books on a monthly basis. There is a risk that sales may not be completely accounted for since invoices are posted in batches at the end of the month.

Response

Our audit procedures in response to the risk included, amongst others:

Confirmed revenue cycle cut-off from goods dispatched for completeness at year end

For a selected sample of signed delivery notes/way bills listing in the verified store record:-

- Obtained details of 20 dispatches of inventory two weeks prior to and two weeks subsequent to the year end.
- Traced delivery notes/way bills signed by the customer or its representative as maintained by finished goods store section to invoice recorded in sales ledger 2 weeks before and after year end.
- Verified that the revenue and receivables were recorded in the appropriate accounting period.

Vouched a sample of sales invoices to supporting documentation

For a sample of invoices from the verified invoice listing:

a) For existence, traced invoices from the customers ledger to record of delivery Notes/way bills signed by the customer or its representative as maintained by the finished goods store section
b) Agreed invoices details to records of goods dispatched (delivery Notes)
c) Agreed invoice prices to authorized price list and traced payments to bank statements
d) Matched payments with invoices and agreed posting to customer accounts
e) Ascertained transactions relate to period under review
f) On all sampled invoices, ensure there is no agreement indicating retention of significant risk of ownership by the Company due to right of return, otherwise determine need for deferred revenue.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Chairman's and Directors' statements, but does not include the financial statements and our auditors report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact, we have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards issued by the International Accounting and Assurance Standards Board, and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria Act, No 6, 2011 and the Companies and Allied Matters Act, CAP C20 LFN 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located in an appendix to this report. This description forms part of our audit report.

Report on other legal requirements

The Companies and Allied Matters Act, CAP C20, LFN, 2004 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit

ii) in our opinion, proper books of account have been kept by the Company, and

iii) the Company's statement of financial position, and its statement of profit or loss and other comprehensive income are in agreement with the books of account.

A1238169

Lagos, Nigeria
17 March 2017

Olugbemiga A. Akibayo
FRC/2013/ICAN/00000001076
For: BDO Professional Services
Chartered Accountants

Appendix

Details of Auditors responsibilities for the audit of the financial statements

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

* Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and significant audit findings and any significant deficiencies in internal control that we identify during our audit.

LIVESTOCK FEEDS PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 N'000	2015 N'000
Revenue	7	11,067,161	8,963,293
Cost of sales	8	(10,094,190)	(8,071,641)
Gross profit		972,971	891,652
Other operating income	9	233,869	357,608
Marketing and distribution expenses	10	(214,337)	(191,574)
Administrative expenses	11	(319,391)	(280,973)
Profit from operations		673,112	776,712
Finance expenses	12	(456,280)	(521,949)
Finance income	12	7,158	45,352
Net finance expense		(449,122)	(476,597)
Profit before taxation	13	223,990	300,115
Income tax expenses	14	(71,709)	(112,198)
Profit for the year after taxation		152,281	187,917
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		152,281	187,917
Earnings per share			
Basic EPS (kobo)	15	7.61	9.40
Diluted EPS (kobo)	15	7.61	9.40

The accompanying notes on pages 7 to 38 and other national disclosures on pages 39 and 40 form an integral part of these financial statements.

Auditors' report, pages 1 and 2

LIVESTOCK FEEDS PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

Assets	**Notes**	**2016 N'000**	**2015 N'000**
Property, plant and equipment	16(a)	1,070,291	832,575
Intangible assets	16(b)	3,572	6,519
Financial assets-available for sale	17	8,196	8,307
Total non-current assets		1,082,059	847,401
Inventories	18	6,084,983	3,354,028
Trade and other receivables	19	146,160	290,664
Cash and cash equivalents	20	44,331	77,420
Total current assets		6,275,474	3,722,112
Total assets		7,357,533	4,569,513
Equity and liabilities			
Equity			
Share capital	21	1,000,000	1,000,000
Share premium	22	455,207	470,684
Retained earnings		630,396	478,115
Total equity		2,085,603	1,948,799
Deferred tax	14(c)	147,082	119,753
Total non-current liabilities		147,082	119,753
Trade and other payables	23	2,785,966	1,898,285
Short-term borrowings	24	2,294,622	525,329
Dividends payable		101	101
Current tax payable	14(b)	44,159	77,246
Total current liabilities		5,124,848	2,500,961
Total equity and liabilities		7,357,533	4,569,513

The financial statements and notes on pages 3 to 40 were approved by the Board of Directors on 17 March 2017 and signed on its behalf by:

Larry Ettah	Modupe Asanmo	Gideon F. Ogudu
Chairman	Managing Director	Finance Manager
FRC/2013/IODN/00000002692	*FRC/2014/ICAN/00000006546*	*FRC/2013/ICAN/00000002925*

The accompanying notes on pages 7 to 38 and other national disclosures on pages 39 and 40 form an integral part of these financial statements.

