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P.M.B 21097, Ikeja, Lagos State, Nigeria  
Telephone: +234-8077281600  
E-mail: [info@livestockfeedsplc.com](mailto:info@livestockfeedsplc.com)  
website: [www.livestockfeedsplc.com](http://www.livestockfeedsplc.com)  
Regd. Number - RC. 3315

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**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



# FINANCIAL STATEMENTS

## 31 DECEMBER 2020

**Board of Directors:**

**Joseph I. D. Dada** (*Chairman*), **Adegboyega Adedeji** (*Managing Director*)  
**Abayomi Adeyemi, Adebolanle Badejo, Daniel Obaseki**

**LIVESTOCK FEEDS PLC**  
**REPORT OF THE DIRECTORS, AUDITED FINANCIAL STATEMENTS AND**  
**OTHER NATIONAL DISCLOSURES**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**LIVESTOCK FEEDS PLC**  
**CORPORATE INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

Directors

Mr. Joseph Dada	Non Executive Chairman
Mr. Adegboyega Adedeji	Managing Director
Mr. Daniel Obaseki	Non Executive Director
Mr. Godwin Samuel	Non Executive Director
Mr. Abayomi Adeyemi	Non Executive Director
Mr. Adebolanle Badejo	Non Executive Director

Acting secretary: Mrs. Rose Joshua Hamis

Registered office: 1 Henry Carr Street  
P.M.B 21097  
Ikeja, Lagos, Nigeria.  
Email: Info@livestockfeedsplc.com

Registration number: RC3315

Registrars: Cardinal Stone Registrars Limited  
358, Herbert Macaulay Way  
Yaba, Lagos.

Principal bankers: Access Bank Plc  
First Bank of Nigeria Ltd  
First City Monument Bank Plc  
Guaranty Trust Bank Plc  
Stanbic IBTC Bank Plc  
Union Bank of Nigeria Plc  
Zenith Bank Plc

Auditors: Ernst & Young  
10th & 13th Floors, UBA House  
57, Marina, Lagos  
Nigeria.

**LIVESTOCK FEEDS PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors have pleasure in presenting to the members of Livestock Feeds Plc (the Company) their report together with the audited financial statements for the year ended 31 December 2020.

**LEGAL FORM**

Livestock Feeds Plc was incorporated on 20 March 1963 under the Companies and Allied Matters Act as a public limited liability Company, and is domiciled in Nigeria.

The company was quoted on the Nigerian Stock Exchange in 1978. The registered office of the Company is located at 1 Henry Carr Street Ikeja Lagos.

**PRINCIPAL ACTIVITIES**

The company is engaged principally in the manufacturing and marketing of animal feeds and concentrates.

**RESULT FOR THE YEAR**

The company's result for the year ended 31 December 2020 are shown on page 14. The profit for the year of N503 million has been transferred to retained earnings. The summarised results are presented below.

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Revenue	11,179,328	9,955,222
Gross profit	1,285,618	825,942
Profit before tax	546,070	112,630
Income tax expenses	(42,884)	(6,277)
Profit after tax	503,186	106,353

**DIVIDEND**

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2020 (2019: Nil).

**DIRECTORS' INTERESTS IN CONTRACTS**

None of the Directors has notified the Company for the purpose of the Companies and Allied Matters Act 2020 of their direct or indirect interest in contracts or proposed contracts with the Company during the year.

**SUBSTANTIAL INTEREST IN SHARES**

According to the Registrar of members, the following shareholders of the Company held more than 5% of the issued share capital of the Company as at 31 December 2020.

	<b>2020</b>		<b>2019</b>	
<b>Shareholder</b>	<b>Number of shares</b>	<b>above 5%</b>	<b>Number of shares</b>	<b>above 5%</b>
UAC of Nigeria Plc	2,198,745,772	73.29	2,198,745,772	73.29

**DIRECTORS' INTEREST IN SHARE OF THE COMPANY**

None of the directors have interest in the Company share as at 31 December 2020 (2019:nil).

**LIVESTOCK FEEDS PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**REPORT OF THE DIRECTORS - Continued**

**SHAREHOLDING STRUCTURE**

According to the register of members, the below is the analysis of shareholders of the Company as at 31 December 2020.

	<b>HOLDERS</b>	<b>HOLDINGS</b>	<b>% HOLDINGS</b>	<b>NOMINAL VALUE OF SHARE (N)</b>
Insurance Company	1	116	0.00	58
Other corporate entities	715	2,340,559,395	78.02	1,170,279,698
Other Managed funds	32	8,572,407	0.29	4,286,204
Local Government	1	335,050	0.01	167,525
Individual	18,487	648,566,412	21.62	324,283,206
Foreign shareholders	54	1,966,038	0.07	983,019
<b>Total</b>	<b>19,290</b>	<b>2,999,999,418</b>	<b>100</b>	<b>1,499,999,710</b>

Below is the range analysis as at 31 December 2020

	<b>Number of Holders</b>	<b>Number of Holders</b>	<b>% of Holders</b>	<b>Holdings</b>	<b>% Holdings</b>
1 - 1000		4,070	21.10	2,117,572	0.07
1001 - 10000		8,617	44.67	43,994,369	1.47
10001 - 50000		4,732	24.53	113,809,932	3.79
50001 - 100000		984	5.10	76,512,300	2.55
100001 - 500000		673	3.49	144,058,567	4.80
500001 - 1000000		100	0.52	74,267,507	2.48
1000001 - 5000000		101	0.52	206,392,137	6.88
5000001 - 10000000		6	0.03	40,710,945	1.36
10000001 - 2999999418		7	0.04	2,298,136,089	76.60
		<b>19,290</b>	<b>100.00</b>	<b>2,999,999,418</b>	<b>100.00</b>

Below is the range analysis as at 31 December 2019

	<b>Number of Holders</b>	<b>Number of Holders</b>	<b>% of Holders</b>	<b>Holdings</b>	<b>% Holdings</b>
1 - 1000		3,820	19.80	2,058,678	0.07
1001 - 10000		8,642	44.78	44,439,297	1.48
10001 - 50000		4,832	25.04	116,304,956	3.88
50001 - 100000		1,032	5.35	80,386,492	2.68
100001 - 500000		743	3.85	159,359,786	5.31
500001 - 1000000		108	0.56	80,247,628	2.67
1000001 - 5000000		107	0.55	219,358,489	7.31
5000001 - 10000000		8	0.04	59,663,826	1.99
10000001 - 2999999418		5	0.03	2,238,180,266	74.61
		<b>19,297</b>	<b>100</b>	<b>2,999,999,418</b>	<b>100.00</b>

**PROPERTY PLANT & EQUIPMENT**

Information relating to movement in property, plant and equipment is shown in Note 14 to the financial statements. In the opinion of the Directors, the market values of the Company's properties are not less than the value shown in these financial statements.

**EMPLOYMENT OF PHYSICALLY CHALLENGED PERSONS**

The company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The company's policy prohibits discrimination against disabled persons in the recruitment, training and career development of its employees. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged.

**EMPLOYEE HEALTH, SAFETY AND WELFARE**

The company maintains business premises and work environments that guarantee the safety and health of its employees and other stakeholders. The company's rules and practices in these regards are reviewed and tested regularly. Also, the Company provides free medical insurance for its employees and their families through selected health management organizations and hospitals.

**LIVESTOCK FEEDS PLC  
REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**REPORT OF THE DIRECTORS - Continued**

**EMPLOYEE TRAINING AND INVOLVEMENT**

The directors maintain regular communication and consultation with the employees on matters affecting employees and the Company. Employees are kept fully informed regarding the Company's performance and the Company operates an open door policy whereby views of employees are sought and given due consideration on matters which particularly affect them. Training is carried out at various levels through in-house and external courses. The company's skill base has been extended by a range of training provided to the employees whose opportunity for career development within the Company has been enhanced.

**CORPORATE GOVERNANCE REPORT**

Livestock Feeds Plc is a Company of integrity and high ethical standards. Our reputation for honest, open and dependable business conduct, built over the years, is an asset, as are our people and brand. We conduct our business in full compliance with the laws and regulations of Nigeria and UAC Code of Business Conduct.

**DONATIONS AND GIFTS**

The company did not donate any sum in the current year (2019: Nil).

**AUDITORS**

Ernst & Young have expressed their willingness to continue in office as the Company's auditors in accordance with Section 401(2) of the Companies and Allied Matters Act 2020. A resolution will be proposed authorising the Directors to determine their remuneration.

**By order of the Board**

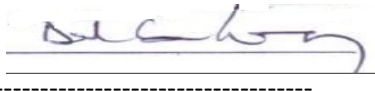


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Mrs. Rose Joshua Hamis  
Acting Company Secretary  
FRC/2017/NBA/00000016315  
22nd March, 2021

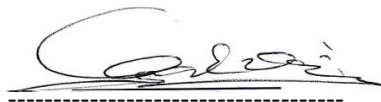
**LIVESTOCK FEEDS PLC  
COMPLIANCE CERTIFICATE  
FOR THE YEAR ENDED 31 DECEMBER 2020**

We hereby certify that:

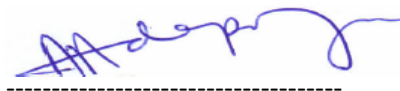
- a) We the undersigned have reviewed the annual report, audited financial statements of Livestock Feeds Plc ("the Company") for the year ended 31 December 2020 and other national disclosures. Based on our knowledge as officers of the Company, the annual report, audited financial statements and other national disclosures do not contain:
- i. any untrue statement of a material fact, or
  - ii. omit to state a material fact, which would make the statement misleading in the light of the circumstances under which the statement was made.
- b) Based on our knowledge, the financial statements and other financial information included in the annual report fairly represent in all material respect, the financial conditions and results of operations of the Company as of, and for the period presented in the report.
- c) We, the undersigned:
- i. are responsible for establishing and maintaining controls;
  - ii. have designed such internal controls to ensure that material information relating to the Company is made known to us by others within those entities particularly during the period in which the periodic reports are being prepared;
  - iii. have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report.;
  - iv. have presented in the report our conclusions about the effectiveness of their internal controls based on their evaluation as of that date;
- d) We have disclosed to the external auditors of the Company and the audit committee:
- i. all significant deficiencies in the design or operation of the internal controls which would adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's Auditors any material weakness in internal controls, and
  - ii. any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls.
- e) We have identified in the report whether or not there were significant changes in internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weakness.



**Chairman**  
**Mr. Joseph Dada**  
**FRC/2016/APCON/00000014735**



**Managing Director**  
**Mr. Adegboyega Adedeji**  
**FRC/2020/003/00000021439**



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

**LIVESTOCK FEEDS PLC**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

The Companies and Allied Matters Act 2020 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include:

- a) ensuring that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act 2020;
- b) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; and
- c) preparing the Company's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards issued by the International Accounting Standards Board, Financial Reporting Council of Nigeria Act No 6, 2011 and the provisions of the Companies and Allied Matters Act 2020.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company as at, and of its financial performance for the year ended 31 December 2020. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



**Chairman**  
**Mr. Joseph Dada**  
**FRC/2016/APCON/00000014735**



**Managing Director**  
**Mr. Adegboyega Adedeji**  
**FRC/2020/003/00000021439**



**LIVESTOCK FEEDS PLC**  
**REPORT OF THE AUDIT COMMITTEE**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**REPORT OF THE AUDIT COMMITTEE TO THE SHAREHOLDERS OF LIVESTOCK FEEDS PLC**

“In compliance with the Companies and Allied Matters Act 2020, Laws of the Federation of Nigeria, We have reviewed the audited Financial Statements of the Company for the year ended 31 December 2020 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 31 December, 2020 were, in our opinion adequate.
- (c) We reviewed the findings and recommendations in the Internal auditor's Report and the External Auditor's Management Control 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 financial statements for the year ended 31 December 2020.



**Aare Kamorudeen Ajao Danjuma**  
**FRC/2019/IODN/00000019526**  
**Chairman – Audit Committee**

**Dated 18th March, 2021**

**Members of the Audit Committee:**

Aare Kamorudeen Ajao Danjuma	Chairman
Prince Manfred Bassey	Member
Mr. Olufemi Fredrick Oduyemi	Member
Mr. Abayomi Adeyemi	Member
Mr. Godwin Samuel	Member

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS 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 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Livestock Feeds Plc as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011.

**Basis for Opinion**

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of Livestock Feeds Plc. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Livestock Feeds Plc. 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 judgment, were of most significance in our audit of the financial statements of the current year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risk of material misstatements of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LIVESTOCK FEEDS PLC- Continued

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS- Continued

Key Audit Matter	How the matter was addressed in the audit
<b>Impairment Assessment of Trade Receivables</b>	
<p>IFRS 9- financial instrument which covers financial assets requires that financial assets are assessed for impairment using the Expected Credit Loss (ECL) model that will lead to timely recognition of expected losses.</p> <p>The company is required to regularly assess the recoverability of its trade receivables. This involves judgment as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions as well as the time value of money.</p> <p>An "expected loss" focuses on the risk that a debtor will default in payment rather than whether a loss has been incurred.</p> <p>At 31 December 2020, the Company had a trade receivable of ₦124 million and an impairment of ₦91 million which represents 74% of the Company's trade receivables.</p> <p>The appropriateness of the allowance for doubtful debt is subjective due to the high degree of judgment applied by management in determining the impairment provision.</p> <p>At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and Expected Credit losses (ECLs) is a significant estimate.</p> <p>Due to significance of receivables and the related estimation uncertainty, this is considered a key audit matter.</p>	<p>-We reviewed IFRS 9 models prepared by the management for computation of impairment on receivables in line with the requirements of IFRS 9.</p> <p>-We reviewed the aging of receivables based on the number of days, debts became past due.</p> <p>-We tested the historical accuracy of the model by assessing historical projections versus actual losses.</p> <p>-We analysed historical credit losses with a view to identifying the portion of receivables that remained unpaid during the year to enable us to determine the default rate.</p> <p>-We engaged our internal specialist to reperform an independent calculation of the impairment provision.</p> <p>- We reviewed other areas of complexities which include macro-economic indicators such as inflation rates, exchange rates, unemployment rate, Gross Domestic Products (GDP) etc. These macro-economic indicators were equally available information in the public domain.</p>

## **INDEPENDENT AUDITORS' REPORT**

**TO THE MEMBERS OF LIVESTOCK FEEDS PLC- Continued**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS- Continued**

### **Other Information**

The directors are responsible for the other information. The other information comprises the Report of the Directors, Corporate Governance Report, Statement of Directors' Responsibilities, Report of the Audit Committee, Value-Added Statement, and Five-year Financial Summary as required by the Companies and Allied Matters Act, 2020, and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011. The other information 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 an audit opinion or any form of assurance conclusion thereon.

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

### **Responsibilities of the Directors for the Financial Statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act, No. 6, 2011, and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' 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 misstatements, whether due to fraud or error, and to issue an auditors' 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 the ISA 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 the financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

## **INDEPENDENT AUDITORS' REPORT**

**TO THE MEMBERS OF LIVESTOCK FEEDS PLC- Continued**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS- Continued**

### **Auditors' Responsibilities for the Audit of the Financial Statements-continued**

- ▶ 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 controls.
- ▶ Obtain an understanding of internal controls 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 controls.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- ▶ Conclude on the appropriateness of the Directors' 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.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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working world

**INDEPENDENT AUDITORS' REPORT**

**TO THE MEMBERS OF LIVESTOCK PLC- Continued**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS- Continued**

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirement of the Fifth Schedule of the Companies and Allied Matters Act, 2020, 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 purposes of our audit;
- ii) in our opinion proper books of account have been kept by the Company in so far as it appears from our examination of those books; and
- iii) the Company's statements of financial position and statements of profit or loss and other comprehensive income agree with the books of account.

Yusuf Aliu, FCA

FRC/2012/ICAN/00000000138

30 March 2021

Lagos, Nigeria



**LIVESTOCK FEEDS PLC**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

		2020	2019
	Note	N'000	N'000
Revenue from contracts with customers	4	11,179,328	9,955,222
Cost of sales	7i	(9,893,710)	(9,129,280)
<b>Gross profit</b>		<b>1,285,618</b>	<b>825,942</b>
Other operating income	8	85,740	22,515
Selling and Distribution expenses	7ii	(316,723)	(287,824)
Expected Credit Loss	17	(7,991)	(20,171)
Administrative expenses	7iii	(360,785)	(335,186)
<b>Operating profit</b>		<b>685,858</b>	<b>205,276</b>
Interest revenue	9	302	10,656
Finance Expense	10	(140,090)	(103,302)
<b>Profit before tax</b>	11	<b>546,070</b>	<b>112,630</b>
Income tax expense	12	(42,884)	(6,277)
<b>Profit after taxation</b>		<b>503,186</b>	<b>106,353</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>503,186</b>	<b>106,353</b>
<b>Earnings per share(Kobo)</b>			
Basic earnings for the year attributable to ordinary equity holders	13	16.77	3.55
Diluted, earnings for the year attributable to ordinary equity holders	13	16.77	3.55

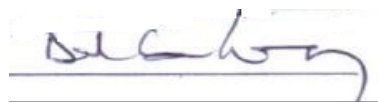
The notes on pages 19 to 58 are integral part of this financial statements.