Auditors' report, pages 1 and 2

LIVESTOCK FEEDS PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital	Share Premium	Retained earnings	Total Equity
	N'000	N'000	N'000	N'000
Balance at 1 January 2015	1,000,000	493,702	490,198	1,983,900
Comprehensive Income for the year :				
Profit for the year	-	-	187,917	187,917
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	187,917	187,917
Transactions with owners, recorded directly in equity:				
Issue costs	-	(23,018)	-	(23,018)
Dividend paid	-	-	(200,000)	(200,000)
Balance at 31 December 2015	1,000,000	470,684	478,115	1,948,799
Balance at 1 January 2016	1,000,000	470,684	478,115	1,948,799
Comprehensive Income for the year :				
Profit for the year	-	-	152,281	152,281
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	152,281	152,281
Transactions with owners, recorded directly in equity:				
Issue costs	-	(15,477)	-	(15,477)
Balance at 31st December 2016	1,000,000	455,207	630,396	2,085,603

The accompanying notes on pages 7 to 38 and other national disclosures on pages 39 and 40 form an integral part of these financial statements.

Auditors' report, pages 1 and 2

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

Cash flows from operating activities:	**Notes**	**2016 N'000**	**2015 N'000**
Profit for the year		152,281	187,917
Adjustment for:			
Depreciation	16(a)	118,671	119,920
Amortisation of intangibe asset	16(b)	3,514	2,971
Write-off in property, plant and equipment	16(a)	2,614	679
Diminution in financial assets - available for sale	17	111	3,004
Interest paid	12	456,280	521,949
Interest received	13	(7,158)	(45,352)
Tax expense		71,709	112,198
Profit on sale of property, plant & equipment		(390)	(129,999)
		797,632	773,288
(Increase)/decrease in inventories	18	(2,730,955)	1,290,314
Decrease/(increase) in trade and other receivables	19	144,504	(144,309)
Increase in trade and other payables	23	887,681	209,889
Tax paid	14(c)	(77,467)	(68,727)
Net cash (outflow)/inflow from operating activities		(978,605)	2,060,455
Cash flows from investing activities			
Purchase of property, plant and equipment	16(a)	(359,611)	(185,658)
Purchase of intangible assets	16(b)	(666)	(3,838)
Proceeds from disposal of property, plant and equipment		1,099	148,500
Interest received	13	7,158	45,352
Net cash (outflow)/inflow from investing activities		(352,020)	4,356
Cash flows from financing activities			
Interest on loans and overdraft	12	(456,280)	(521,949)
Share capital increase expenses	22	(15,477)	(23,018)
Dividend paid		-	(200,000)
Net cash inflow/(outflow) from financing activities		(471,757)	(744,967)
Net decrease in cash and cash equivalents		(1,802,382)	1,319,843
Cash and cash equivalents at beginning of the year		(447,909)	(1,767,752)
Cash and cash equivalents at end of the year	20	**(2,250,291)**	**(447,909)**

The accompanying notes on pages 7 to 38 and other national disclosures on pages 39 and 40 form an integral part of these financial statements.

Auditors' report, pages 1 and 2

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 the requirements of the Companies and Allied Matters Act, CAP C20 LFN, 2004. Where the provisions of IFRS are in conflict with the requirements of the Companies and Allied Matters Act, CAP C20, 2004, IFRS supersedes.