**LIVESTOCK FEEDS PLC**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31ST DECEMBER 2020**

	<b>Note</b>	<b>2020 N'000</b>	<b>2019 N'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	835,562	858,663
Intangible assets	15	-	36
<b>Total non-current assets</b>		<b>835,562</b>	<b>858,700</b>
<b>Current assets</b>			
Inventories	16	5,096,943	2,868,833
Trade and other receivables	17	355,071	154,031
Refund assets	17	10,147	7,361
Prepayments	18	61,759	84,314
Other financial assets	19.1	20,668	20,668
Cash and short term deposit	19	93,991	40,004
<b>Total current assets</b>		<b>5,638,578</b>	<b>3,175,211</b>
<b>Total assets</b>		<b>6,474,140</b>	<b>4,033,910</b>
<b>Equity</b>			
Issued capital	20	1,500,000	1,500,000
Share premium	20	693,344	693,344
Revenue reserves		(120,566)	(623,752)
<b>Total equity</b>		<b>2,072,778</b>	<b>1,569,592</b>
<b>Current liabilities</b>			
Trade and other payables	21	2,332,999	1,423,752
Refund liabilities	21.2	11,194	7,991
Income tax payable	12	43,034	6,427
Dividend Payable	22	20,768	20,768
Interest-bearing loans and borrowings	23	1,993,367	955,273
Government grant	23.1	-	50,107
<b>Total current liabilities</b>		<b>4,401,362</b>	<b>2,464,318</b>
<b>Total liabilities</b>		<b>4,401,362</b>	<b>2,464,318</b>
<b>Total equity and liabilities</b>		<b>6,474,140</b>	<b>4,033,910</b>

The notes on pages 19 to 58 are integral part of this financial statements.

The Financial statements was approved and auhorised for issue by the Board of Directors on 22nd March, 2021 and was signed on its behalf by:



**Chairman**  
**Mr. Joseph Dada**  
**FRC/2016/APCON/00000014735**



**ManagingDirector**  
**Mr. Adedeji Adegboyega**  
**FRC/2020/003/00000021439**



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



**LIVESTOCK FEEDS PLC**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

	<b>Issued capital (Note 20) N'000</b>	<b>Share premium (Note 20) N'000</b>	<b>Revenue reserves N'000</b>	<b>Total equity N'000</b>
<b>At 1 January 2019</b>	1,500,000	693,344	(730,105)	1,463,239
Profit for the year	-	-	106,353	106,353
Other comprehensive income	-	-	-	-
Total comprehensive income, net of tax	-	-	106,353	106,353
<b>At 31 December 2019</b>	<b>1,500,000</b>	<b>693,344</b>	<b>(623,752)</b>	<b>1,569,592</b>
<b>At 1 January 2020</b>	1,500,000	693,344	(623,752)	1,569,592
Profit for the year	-	-	503,186	503,186
Other comprehensive income	-	-	-	-
Total comprehensive income, net of tax	-	-	503,186	503,186
<b>At 31 December 2020</b>	<b>1,500,000</b>	<b>693,344</b>	<b>(120,566)</b>	<b>2,072,778</b>

The notes on pages 19 to 58 are part of this financial statements.

**LIVESTOCK FEEDS PLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

	<b>Note</b>	<b>2020 N'000</b>	<b>2019 N'000</b>
<b>Operating activities</b>			
Profit before tax		546,070	112,630
Depreciation of property, plant and equipment	14	154,306	172,899
Amortisation of intangible assets	15	36	108
Gain on disposal of property, plant and equipment	8	(3,176)	(2,414)
Expected credit loss	7iii	7,991	20,171
Finance cost	10	140,090	103,302
Interest revenue	9	(302)	(10,656)
Government grant		(66,212)	(9,314)
<b>Working capital adjustments:</b>			
Increase in inventories		(2,228,110)	(234,830)
Increase in trade and other receivables		(209,031)	(62,935)
Decrease/(Increase) in prepayments and other assets		19,769	(24,740)
Increase in trade and other payables		912,451	471,482
Cash (used in)/ generated from operating activities		<b>(726,118)</b>	<b>535,703</b>
Income tax paid	12	(6,277)	-
<b>Net cash (used in)/flows from operating activities</b>		<b>(732,395)</b>	<b>535,703</b>
<b>Investing activities</b>			
Interest received	9	302	10,656
Proceeds from disposal of PPE		3,571	4,424
Purchase of property, plant and equipment	14	(131,600)	(39,964)
<b>Net cash flows used in investing activities</b>		<b>(127,727)</b>	<b>(24,884)</b>
<b>Financing activities</b>			
Interest paid	10	(79,259)	(88,608)
Proceed from borrowing	23	2,293,368	
<b>Payment of loans</b>	23	(1,300,000)	(500,000)
<b>Net cash flows from/(used in) financing activities</b>		<b>914,109</b>	<b>(588,608)</b>
Increase/(decrease) in cash and cash equivalents		53,987	(77,790)
Cash and cash equivalents at 1 January		40,004	117,794
<b>Cash and cash equivalents at 31 December</b>	19	<b>93,991</b>	<b>40,004</b>

The notes on pages 19 to 58 are integral part of this financial statements.

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**1. Corporate information**

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

**2. Significant accounting policies**

**2.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IAS 34) as issued by the International Accounting Standards Board (IASB), the requirements of the Financial Reporting Council of Nigeria Act No 6, 2011 and the provisions of the Companies and Allied Matters Act 2020.

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

**2.2 Summary of significant accounting policies**

**a) Current versus non-current classification**

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**2.2 Summary of significant accounting policies**

**b) Fair value measurement**

The company measures its financial instruments at fair value at each reporting date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest

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

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

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

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

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

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

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

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

**c) Revenue from contracts with customers**

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

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

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

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

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

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

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**2.2 Summary of significant accounting policies - continued**

**Revenue from contracts with customers - continued**

The company has identified one distinct performance obligations:

<b>Performance Obligation</b>	<b>When Performance Obligation is Typically Satisfied</b>	<b>When Payment is Typically Due</b>	<b>How Standalone Selling Price is Typically Estimated</b>
<b><i>Animal feeds</i></b>			
	Upon delivery (point in time)	Within 90 days of delivery	Not applicable
	When control of the feeds passes to the customer; typically upon delivery	Within 90 days of delivery	

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

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

**i. Significant financing component**

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

**ii. Variable consideration**

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

**Volume incentives and trade discounts**

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

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**2.2 Summary of significant accounting policies - continued**

**Revenue from contracts with customers - continued**

**Rights of return**

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

**Principal vs Agent consideration**

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

**PRACTICAL EXPEDIENTS**  
**REVENUE RECOGNITION**

Practical expedients [Extract]

LSF has elected to make use of the following practical expedients:

- LSF opted for the use of one year or less practical expedients for significant financing component.
- LSF applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

**Other income**

This comprises majorly profit from sale of plant and equipment, sales of sack, government grant and so on.

Income arising from disposal of items of 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.

**d) Taxes**

**Current income tax**

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

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**2.2 Summary of significant accounting policies - continued**

**Current income tax - continued**

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

**Deferred tax**

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

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

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

**Value added tax (VAT)**

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

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

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

**e) Foreign currencies**

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

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

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

**f) Cash dividend**

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Nigeria, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. However, where interim dividend is declared by the Board, it is recognised in the liability pending the approval of the shareholders. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**2.2 Summary of significant accounting policies - continued**

**g) Property, plant and equipment**

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

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

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

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

	% per annum
Leasehold Land	3
Building	3
Machinery & Equipment	12.5
Motor Vehicle	
- Automobile	25
- Truck	12.5
Computer Equipment	33.3
Office equipment	20

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

**Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss within 'other operating 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 are purchased from the 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 profit/loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for  
**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 as the difference between the net disposal proceeds and the carrying amount of the assets, are recognised in statement of profit or loss and other comprehensive income when the asset is derecognised.



## **2.2 Summary of significant accounting policies - continued**

### **i) Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **i) Financial assets**

No changes were made in the objectives, policies or processes for managing capital during the periods ended 31 March 2020 and 2019.

#### **Initial recognition and measurement**

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

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

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

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

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

#### **Subsequent measurement**

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

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

Financial assets at amortised cost (debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**2.2 Summary of significant accounting policies - continued**

**i) Financial assets- Continued**

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

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

**Derecognition**

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

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

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

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

**Impairment of financial assets**

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

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

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

For receivables from related parties (non-trade), and staff loans, the Company applies general approach in calculating ECLs. It is the company's policy to measure ECLs on such asset on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

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

The company calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise.

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

- The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference
- LGD between the contractual cash flows due and those that the Company would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Company considers three scenarios (a base case, an upside, a downside). Each of these is associated with different PDs, EADs and LGDs. In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Oil price
- Exchange rate
- Inflation rate

## **ii) Financial liabilities**

### **Initial recognition and measurement**

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

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

The company's financial liabilities include trade and other payables, loans and borrowings.

### **Subsequent measurement**

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

#### **Financial liabilities at fair value through profit or loss**

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

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

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

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

### **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method.

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

### **Derecognition**

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

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**2.2 Summary of significant accounting policies - continued**

**iii) Offsetting of financial instruments**

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

**j) Inventories**

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

Cost is determined as follows:-

**Raw materials**

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

**Finished goods**

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

**Spare parts and consumables**

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

**k) Impairment of non-financial assets**

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

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

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

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

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

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

## **2.2 Summary of significant accounting policies - continued**

### **l) Cash and bank balances**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

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

### **m) 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.

### **n) 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.

### **o) Pension and other post-employment benefits**

#### **i) Defined contribution scheme - pension**

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

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

The matching contributions made by Livestock Feeds Plc to the relevant PFAs are recognised as expenses when the costs become payable in the reporting periods during which employees have rendered services in exchange for those contributions. Liabilities in respect of the defined contribution scheme are charged against the profit of the period in which they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**2.2 Summary of significant accounting policies - continued**

**p) Leases**

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**i) Right -of-use-assets (ROU)**

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The company has no Right of Use Assets as at 1 January 2020 and 31 December 2020 because existing leases are classified as short-term leases.

**ii) Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The company has no lease liability as at 1 January 2020 and 31 December 2020 because all existing leases have been prepaid.

**iii) Short-term leases**

The company applies the short-term lease recognition exemption to its short-term leases assets i.e Land and warehouses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

**2.3 New and amended standards and interpretations**

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Enterprise has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020.

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**2.3 New and amended standards and interpretations- Continued**

**Amendments to IFRS 3: Definition of a Business**

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Enterprise, but may impact future periods should the Enterprise enter into any business combinations.

**Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform**

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Enterprise as it does not have any interest rate hedge relationships.

**Amendments to IAS 1 and IAS 8 Definition of Material**

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Enterprise.

**Amendment to IFRS 16-Covid-19-Related Rent Concessions**

Amendment to IFRS 16 Leases provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. A lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

It applies only to rent concessions occurring only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 June 2021).
- There is no substantive change to other terms and conditions of the lease.

However, this standard does not have an impact on the client in the year.

**New and revised IFRS Standards in issue but not yet effective**

At the date of authorisation of these financial statements, the Enterprise has not applied the following new and revised IFRS Standards that have been issued but are not yet effective. The Enterprise intends to adopt these standards, if applicable when they become effective.

- |                          |   |
|--------------------------|---|
| (i) Amendment to IFRS 17 | Insurance Contracts (Effective for annual periods beginning on or after 1 January 2023) |
|--------------------------|---|

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**2.3 New and amended standards and interpretations - continued**

**IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Enterprise is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

**Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

**Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.



**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**2.3 New and amended standards and interpretations - continued**

**New and revised IFRS Standards in issue but not yet effective- Continued**

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Enterprise.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Enterprise will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

**IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

**IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Enterprise will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Enterprise.

**IAS 41 Agriculture – Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Enterprise.

**3. Significant accounting judgements, estimates and assumptions**

The preparation of the Company’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

- |  |         |
|--|---------|
| • Capital management                                 | Note 6  |
| • Financial instruments risk management and policies | Note 26 |
| • Sensitivity analyses disclosures                   | Note 26 |

### **3. Significant accounting judgements, estimates and assumptions - continued**

#### **Judgements**

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

#### **Determining the lease term of contracts with renewal – Company as lessee**

The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The company does not have lease contracts that include extension in the year under review.

#### **Revenue from contracts with customers**

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

Determining the timing of satisfaction of sales of feeds and concentrates

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

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

#### **Estimates and assumptions**

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

#### **Impairment of non-financial assets**

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

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**3. Significant accounting judgements, estimates and assumptions - continued**

**Provision for expected credit losses of trade receivables**

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 17 and 26.4

**Depreciation and carrying value of property, plant and equipment**

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

**Taxes**

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

**4. Revenue from contracts with customers**

**4.1 Disaggregated revenue information**

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

Segments	For the year ended 31 December 2020				
	Aba N'000	Ikeja N'000	Onitsha N'000	Northern N'000	TOTAL N'000
<b>Type of goods or service</b>					
Sale of livestock feeds	1,994,458	5,775,657	1,149,265	2,259,948	11,179,328
<b>Total revenue from contracts with customers</b>	<b>1,994,458</b>	<b>5,775,657</b>	<b>1,149,265</b>	<b>2,259,948</b>	<b>11,179,328</b>
<b>Geographical markets</b>					
Within Nigeria	1,994,458	5,775,657	1,149,265	2,259,948	11,179,328
Outside Nigeria	-	-	-	-	-
<b>Total revenue from contracts with customers</b>	<b>1,994,458</b>	<b>5,775,657</b>	<b>1,149,265</b>	<b>2,259,948</b>	<b>11,179,328</b>
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	1,994,458	5,775,657	1,149,265	2,259,948	11,179,328
Services transferred over time	-	-	-	-	-
<b>Total revenue from contracts with customers</b>	<b>1,994,458</b>	<b>5,775,657</b>	<b>1,149,265</b>	<b>2,259,948</b>	<b>11,179,328</b>

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**4. Revenue from contracts with customers - Continued**

**4.1 Disaggregated revenue information - Continued**

Segments	For the year ended 31 December 2019				
	Aba N'000	Ikeja N'000	Onitsha N'000	Northern N'000	TOTAL N'000
<b>Type of goods or service</b>					
Sale of livestock feeds	1,602,630	5,157,588	647,936	2,547,068	9,955,222
<b>Total revenue from contracts with customers</b>	<b>1,602,630</b>	<b>5,157,588</b>	<b>647,936</b>	<b>2,547,068</b>	<b>9,955,222</b>
<b>Geographical markets</b>					
Within Nigeria	1,602,630	5,157,588	647,936	2,547,068	9,955,222
Outside Nigeria	-	-	-	-	-
<b>Total revenue from contracts with customers</b>	<b>1,602,630</b>	<b>5,157,588</b>	<b>647,936</b>	<b>2,547,068</b>	<b>9,955,222</b>
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	1,602,630	5,157,588	647,936	2,547,068	9,955,222
Services transferred over time	-	-	-	-	-
<b>Total revenue from contracts with customers</b>	<b>1,602,630</b>	<b>5,157,588</b>	<b>647,936</b>	<b>2,547,068</b>	<b>9,955,222</b>

**Performance obligations**

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

***Sale of Animal feeds***

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

**Contract balances**

		2020 N'000	2019 N'000
Trade receivables	17	123,727	189,115

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. In 2020: N91.823 Million (2019: N83.832 million) was recognised as provision for expected credit losses on trade receivables.