The financial statements were authorised for issue by the Board of Directors on 17 March 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:

	2016	2015
	N'000	N'000
Trade receivables (Note 19)	84,857	123,471
Cash and cash equivalents	44,331	77,420
	129,188	200,891

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	2016	2015
	N'000	N'000
Access Bank Plc	1,207	3,444
Guaranty Trust Bank Plc	12,999	32,101
Skye Bank Plc	140	3,265
Stanbic IBTC Plc	2,422	32,910
First City Monument Bank Limited	11,206	-
Sterling Bank Limited	10	-
First Bank Limited	15,876	-
Zenith Bank Plc	-	5,604
	43,860	77,324

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 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	-

As at 31 December 2015

	Book value	Contractual cashflow	One year or less	1-5 years
Borrowings	525,329	-	525,329	-
Trade and other payables	1,898,285	-	1,898,285	-
	2,423,614	-	2,423,614	-

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 31 December 2016	Effective interest rate	one year or less	1-5 years	Total
Cash and cash equivalents	44,331	-	-	44,331
Borrowings	(2,294,622)	-	-	(2,294,622)
	(2,250,291)	-	-	(2,250,291)

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:

	2016 N'000	2015 N'000
Aba	2,198,073	1,816,119
Ikeja	4,002,276	3,122,326
Benin	1,739,167	1,913,574
Northern operations	3,127,645	2,111,274
	11,067,161	8,963,293

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 - 31 December 2016

	Aba N'000	Ikeja N'000	Benin N'000	Northern operations N'000	Total N'000
From external customers	2,198,073	4,002,276	1,739,167	3,127,645	11,067,161
Segment revenue	2,198,073	4,002,276	1,739,167	3,127,645	11,067,161
Cost of sales	(2,008,443)	(3,656,242)	(1,582,290)	(2,847,215)	(10,094,190)
Gross profit	189,630	346,034	156,877	280,430	972,971
Distribution expenses	(2,563)	(158,584)	(19,665)	(5,407)	(186,219)
Trading profit	187,067	187,450	137,212	275,023	786,752
Other income	60,804	58,138	35,719	55,216	209,877
Operating Profit	247,871	245,588	172,931	330,239	996,629
Finance expenses	(135,615)	(134,192)	(69,981)	(116,492)	(456,280)
Contribution to margin	112,256	111,396	102,950	213,747	540,349
Head Office					
Dividend income					128
Interest income					7,158
Laboratory income					928
Insurance refund					11,775

Gain on disposal of asset	390
Miscellaneous income	7,455
Sale of scraps	2,005
Administrative cost	(319,391)
Marketing Cost	(28,118)
ITF refund	1,311
Profit before tax	223,990

Segment assets and liabilities - 31 December 2016

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	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

The Inventories figure under the head office represents materials stock piled at the external warehouses in funtua, Oyo 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	2,255,885	150,865	46,078	163,985	169,153	2,785,966
Short-term borrowings	2,294,622	-	-	-	-	2,294,622
Dividend payable	101	-	-	-	-	101
	4,550,608	150,865	46,078	163,985	169,153	5,080,689

Segmental Reporting - 31st December 2015	**Aba**	**Ikeja**	**Benin**	**Northern operation**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
From external customers	1,816,119	3,122,326	1,913,574	2,111,274	8,963,293
Segment revenue	1,816,119	3,122,326	1,913,574	2,111,274	8,963,293
Cost of sales	(1,677,359)	(2,738,530)	(1,712,753)	(1,942,999)	(8,071,641)
Gross profit	138,760	383,796	200,821	168,275	891,652
Distribution expenses	(8,161)	(108,628)	(27,833)	(8,417)	(153,039)
Trading Profit	130,599	275,168	172,988	159,858	738,613
Other income	69,357	35,482	64,688	184,460	353,987
Operating Profit	199,956	310,650	237,676	344,318	1,092,600
Finance expenses	(165,533)	(115,279)	(125,842)	(115,295)	(521,949)
Contribution to margin	34,423	195,371	111,834	229,023	570,651

Head Office	**N'000**
Dividend income	162
Interest income	45,352
Laboratory income	1,304
Insurance refund	836
Gain on disposal of asset	251
Miscellaneous income	1,005
Sale of scraps	62
Administrative cost	(280,973)
Marketing Cost	(38,535)
Profit before tax	300,115