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**5. Segment information**

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

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

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Revenue from contract with customers	11,179,328	9,955,222
Operating profit	685,858	205,276
Finance cost (Note 10)	(140,090)	(103,302)
Finance income (Note 9)	302	10,656
Profit before taxation	546,070	112,630
Income tax expense	(42,884)	(6,277)
Total assets	6,474,140	4,033,910
Total liabilities	4,401,362	2,464,318

**Revenue**

The company (all segments) produces animal feeds which is 100% of its turnover. Other products include Vet Drugs which is bought from other Companies for marketing and sales and full fat which is manufactured by the Company. Analysis of sales for the year is as follows:

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Aba	1,994,458	1,602,630
Ikeja	5,775,657	5,157,588
Onitsha Operations	1,149,265	647,936
Northern Operations	2,259,948	2,547,068
	<b><u>11,179,328</u></b>	<b><u>9,955,222</u></b>

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

Aba  
Ikeja  
Onitsha Operations  
Northern Operations

**Segmental revenue and operating profit-31 December 2020**

	<b>Aba</b>	<b>Ikeja</b>	<b>Onitsha Operations</b>	<b>Northern Operations</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
From external customers	1,994,458	5,775,657	1,149,265	2,259,948	11,179,328
Segment revenue	1,994,458	5,775,657	1,149,265	2,259,948	11,179,328
Cost of sales	(1,718,001)	(5,174,141)	(1,035,409)	(1,966,159)	(9,893,710)
<b>Gross profit</b>	<b>276,456</b>	<b>601,516</b>	<b>113,856</b>	<b>293,789</b>	<b>1,285,618</b>
Selling, marketing and distribution expense	(18,491)	(190,073)	(22,288)	(53,122)	(283,974)
<b>Trading profit</b>	<b>257,965</b>	<b>411,443</b>	<b>91,568</b>	<b>240,668</b>	<b>1,001,645</b>
Other income	22,199	56,087	-	-	66,212
<b>Operating profit</b>	<b>280,165</b>	<b>467,530</b>	<b>91,568</b>	<b>240,668</b>	<b>1,067,856</b>
Finance expenses	(45,251)	(94,838)	-	-	(140,090)
<b>Contribution to margin</b>	<b><u>234,913</u></b>	<b><u>372,692</u></b>	<b><u>91,568</u></b>	<b><u>240,668</u></b>	<b><u>927,767</u></b>

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

5. Segment information - continued

	<b>2020</b>
	<b>N'000</b>
<b>Head Office</b>	
Dividend income	-
Interest income	302
Laboratory income	-
Loss realised on Foreign currency	-
Insurance Claim	-
Gain on disposal of assets	3,176
Miscellaneous income	-
ITF Refund	1,308
Sale of sacks	15,044
Expected credit loss	(7,991)
Administrative cost	(360,786)
Marketing Cost	(32,749)
<b>Profit before tax</b>	<b>546,070</b>

**Segment assets and liabilities- 31 December 2020**

<b>Non-current assets</b>	<b>Head office</b>	<b>Aba</b>	<b>Ikeja</b>	<b>Onitsha Operations</b>	<b>Northern Operations</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Property, plant and equipment	338,083	256,220	202,881	30,413	7,964	835,562
Intangible assets	-	-	-	-	-	-
Prepayment (Due after one year)	-	-	-	-	-	-
<b>Current assets</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Inventory	2,596,117	893,110	1,127,308	70,823	409,584	5,096,943
Trade and other receivables	314,061	9,145	19,026	12,739	100	355,071
Refund assets	10,147	-	-	-	-	10,147
Short-term lease prepayments	25,170	388	36,018	82	102	61,759
Other financial asset	20,668	-	-	-	-	20,668
Cash and cash equivalents	91,689	2,196	81	4	21	93,991
	<b>3,057,852</b>	<b>904,840</b>	<b>1,182,433</b>	<b>83,647</b>	<b>409,808</b>	<b>5,638,578</b>

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

<b>Current liabilities</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Trade and other payables	2,121,138	63,462	82,829	17,576	47,994	2,332,999
Short-term borrowings	1,993,367	-	-	-	-	1,993,367
Refund liabilities	11,194	-	-	-	-	11,194
Dividend payable	20,768	-	-	-	-	20,768
Current tax payable	43,034	-	-	-	-	43,034
	<b>4,189,501</b>	<b>63,462</b>	<b>82,829</b>	<b>17,576</b>	<b>47,994</b>	<b>4,401,362</b>

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

5. Segment information - continued

**Segmental revenue and operating profit -31 December 2019**

	<b>Aba</b>	<b>Ikeja</b>	<b>Onitsha Operations</b>	<b>Northern Operations</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
From external customers	1,602,630	5,157,588	647,936	2,547,068	9,955,222
Segment revenue	1,602,630	5,157,588	647,936	2,547,068	9,955,222
Cost of sales	(1,527,404)	(4,749,822)	(603,855)	(2,248,199)	(9,129,280)
<b>Gross profit</b>	<b>75,226</b>	<b>407,766</b>	<b>44,081</b>	<b>298,869</b>	<b>825,942</b>
Marketing and distribution expense	(16,159)	(194,917)	(13,156)	(18,557)	(242,789)
<b>Trading profit</b>	<b>59,067</b>	<b>212,849</b>	<b>30,925</b>	<b>280,313</b>	<b>583,153</b>
Other income	6,970	10,113	476.19	-	17,559
<b>Operating profit</b>	<b>66,037</b>	<b>222,962</b>	<b>31,401</b>	<b>280,313</b>	<b>600,712</b>
Finance expense	(36,752)	(66,550)	-	-	(103,302)
<b>Contribution to margin</b>	<b>29,285</b>	<b>156,412</b>	<b>31,401</b>	<b>280,313</b>	<b>497,411</b>

**Head Office**

Interest income	10,656
Laboratory income	661
Gain on disposal of assets	2,414
Miscellaneous income	1,143
ITF refund	552
Sale of scraps	185
Expected Credit Loss	(20,171)
Administrative cost	(335,186)
Marketing Cost	(45,035)
<b>Profit before tax</b>	<b>112,630</b>

**Segment assets and liabilities- 31 December 2019**

<b>Non-current assets</b>	<b>Head office</b>	<b>Aba</b>	<b>Ikeja</b>	<b>Onitsha Operations</b>	<b>Northern Operations</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Property, plant and equipment	235,235	306,668	259,444	43,427	13,888	858,662
Intangible assets	36	-	-	-	-	36
Prepayment (Due after one year)	-	-	-	-	-	-
<b>Current assets</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Inventory	1,514,215	687,828	530,419	28,458	107,914	2,868,834
Trade and other receivables	138,558	31,633	60,293	11,382	3,841	245,707
Cash and cash equivalents	56,325	2,753	1,565	3	25	60,671
	<b>1,709,097</b>	<b>722,214</b>	<b>592,277</b>	<b>39,843</b>	<b>111,780</b>	<b>3,175,212</b>

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

<b>Current liabilities</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Trade and other payables	1,331,115	13,558	38,120	11,323	37,627	1,431,743
Short- term borrowings	955,273	-	-	-	-	955,273
Dividend payable	20,768	-	-	-	-	20,768
Current tax payable	6,427	-	-	-	-	6,427
Government Grant	50,107					50,107
	<b>2,363,690</b>	<b>13,558</b>	<b>38,120</b>	<b>11,323</b>	<b>37,627</b>	<b>2,464,318</b>

In the year under review, unallocated operating income and expenses mainly constitute head office other income, administrative and marketing costs. These are considered corporate and are not allocated to any segments expenses. Interest expenses are allocated based on investment in inventory acquired for each mills.

## **6. Capital management**

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

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

		<b>2020</b>	<b>2019</b>
		<b>N'000</b>	<b>N'000</b>
Trade and other payables	21	2,332,999	1,423,752
Interest-bearing loans and borrowings	23	1,993,367	955,273
Cash and short term deposit (Note 19)		(93,991)	(40,004)
<b>Net debt</b>		<b>4,232,375</b>	<b>2,339,021</b>
Total capital: Equity		2,072,778	1,569,592
<b>Capital and net debt</b>		<b>6,305,152</b>	<b>3,908,613</b>
<b>Gearing ratio</b>		<b>67%</b>	<b>60%</b>

No changes were made in the objectives, policies or processes for managing capital during the periods ended 31 December 2020 and 2019.



**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**7. Expense by Nature**

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
<b>7i. Cost of sales</b>		
Change in inventories of finished goods and work in progress	9,288,497	8,543,041
Salaries and other staff benefit*	262,170	224,177
Business travelling & entertainment expenses	12,881	11,228
Electricity and power	53,258	62,958
Depreciation of property,plant & equipment (Note 14)	144,753	163,262
Rent**	44,084	48,673
Security expenses	20,545	20,213
Local repair and renewal	26,457	33,023
Laboratory expenses	3,842	4,685
Vehicle repairs expenses	706	472
Sundry vehicle expenses	1,188	876
Other expenses ***	35,330	16,672
<b>Total cost of sales</b>	<b>9,893,710</b>	<b>9,129,280</b>

\*\*\* Other expenses includes subscription, research and development, uniforms, office stationery & printing, telephone expenses, postal services and computer charges which were incurred by the Company during the year.

\*Salaries & Other benefits includes Employer Pension for the year (N8,007,929), (2019, N5,639,000)

\*\* Rent represents amount amortised on short-term lease of warehouses during the year.

	<b>N'000</b>	<b>N'000</b>
<b>7ii. Selling and distribution</b>		
Salaries and other staff benefit*	73,059	65,253
Business Travelling expenses	12,572	14,686
Distribution expenses	206,000	179,438
Corporate gifts/marketing investment	20,048	19,648
Depreciation of property,plant & equipment (Note 14)	427	533
Other expenses ***	4,618	8,266
	<b>316,723</b>	<b>287,824</b>

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

Employer's Pension (N2,231,572), (2019, N4,716,000)

\*Salaries & Other benefits include

	<b>N'000</b>	<b>N'000</b>
	<b>2020</b>	<b>2019</b>
<b>7iii. Administrative expenses</b>		
Salaries and other staff benefit*	119,543	98,204
Consultancy	24,931	21,562
Auditor's fee	9,500	8,500
Subscription	4,613	3,419
Corporate public relations	16,262	15,757
AGM expenses	5,475	4,140
Internet/e-mail charges	16,349	20,209
Depreciation of property,plant & equipment (Note 14)	9,126	9,104
Amortisation of intangible assets (Note 15)	36	108
Insurance	16,335	14,870
Management service fees (Note 28)	111,539	99,888
Bank charges	8,861	8,327
Other expenses ***	18,216	31,098
	<b>360,785</b>	<b>335,186</b>

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

\*Salaries & Other benefits include Employer's Pension (N3,651,416), (2019, N3,191,000).

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
<b>8. Other operating income</b>		
Sale of sacks	15,044	6,710
Laboratory income *	-	671
Weighing income**	-	902
Sales of scrap	-	646
Gain on disposal of property, plant and equipment	3,176	2,414
Registration fees & other miscellaneous	-	1,306
ITF Refund	1,308	552
Government grant*** (Note 23.1)	66,212	9,314
<b>Total other operating income</b>	<b>85,740</b>	<b>22,515</b>

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

\*\* Third parties made use of Livestock feeds Plc weighbridge to weigh their trucks and goods in Ikeja mill and Onitsha operation during the year.

\*\*\* Government grant is the savings made on interest paid on facilities obtained from Central Bank of Nigeria through Union Bank Plc which is Federal government agriculture intervention fund (CACS). The CACS has been fully liquidated on 9th November 2020. The facility was obtained at an interest rate of 8% as against prevailing 16% commercial rate. The CACS fund was further reduced to 5% interest rate in March 2020 this was in line with CBN circular issued in February 2020. This was a policy by the CBN in response to COVID 19 outbreak and spillovers.

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
<b>9. Interest revenue</b>		
Interest income on short-term bank deposits	302	10,656
	<b>302</b>	<b>10,656</b>

**10. Finance Expense**

<b>Interest on loans</b>	140,090	103,302
	<b>140,090</b>	<b>103,302</b>

**11. Profit before taxation**

*Profit before taxation is stated after charging:*

Amortisation of intangible assets (Note 15)	36	108
Depreciation (Note 14)	154,306	172,899
Auditors remuneration (Note 7iii)	9,500	8,500
Staff cost	454,772	387,634

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**12. Income tax**

The major components of income tax expense for the periods ended 31 December 2020 and 2019 are:

<b>Statement of profit or loss</b>	<b>2020 N'000</b>	<b>2019 N'000</b>
<b>Current income tax:</b>		
Income tax charge	27,948	-
Education tax charge	14,936	6,277
	<u>42,884</u>	<u>6,277</u>
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	-	-
Charge for the year	-	-
<b>Income tax expense reported in the statement of profit or loss</b>	<b><u>42,884</u></b>	<b><u>6,277</u></b>

In 2020, the company recorded an assessable profit and taxable losses, the company income tax was computed using minimum tax since the Company is not exempted from minimum tax.

**Reconciliation of tax expense and the accounting profit multiplied by Nigeria's domestic tax rate of 30% for 2019 and 2020:**

	<b>2020 N'000</b>	<b>2019 N'000</b>
Accounting profit before income tax	546,070	112,630
At Nigeria's statutory income tax rate of 30% (2019: 30%)	163,821	33,789
Effect of income that is exempt from taxation	3,764	3,171
Education taxation	14,936	6,277
Impact of minimum taxation	27,948	-
Impact of tax credit/losses not recognised	(167,585)	(36,960)
<b>Tax expense recognised in profit or loss</b>	<b><u>42,884</u></b>	<b><u>6,277</u></b>
<b>Effective income tax rate</b>	<b><u>8%</u></b>	<b><u>6%</u></b>

**Deferred tax**

Deferred tax relates to the following:

Accelerated depreciation for tax purposes
Unutilised tax loss
Unutilised tax credit
Unrealised exchange gain
Expected credit losses of debt financial assets
<b>Net deferred tax assets</b>
Unrecognised deferred tax
<b>Net deferred tax (assets)/liabilities</b>

<b>Statement of financial position</b>	
<b>2020 N'000</b>	<b>2019 N'000</b>
(30,029)	(14,021)
(22,339)	(247,451)
(28,855)	-
29	29
(42,489)	(26,826)
<b>(123,683)</b>	<b>(288,269)</b>
123,683	288,269
-	-

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**Reconciliation of income tax payable**

As of 1 January	6,427	150
Income tax expense for the year	42,884	6,277
Payment during the year	(6,277)	-
<b>As at 31 December</b>	<b>43,034</b>	<b>6,427</b>

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. The company has not recognised deferred tax assets in respect of deductible temporary differences as it is not probable that taxable profits will be available in future for utilisation. The tax rate applicable to this deductible temporary difference is 30% based on the relevant tax laws

**13. Earnings per share (EPS)**

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

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

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

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
<b>Earnings attributable to ordinary equity holders for basic earnings</b>	503,186	106,353
	<b>Thousands</b>	<b>Thousands</b>
Average number of ordinary shares for basic EPS	2,999,999	2,999,999
Basic earnings per share (Kobo)	16.77	3.55
Diluted earnings per share (Kobo)	16.77	3.55

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

LIVESTOCK FEEDS PLC  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED 31ST DECEMBER 2020

14. Property, plant and equipment

	Leasehold Land N'000	Building N'000	Machinery & Equipment N'000	Motor Vehicles N'000	Office Equipment N'000	Computer equipment N'000	Capital work in progress N'000	Total N'000
<b>1 January 2019</b>	75,000	315,068	945,587	161,305	35,156	38,968	181,852	1,752,936
Additions	-	408	456	2,314	1,732	1,187	33,867	39,964
Disposal	-	-	(3,577)	(19,296)	(624)	(139)	-	(23,636)
Reclassification	-	1,360	5,391	11,203	-	-	(17,954)	-
<b>31 December 2019</b>	<b>75,000</b>	<b>316,836</b>	<b>947,857</b>	<b>155,526</b>	<b>36,264</b>	<b>40,016</b>	<b>197,765</b>	<b>1,769,264</b>
Additions	-	903	7,198	-	1,842	5,468	116,190	131,600
Disposal	-	-	(4,171)	(16,690)	-	(233)	-	(21,094)
Reclassification	-	3,947	19,892	6,880	-	-	(30,719)	-
<b>31 December 2020</b>	<b>75,000</b>	<b>321,686</b>	<b>970,776</b>	<b>145,716</b>	<b>38,106</b>	<b>45,251</b>	<b>283,236</b>	<b>1,879,770</b>
<b>Accumulated depreciation</b>								
<b>1 January 2019</b>	56,076	142,664	407,616	104,882	20,897	27,193	-	759,328
Depreciation for the year	8,412	9,626	111,228	30,098	6,256	7,279	-	172,899
Disposal	-	-	(2,274)	(18,680)	(533)	(139)	-	(21,626)
<b>31 December 2019</b>	<b>64,488</b>	<b>152,290</b>	<b>516,570</b>	<b>116,300</b>	<b>26,620</b>	<b>34,333</b>	<b>-</b>	<b>910,601</b>
Depreciation charge for the year	8,411	10,039	107,165	18,887	4,688	5,116	-	154,306
Disposal	-	-	(3,849)	(16,620)	-	(230)	-	(20,699)
<b>31 December 2020</b>	<b>72,899</b>	<b>162,329</b>	<b>619,886</b>	<b>118,567</b>	<b>31,308</b>	<b>39,219</b>	<b>-</b>	<b>1,044,208</b>
<b>Net book value</b>								
<b>At 31 December 2020</b>	<b>2,101</b>	<b>159,356</b>	<b>350,889</b>	<b>27,149</b>	<b>6,798</b>	<b>6,032</b>	<b>283,236</b>	<b>835,562</b>
<b>At 31 December 2019</b>	<b>10,512</b>	<b>164,546</b>	<b>431,287</b>	<b>39,226</b>	<b>9,644</b>	<b>5,682</b>	<b>197,765</b>	<b>858,663</b>

There was no existence of restrictions on the title to the Company's Property plant and equipment. No asset was pledged as securities for liabilities during the year (2019: Nil). No contractual commitment on any of the Company's Property, plant and equipment.  
The assets of the Company were assessed for impairment at the year ended 31 December 2020, no impairment indicators was identified (2019: Nil).