Segment assets and liabilities-31 December 2015

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	338,946	122,248	265,509	97,713	8,160	832,575
Intangible assets	6,519	-	-	-	-	6,519
Current assets	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Inventories	1,577,145	684,614	364,590	319,887	407,792	3,354,028
Trade and other receivables	167,193	35,588	58,035	27,124	2,724	290,664
Cash and cash equivalents	61,930	5,648	3,090	6,452	300	77,420
	1,806,268	725,850	425,715	353,463	410,816	3,722,112
Current liabilities	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Trade and other payables	1,531,886	104,270	31,846	113,337	116,946	1,898,285
Short-term borrowings	525,329	-	-	-	-	525,329
Dividend payable	101	-	-	-	-	101
Current tax payable	-	-	-	-	-	-
	2,057,316	104,270	31,846	113,337	116,946	2,423,715

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	9,551,819	7,533,327
Staff salaries and wages	218,251	212,551
Business travelling & entertainment expenses	22,429	24,054
Uniforms	1,514	4,120
Electricity and power	49,230	33,739
Rents-3rd party	53,333	72,474
Clean and sanitation	3,238	2,991
Security expenses	18,233	15,657
Office stationery& printing	2,867	3,250
Telephone expenses	1,586	2,197
Postal services	415	864
Depreciation	106,939	109,687
Local repair & renewal	42,533	37,511
Laboratory expenses	3,099	2,003
Miscellaneous/sundry	9,925	8,339
Corporate public relations	993	318
Vehicle repairs expenses	-	2,997
Sundry vehicle expenses	-	1,341
Internet/e-mail Charges	748	-
Computer charges	1,145	-
Other expenses	5,893	4,221
	10,094,190	**8,071,641**

9	<u>Other operating income</u>	2016	2015
	The analysis of other operating income is as follows:	N'000	N'000
	Sale of sacks	5,310	9,574
	Laboratory income	928	1,348
	Weighing income	3,987	3,165
	Insurance claims received	11,775	836
	Service charge	-	572
	Sales of scrap	2,005	4,162
	Gain on disposal of property, plant and equipment	390	129,999
	Registration fees & other Miscellaneous	7,455	1,077
	ITF Refund	1,311	-
	Dividend Income	128	162
	Gain/Loss Realized Foreign Currency Revaluation	92	-
	Truck Income	2,488	2,708
	Government grant	198,000	204,005
		233,869	357,608

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

ii) The sum of N129million in 2015 was realised as gain on disposal of Kaduna Mill assets initially classified as Held for sale which was purchased at the sum of N140million naira

10	**Marketing and distribution**	**N000**	**N000**
	Salaries & other benefits	46,266	37,999
	Business travelling expenses	11,616	11,470
	Distribution expenses	142,290	115,847
	Corporate gifts/marketing investment	7,607	19,473
	Depreciation	2,258	2,531
	Other expenses	4,300	4,254
	TOTAL	**214,337**	**191,574**

11	**Administrative expenses**	**N'000**	**N'000**
	Salaries & other benefits	77,216	74,103
	Commercial service fee	116,205	93,946
	Audit charges	16,410	17,141
	Consultancy (Note 11(a))	4,916	8,686
	Subscription	5,376	6,586
	Corporate public relations	16,840	7,151
	Agm expenses	5,084	7,868
	Internet/e-mail charges	1,573	3,179
	Insurance premium	8,503	6,233
	Depreciation	12,989	10,670
	Research	-	8,074
	Business travelling & entertainment	7,163	8,151
	Electricity & power	1,882	3,715
	Telephone expenses	1,653	2,128
	Bank charges-cot	15,009	12,550
	Diminution of available for sale financial assets	112	3,004
	Impairment of trade receivables	767	-
	Loss on disposal of property, plant and equipment	1,871	-
	Other expenses	25,822	7,788
	TOTAL	**319,391**	**280,973**

a) Included in consultancy expenses is an amount of N650,000 (2015: N650,000) charged by BDO Professional Services (Tax consultant) as professional fees for taxation services.