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**15. Intangible assets**

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
<b>Computer software with definite useful life</b>		
<b>Cost:</b>		
At 1 January	13,069	13,069
Additions	-	-
<b>At 31 December</b>	<b>13,069</b>	<b>13,069</b>
<b>Amortisation</b>		
At 1 January	13,033	12,925
Amortisation	36	108
<b>At 31 December</b>	<b>13,069</b>	<b>13,033</b>
<b>Carrying value</b>	<b>(0)</b>	<b>36</b>

Computer software consists of acquisitions costs of software used in the day-to-day operations of the Company. These assets were tested for impairment and no impairment loss was recognised during the year ended 31 December 2020 (2019: Nil).

**16. Inventories**

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Raw materials	4,519,420	2,459,899
Finished goods	518,080	197,339
Engineering spares	48,301	45,739
Diesel	3,955	3,112
Inventory with third party for conversion **	6,719	161,548
Other consumables	468	1,196
	<b>5,096,943</b>	<b>2,868,833</b>

During 2020, there was no material written off Inventories by the Company (2019: Nil), In addition, the Company recognised N9,288,495,675

(2019: N8,543,042,870) as an expense for inventories carried at net realisable value. These are recognised in the cost of sales.

\*\* Inventory with third party for conversion represents the value of the Company's inventory item of raw soya seed with Apple & Pears Ltd for conversion of raw seeds soya to Soya bean meal.

**17. Trade and other receivables**

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Receivables from third-party customers	123,727	189,115
Advance to suppliers*	310,764	-
Allowance for expected credit losses	(91,823)	(83,832)
	342,668	105,283
Other receivables*	12,403	48,748
	355,071	154,031
Refund asset	10,147	7,361
	<b>365,218</b>	<b>161,392</b>

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. For terms and conditions relating to related party receivables, refer to Note 24.

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

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

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

\*Advance to suppliers relates to cash deposit to the suppliers of raw materials used in production of animal feeds.

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
<b>As at 1 January</b>	(83,832)	(63,661)
Provision for expected credit losses	(7,991)	(20,171)
	-	-
<b>At 31 December</b>	<b>(91,823)</b>	<b>(83,832)</b>

The information about the credit exposures are disclosed in Note 26.4.

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**Debt instruments measured at amortised cost**

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's Internal and internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's grading system are explained in Note 26.4 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 26.4.

**Debt instruments measured at amortised cost**

	2020	2020
	<i>Simplified</i>	
<i>Internal grading system</i>	<i>Model</i>	
	<i>Collective</i>	<i>Total</i>
	<i>N'000</i>	<i>N'000</i>
Standard grade	-	123,727
	-----	-----
	-	123,727
	=====	=====

**Debt instruments measured at amortised cost**

	2020	2020
	<i>Simplified</i>	
	<i>Model</i>	
	<i>Collective</i>	<i>Total</i>
	<i>N'000</i>	<i>N'000</i>
ECL allowance as at 1 January 2020	-	(83,832)
New assets originated or purchased	-	(7,991)
	-----	-----
	-	(91,823)
	=====	=====

**Refund assets**

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

(In thousands of naira)	2020	2019
As at 1 January	7,361	6,990
Amount deferred as a result of unexpired rights	10,147	7,361
Cost of sales recognized in the period from:		
Expired right not exercised	(7,361)	(6,990)
<b>As at 31 December</b>	<b>10,147</b>	<b>7,361</b>

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**18. Prepayments**

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Due within one year		
Import prepayment	11,252	41,680
Others**	12,769	7,242
Short-term lease prepayments Note 18.1	18,975	19,164
Insurance	18,763	16,228
	<b>61,759</b>	<b>84,314</b>

**Reconciliation of Prepayment**

As at 1 January	84,314	59,945
Additions	755,612	172,377
Amortization	(778,167)	(148,007)
<b>As at 31 December</b>	<b>61,759</b>	<b>84,314</b>

\*\*Others relates to employees' medical, education subsidy and housing during the year.

	<b>2020</b>
	<b>N'000</b>
<b>The following are the amounts recognised in profit or loss:</b>	
Expense relating to short-term leases (included in Cost of sales and administrative expenses)	44,593
	<b>44,593</b>

**18. Short-term lease prepayments**

These were lease payment for Warehouse made during the year for a lease period of one year i.e expired on 31 July 2021. The Company's obligations under its leases are secured by the lessor's title to the leased assets. The Company applies the short-term lease recognition exemption for these leases.

Short-term lease prepayment consist of unamortised portion of short-term leases. Short-term leases are leases that, at the commencement date, have a lease term of 12 months. The lease payment is expensed over the lease term on a straight-line basis. It represents payment made in advance for rent, insurance, car grant etc. on assets.

**19. Cash and short term deposit**

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Cash on hand	70	307
Cash at banks	93,921	39,697
	<b>93,991</b>	<b>40,004</b>

**Cash at banks earns interest at floating rates based on daily bank deposit rates**

**19.1. Other financial asset**

Short term deposit*	20,668	20,668
	<b>20,668</b>	<b>20,668</b>

\* Short term deposit relates to 90% of unclaimed dividend returned by the registrar of the Company. The amount was put in shortterm fixed deposit account by the Company. This is in compliance with the directives of the Nigeria Securities Exchange Commission.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and short term deposits as included below.

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Cash on hand, cash at bank and short term deposit	93,991	40,004



**LIVESTOCK FEEDS PLC**  
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**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**20. Issued capital and reserves**

**Authorised shares**

4,000,000,000 ordinary shares of 50Kobo each

**Ordinary shares issued and fully paid**

2,999,999,418 ordinary shares of 50kobo each

**Share premium**

At 1 January

At 31 December

N'000	N'000
2,000,000	2,000,000
1,500,000	1,500,000
693,344	693,344
693,344	693,344

**21. Trade and other payables**

Trade Payables(Note 21)

Related parties (Note 24)

Other payables (Note 21.1)

Refund liabilities

1,607,808	1,002,087
503,007	340,475
222,184	81,190
2,332,999	1,423,752
11,194	7,991
<b>2,344,193</b>	<b>1,431,743</b>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms
- Other payables are non-interest bearing and have an average term of six months
- For terms and conditions with related parties, refer to Note 25

For explanations on the Company's liquidity risk management processes, refer to Note 26.4.

**21.1 Other payables**

VAT payable

Accrued liabilities

WHT Payable

2020 N'000	2019 N'000
190	91
211,201	78,861
10,793	2,238
222,184	81,190

**21.2 Refund liabilities**

Refund liabilities

11,194	7,991
<b>233,378</b>	<b>89,181</b>

**Refund liabilities**

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

(In thousands of naira)

**As at 1 January**

Effect of adoption of IFRS 15

Amount deferred as a result of unexpired rights

Revenue recognized in the period from:

Expired right not exercised

**As at 31 December**

2020	2019
(7,991)	
	(3,945)
(11,194)	(7,991)
7,991	3,945
<b>(11,194)</b>	<b>(7,991)</b>

**Net refund liabilities consist of the following at December 31:**

(In thousands of naira)

Refund assets

Refund liabilities

**Net refund liabilities**

2020	2019	Change	Change
10,147	7,361	2,786	38%
(11,194)	-7,991	(3,203)	40%
<b>(1,047)</b>	<b>(630)</b>	<b>(417)</b>	<b>66%</b>

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**22. Dividend payable**

Amounts recognised as dividend payable to ordinary shareholders in the year comprise:

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
As at 1 January	(20,768)	(20,768)
As at 31 December	<u>(20,768)</u>	<u>(20,768)</u>

**23. Interest-bearing loans and borrowings**

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
<b>Borrowings Current portions</b>		
Borrowings(CBN CACS FUND)	-	955,273
Commercial Loan-FBN	1,993,367	-
	<u><b>1,993,367</b></u>	<u><b>955,273</b></u>

**Reconciliation of interest-bearing loans and borrowings**

As at 1 January	955,273	1,500,000
Proceeds from borrowings	2,293,367	-
Initial fair value of grant	(16,104)	(59,421)
Accrued interest	60,831	14,694
FBN Loan Repayment	(300,000)	-
CACS Fund Repayment	(1,000,000)	(500,000)
<b>As at 31 December</b>	<u><b>1,993,367</b></u>	<u><b>955,273</b></u>

**Maturity**

0 - 1 year	1,993,367	955,273
Over 1 year	-	-
<b>Total</b>	<u><b>1,993,367</b></u>	<u><b>955,273</b></u>

Between January and February 2020, N300 million (N250m @ 14% and N50 million @ 12%) commercial loan was disbursed by First Bank. The company also drew down N1.993 billion out of the N2 billion commercial loan granted by FBN @10% interest rate. This facility is repayable within 270 days.