12 **Finance expenses**	**2016**	**2015**
The analysis of finance expenses is as follows:	**N'000**	**N'000**
Overdraft charges	15,158	26,066
Interest on loans	243,122	291,878
Government grants	198,000	204,005
	456,280	521,949

12 **Finance income**	**N'000**	**N'000**
The analysis of finance income is as follows:		
Interest received on bank deposits	7,158	45,352

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

13 **Profit before taxation**

	N'000	**N'000**
(i) Profit before taxation is arrived at after charging:		
Directors' fees	620	620
Loss on disposal of property,plant and equipment	1,871	-
Amortisation of intangibles	3,514	2,971
Depreciation of property, plant and equipment	118,671	119,920
Auditors' fees	7,500	6,900
Taxation fees	650	650

(ii) **Emoluments of Directors**	**N'000**	**N'000**
a) The aggregate emoluments of non executive directors were:		
Fees	620	620
other emoluments, including pension contributions	7,904	4,800
b) The chairman's emoluments (excluding pension contributions) totalled	1,317	920
c) Emoluments of highest paid director	16,598	15,792

(iii) **Staff numbers and costs**

	2016	**2015**
The average number of persons employed (excluding directors) in the	**No**	**No**
Company during the year was	**109**	**103**

(iv) **Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company including the Directors, the General Manager and Financial Manager of the Company.

	N'000	**N'000**
Salary	47,312	45,059
Total pension and other post employment benefit costs	4,436	4,225
	51,748	49,284

(v) The table below shows the number of employess (excluding directors) who earned over N400,000 as emoluments in the year and were within the bans stated

=N=			Number	Number
400,001	-	500,000	-	1
500,001	-	600,000	10	11
600,001	-	700,000	7	4
700,001	-	800,000	14	9
900,001	-	1,000,000	2	24
1,000,001	-	1,100,000	25	13
1,200,001		1,300,000	4	2
1,300,001	-	1,400,000	3	4
1,400,001	-	1,500,000	4	-
1,500,001	-	and above	40	35
			109	**103**

14 **Taxation**

	2016	2015
Current Income tax	N'000	N'000
a) Profit and loss account		
Company income tax	37,187	64,698
Tertiary education tax	6,972	5,876
	44,159	70,574
Deferred tax	27,329	34,952
Additional taxes	221	6,672
	71,709	112,198

b) Income tax recognised in profit or loss
Corporation tax is based on the provisions of the Company Income Tax Act, CAP C21 LFN 2004

The charge for education is based on the provisions of the Education Tax Act,CAP E4, LFN 2004

The income tax expense for the year can be reconciled to the accounting profit as per the statement of comprehensive income as follows:

	2016	2015
	N'000	N'000
Profit before tax	223,990	300,115
Tax at the statutory corporation tax rate at 30%	67,197	90,035
Effect of income that is exempt from taxation	(183)	(99,979)
Effect of expenses that are not deductible in determining taxable profit	37,578	98,079
Education tax at 2% of assessable profit	6,973	5,876
Balance charge	329	9,490
Investment allowance	(5,772)	(1,325)
Capital allowances absorbed	(61,963)	(31,602)
Deferred tax provisions	27,329	34,952
Under provision income tax	221	5,492
Under provision education tax	-	1,180
Tax expense recognised in profit or loss	**71,709**	**112,198**
Effective rate	**0.32**	**0.37**

The tax rate used for 2016 and 2015 reconciliation above is the corporate tax rate of 30% & 2% for tertiary education tax payable by corporate entities in Nigeria on taxable profits under the tax law in the Country, for the year ended 31 December 2016

	2016	2015
i) **Current tax payable**	**N'000**	**N'000**
Balance, beginning of the year	77,246	68,727
	77,246	68,727
Payments during the year		
- Company income tax	(70,412)	(57,929)
- Education tax	(7,055)	(8,714)
Wihtholding tax credit	-	(2,084)
Provision for the year		
Income tax	37,187	64,698
Additional income tax	221	5,492
Additional education tax	-	1,180
Education tax	6,972	5,876
Balance, end of the year	44,159	77,246

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 2016	119,753	-	-	119,753
Charge to income statement	27,329	-	-	27,329
At 31 December 2016	147,082	-	-	147,082

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

15 **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 year after taxation	N152,281	N187,917
Weighted number of ordinary shares for the purposes of basic earnings per share	2,000,000	2,000,000
Basic earnings per share	7.61	9.40
Weighted number of ordinary shares for the purposes of diluted Earning per share	2,000,000	2,000,000
Diluted earnings per share	7.61	9.40

16(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 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 31 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 =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)
Write offs	-	(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 amount at:							
31 December 2016	194,185	409,582	55,590	18,005	9,174	383,755	1,070,291
31 December 2015	193,762	289,998	63,004	14,761	7,947	263,103	832,575

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 2015	339,762	437,755	126,914	16,331	13,112	140,038	1,073,912
Additions	1,497	34,280	13,749	5,724	7,344	123,065	185,659
Disposals	-	(6,660)	(4,859)	-	(113)	-	(11,632)
Transfers in	-	285	5,510	210	532	-	6,537
Balance as at 31st December 2015	341,259	465,660	141,314	22,265	20,875	263,103	1,254,476

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 2015	130,884	108,895	55,732	5,112	8,191	-	308,814
Charge for the year	16,613	73,148	23,524	2,221	4,414	-	119,920
On disposals	-	(6,477)	(4,856)		(112)	-	(11,446)
Transfers in	-	96	3,910	171	435		4,613
Balance as at 31 December 2015	147,497	175,662	78,310	7,504	12,928	-	421,901
Carrying amounts at:							
31 December 2015	193,762	289,998	63,004	14,761	7,947	263,103	832,575

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) The Company has N200million CACS fund with StanbicIBTC Bank Plc for the acquisition of equipment i.e two 2500MT capacity Silos and Extruder machine from YEMTAR in Turkey.The equipment arrived as at 31st December 2015 and civil work and installation is still on going and about N188 million has been transfered from work-in-progress during the year, while interest to the tune of N11,166,200 was capitalised under construction in progress.

ii) None of the assets is held under finance lease

16(b) **Intangible assets**

Cost	**N'000**
At 1 January 2016	**12,501**
Additions	666
At 31 December 2016	**13,167**
At 1 January 2015	**8,663**
Additions	3,838
At 31 December 2015	**12,501**
Accumulated amortisation	
At 1 January 2016	**5,982**
Amortisation charge	3,514
Write off	99
At 31 December 2016	**9,595**
At 1 January 2015	**3,011**
Amortisation charge	2,971
At 31 December 2015	**5,982**
Carrying amount as at:	
31 December 2016	**3,572**
31 December 2015	**6,519**

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

16(c) Assets held for sale is in respect of Kaduna Mill which was disposed off in 2015. The sum of N145,185,000 was realised as sales proceeds with gain on disposal of N126,785,334.77. MDS Logistics paid the sum of N140million for the acquisition of most of the assets while the balance was paid by other buyers for the remaining movable assets. These have been recognised in the 2015 financial statements

	N'000
Sales Proceeds	145,185
Net Book Value	(18,400)
	126,785

Some of the assets were transferred from Kaduna Mill to Ikeja Mill and were reclassified appropriately from Held for sale to property, plant and equipment

17 **Available for sale financial assets**

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

	2016		2015	
	Cost	Market	Cost	Market
	N'000	N'000	N'000	N'000
Balance at the begining of the year	19,999	8,307	19,999	11,311
Diminution on available for sale financial assets	-	(111)	-	(3,004)
Balance at the end of the year	19,999	8,196	19,999	8,307

17(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	2016 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

18 **Inventories**

	N'000	N'000
Raw materials	5,052,326	3,063,716
Finished goods	92,174	97,903
Engineering spares	27,355	19,611
Diesel	1,853	281
Stock with third party for conversion	909,469	172,289
Other consumables	1,806	228
	6,084,983	3,354,028

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 Apple & Pear ltd for the conversion of the rawseeds to Soya Bean Cake and Soya Bean Meal respectively

19 **Trade and other receivables**

	N'000	N'000
Gross trade receivables	84,857	123,471
Less: impairment (Note 19(d))	(29,031)	(28,264)
Total financial assets other than cash and cash equivalents	55,826	95,207
Deposit for materials	39,506	152,130
Other debtors	11,386	8,656
Prepayments	39,442	34,329
Amount due from related Companies Note (19(a))	-	342
	146,160	290,664

(a) **Amount due from related Companies**

	N'000	N'000
Amount due from WARM SPRING	-	342
	-	342

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

	2016	2015
	N'000	N'000
0 - 90 days	35,516	79,582
91 - 180 days	5,260	6,533
181 - 360 days	2,601	12,842
Over 360 days	41,480	24,514
	84,857	123,471

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

	2016	2015
	N'000	N'000
Ikeja	13,021	10,170
Aba	2,230	2,107
Benin	5,827	3,348
Kaduna	-	-
	21,078	15,625

The Management is of the opinion that the receivables are recoverable

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

	2016	2015
	N'000	N'000
Ikeja	8,653	7,717
Aba	15,053	14,975
Benin	5,325	5,572
	29,031	28,264

20 **Cash and cash equivalents**

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

	N'000	N'000
Cash on hand	505	96
Bank balances	43,826	77,324
Bank borrowings	(2,294,622)	(525,329)
	(2,250,291)	(447,909)

21 **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	4,000,000	4,000,000

Issued and fully paid Share capital

Value

2,000,000,000 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	-	-
Balance at the end of the year	1,000,000	1,000,000

Number	2016	2015
2,000,000,000 ordinary shares of 50kobo each	000	000
Balance at beginning of the year	2,000,000	2,000,000
Movement in share	-	-
Balance at the end of the year	2,000,000	2,000,000

At the Annual General meeting held in the Company's Conference room located at No 1 Henry Carr Street, Ikeja, Lagos on 22 April 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. The amount incurred has been charged to share premium account

22 **Share premium**

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

	N'000	N'000
Balance at beginning of the year	470,684	493,702
Issuing cost	(15,477)	(23,018)
Balance at the end of the year	455,207	470,684

23 **Trade and other payables**

	N'000	N'000
Trade creditors	479,616	418,239
Accruals (Note 23(a))	54,932	32,220
Other creditors (Notes 23(c))	118,535	57,334
Amount due to related Companies (Note 23(d))	2,132,883	1,390,492
	2,785,966	1,898,285

a) **Accruals**

	N'000	N'000
Ex-staff balances	3,007	3,007
Accrued staff benefits	13,669	7,211
Professional fees	2,363	3,591
Industrial trainning fund	3,168	3,347
Other accrued expenses (Note 23(b))	32,725	15,064
	54,932	32,220

b) **Other accrued expenses**

	N'000	N'000
Promotional expenses	1,301	5,203
Accrued legal expenses-Ceres Nig Ltd and Bemil Nig Ltd	5,801	5,801
Others	25,623	4,060
	32,725	**15,064**

c) **Other payables**

	N'000	N'000
Withholding tax	14,093	3,501
Pay as you earn (PAYE)	280	110
Trade incentives	16,393	10,179
VAT	91	62
Deposit for feeds delivery	87,678	43,229
Pension	-	253
	118,535	57,334

d) **Amount due to related Companies**

	N'000	N'000
MDS logistics	100,343	624
Amount due to UACN Plc	1,389,432	1,259,669
Amount due to UAC Foods Ltd	100,994	-
Amount due to CAP Plc	505,908	-
Amount due to Grand Cereals Ltd	36,206	130,199
	2,132,883	1,390,492

24 **Bank loans and borrowings**

Current	**N'000**	**N'000**
Bank Overdraft	494,622	525,329
Secured bank loans (Note 24(a))	1,800,000	-
	2,294,622	525,329

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.The disbursement of the loan through Stanbic IBTC Bank, which was subject to the availability of Commercial Agricultural Credit Scheme Funds was disbursed in trenches between 4th of January 2016 and 16th of February 2016. Securities for the loan includes the following:

i. Deed of debenture dated September 14, 2009 over the borrower's fixed and floating assets located at 1, Henry Carr street Wemabod Estate Ikeja Lagos

ii. Valuation report dated September 28,2012 in favor of the Bank on the assets pledged as security from a Bank approved valuer, through the Bank's Credit Risk Management Unit

iii. Insurance policy on assets pledged by a Bank approved insurance Company with the Bank noted as "First Loss Payee"

iv. Letter of Awareness from UACN Plc

b) The sum 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 20% p.a but only the overdraft facility was utilised as at 31st December 2016.

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	-	-	-

31 December, 2015	**Floating rate**	**Fixed rate**	**Total**
	N'000	**N'000**	**N'000**
Expiry within 1 year	525,329	-	525,329
Expiry within 1 and 2 years	-	-	-
Expiry in more than 2 years	-	-	-

25 **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 N1.1billion and N100 million term loan was received from the Parent Company UACN Plc and UAC Foods Limited at the rate of 15.5% P.a to boost the working capital of the Company and specifically for the stockpiling of materials during the harvesting season which is the last quarter of the year. The sum of N1,389,485,160 and N100,993,699 is payable to UACN and UAC Foods Limited as at 31st December 2016 respectively.

(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 sum of N505,907,787 is payable to CAP Plc as at 31st December 2016.

(iii) The Company had a toll milling agreement with Grand Cereal Ltd which is also another subsidiary of UACN Plc for its Northern operation and the amount payable as at 31st December 2016 is N36,205,760.

(iv) The Company also got a term loan of N100 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. The fee payable as at 31st December 2016 is N100,343,033.

26 **Capital commitments and contingent liabilities**

	2016	2015
	N'000	N'000
Capital expenditure authorised	-	329,170
Capital expenditure authorised & contracted	-	185,658

27 **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

28 **Subsequent events**

(i) On 16 December, 2016, the Company received letter of reminder from the Securities and Exchange Commission demanding from the Company a sum of N11.1 million in respect of non-submission of 2011 half-year returns.After several meetings, an agreement was reached with the Commision for the Company to pay the penalty in four instalments after making a down payment of N3 million in January 2017.As at 1 February 2017, the Company had paid a sum of N5 million in respect of the N11.1 million. A liability of N11.1 has been recognised in these financial statements in respect of the penalty.

(ii) 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.The disbursement of the loan through Stanbic IBTC Bank, which was subject to the availability of Commercial Agricultural Credit Scheme Funds was disbursed in tranches between 4th of January 2016 and 16th of February 2016. The total loan which was outstanding as at 31 December 2016 was settled in full on 31 January 2017.

(111) 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 31 December 2016 and on the profit for the year ended on that date, which have not been adequately provided for or disclosed in these financial statements.

STATEMENT OF VALUE ADDED

	2016	%	2015	%
	N'000		N'000	
Revenue	11,067,161		8,963,293	
Other operating income	233,869		357,608	
Finance income	7,158		45,352	
	11,308,188		9,366,253	
Bought in goods and services				
- Foreign	-		(224,943)	
- Local	(10,164,000)		(7,878,311)	
VALUE ADDED	1,144,188	100	1,262,998	100
To pay employees:				
Salaries,wages,pensions and social benefits	341,733	30	318,043	25
To pay providers of fund:				
Bank interest	456,280	40	521,949	41
To pay government:				
income tax	71,709	6	112,198	9
To provide for replacement and development:				
Depreciation	122,185	11	122,891	10
Profit for the year	152,281	13	187,917	15
	1,144,188	100	1,262,998	100

OTHER NATIONAL DISCLOSURE

FIVE YEAR FINANCIAL SUMMARY AS AT 31 DECEMBER 2016

Statement of Financial Position

	2016	2015	2014	2013	2012
Capital reserves	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Share Capital	1,000,000	1,000,000	1,000,000	1,000,000	600,000
Share premium	455,207	470,684	493,702	493,702	8,028
Retained earnings	630,396	478,115	490,198	236,028	123,773
	2,085,603	1,948,799	1,983,900	1,729,730	731,801
Net assets:					
Property, plant and equpiment	1,073,863	839,095	770,750	721,660	546,943
Finance lease	-	-	-	-	-
Investments	8,196	8,307	11,311	17,963	13,503
Net current assets	1,150,626	1,221,149	1,286,640	1,031,253	200,011
Provision for liabilities and charges	(147,082)	(119,753)	(84,801)	(41,146)	(28,656)
	2,085,603	1,948,799	1,983,900	1,729,730	731,801
Statement of comprehensive income					
Revenue	11,067,161	8,963,293	7,914,488	6,113,864	433,057
Profit before taxation	223,990	300,115	402,151	282,798	216,204
Taxation	(71,709)	(112,198)	(147,981)	(72,052)	(77,119)
Profit after taxation	152,281	187,917	254,170	210,746	139,085
Basic earnings per shares (Kobo)	7.61	9.40	17.56	12.71	17.56
Diluted earnings per shares (Kobo)	7.61	9.40	11.71	12.71	11.71