In 2018, the Company obtained a Commercial Agriculture Credit Scheme (CACS) loan of N2 billion at an interest rate of 8% for 1 year through Union Bank Of Nigeria out of which N500 million was paid back in September 2018 another N500 million was paid back in July 2019 leaving a balance of N1 billion which was renewed in November 2019 and this has been fully paid in 2 tranches of N500 million each in September and November 2020. The interest rate on the N1 billion CACS fund was reduced from 8% to 5%) in line with the CBN circular.

**23. 1 Government grant**

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
As at 1 January	50,107	
Received during the year	16,104	59,421
Released to the statement of profit & loss	(66,212)	(9,314)
<b>As at 31 December</b>	<u><b>(0)</b></u>	<u><b>50,107</b></u>

**24. Related party disclosures**

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

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	Management service fees N'000	Purchases from related parties N'000	Amounts owed by related parties N'000	Amounts owed to related parties N'000
<b>As at 31 December 2020</b>				
<b>Entity with control over the Company:</b>				
UAC of Nigeria Plc	111,539	10,225	-	31,852
<b>Other related party</b>				
Grand Ceareal Nigeria Limited	-	2,562,433	-	471,156
	<b>111,539</b>	<b>2,572,658</b>	<b>-</b>	<b>503,007</b>

**As at 31 December 2019**  
**Entity with control over the company:**

UAC of Nigeria Plc	99,888	8,430	-	40,223
<b>Other related party:</b>				
Grand Cereal Nigeria Limited	-	3,092,500	-	300,252
	<b>99,888</b>	<b>3,100,930</b>	<b>-</b>	<b>340,475</b>

**Terms and conditions of transactions with related parties**

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

**25. Commitments and contingencies**

**Commitments**

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

**Legal claim contingency**

There is no contingent liability arising as a result of legal litigation in the year.

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**26. Financial assets and financial liabilities**

**26.1 Financial assets**

	<b>2020</b> <b>N'000</b>	<b>2019</b> <b>N'000</b>
Cash and short term deposit (note 19)	93,991	40,004
Trade and other receivables (Note 17)	44,307	105,283

Debt instruments at amortised cost include trade receivables.

**26.2 Financial liabilities**

	<b>2020</b> <b>N'000</b>	<b>2019</b> <b>N'000</b>
<b>Financial liabilities at amortised cost</b>		
Borrowing (Note 23)	(1,993,367)	(955,273)
Trade and other payables (Note 21)	2,322,016	1,421,422

Trade and other payables here exclude VAT and withholding tax payable

**26.3 Fair values**

The carrying value of all financial assets and financial liabilities is a reasonable approximation of fair value.

**26.4 Financial instruments risk management objectives and policies**

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

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

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

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**26.4 Financial instruments risk management objectives and policies - Continued**

**Market risk**

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

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

**Liquidity risk**

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

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

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

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	On N'000	Less than N'000	3 to 12 N'000	1 to 5 N'000	> 5 years N'000	Total N'000
<b>Year ended 31 December 2020</b>						
Trade and other payables	-	2,322,016	-	-	-	2,322,016
Interest-bearing loans and borrowings	-	2,192,703	-	-	-	2,192,703
	-	4,514,719	-	-	-	4,514,719
<b>Year ended 31 December 2019</b>						
	On N'000	Less than N'000	3 to 12 N'000	1 to 5 N'000	> 5 years N'000	Total N'000
Trade and other payables	-	1,421,422	-	-	-	1,421,422
Interest-bearing loans and borrowings	-	1,067,338	-	-	-	1,067,338
	-	2,488,760	-	-	-	2,488,760

**Foreign Currency risk**

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

		2020		2019
<b>Cash and short term deposits</b>				
Euro	€	379	€	379
United State Dollar (USD)	\$	15,826	\$	15,452
Pound sterling	£	450	£	450

**Foreign Currency Sensitivity**

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

	31 December 2020		31 December 2019	
	Change in USD rate	Effect on profit before tax N'000	Change in USD rate	Effect on profit before tax N'000
	+10%	565	+10%	5
	-10%	(565)	-10%	(5)

**LIVESTOCK FEEDS PLC**  
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**26.4 Financial instruments risk management objectives and policies - Continued**

**Credit risk**

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

**(i) Risk management**

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

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

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

**(ii) Security**

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

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

	<b>2020</b>	<b>2019</b>
	<b>N'000</b>	<b>N'000</b>
Cash at bank and short-term bank deposits A+(nga)	114,589	60,365
Unrated cash and cash equivalents	70	307
Unrated trade and other receivables	44,307	154,031
<b>Maximum credit exposure</b>	<b>158,966</b>	<b>214,703</b>

**(iii) Impairment of trade receivables**

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

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**26.4 Financial instruments risk management objectives and policies - continued**

Set out below is the information about the credit risk exposure on the Company's trade and other receivables using a provision matrix:

	Days past due					Total N'000
	Current N'000	<90 days N'000	90–180 days N'000	180–360 days N'000	>360 days N'000	
<b>31-Dec-20</b>						
<b>Expected credit loss rate</b>	0.16%	0.16%	27.42%	100.00%	100.00%	
Estimated total gross carrying amount at default	11,519	12,679	10,669	19,199	69,661	123,727
Expected credit loss	(18)	(20)	(2,925)	(19,199)	(69,661)	(91,823)
<hr/>						
	Days past due					Total N'000
	Current N'000	<90 days N'000	90–180 days N'000	180–360 days N'000	>360 days N'000	
<b>31-Dec-19</b>						
<b>Expected credit loss rate</b>	5.81%	6.66%	24.97%	100.00%	100.00%	
Estimated total gross carrying amount at default	75,412	32,654	5,027	13,386	62,635	189,115
Expected credit loss	(4,381)	(2,175)	(1,255)	(13,386)	(62,635)	(83,832)

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

	2020 N'000	2019 N'000
In thousands of Naira		
Balance as at 1 January 2020	(83,832)	(63,661)
Provision for expected credit losses	(7,991)	(20,171)
Balance at 31 December	<u>(91,823)</u>	<u>(83,832)</u>

**LIVESTOCK FEEDS PLC**  
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**26.4 Financial instruments risk management objectives and policies - continued**

**Impairment allowance for financial assets**

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

- Any publicly available information on the Company's customers and counter parties from Internal parties. This includes Internal rating grades issued by rating agencies, independent analyst reports, publicly traded bond or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the Company's performance.

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

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

**Trade receivables**

	<b>Simplified Model</b>		<b>2020</b>
<b>Internal grading system</b>	<b>Collective N'000</b>	<b>Total N'000</b>	<b>Total N'000</b>
Standard grade	123,727	123,727	189,115
	-----	-----	-----
	<b>123,727</b>	<b>123,727</b>	<b>189,115</b>
	=====	=====	=====

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.



**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

**27. Staff numbers and costs**

The table below shows the number of employees (excluding directors), who earned over N500,000 as emoluments in the year and were within the bands stated.

<b>Staff Numbers by function</b>	<b>2020 Number</b>	<b>2019 Number</b>
Direct	49	47
Admin	12	12
Sales & Marketing	20	17
	<b>81</b>	<b>76</b>
N500,001-N600,000	2	3
N600,001-N700,000	1	1
N700,001-N800,000	2	2
N800,001-N1,000,000	5	5
N1,000,001-N1,200,000	5	5
N1,200,001-N1,300,000	1	1
N1,300,001- N1,500,000	24	20
Above N1,500,000	41	39
	<b>81</b>	<b>76</b>

Staff costs for the above persons (excluding Directors):

	<b>2020 N'000</b>	<b>2019 N'000</b>
Salaries and wages	440,881	383,868
Pension cost	13,891	3,766
	<b>454,772</b>	<b>387,634</b>

**28. Technical support agreements**

The company has commercial services agreement with UACN Plc for support services. Expense for management services fee (representing 1% of turnover of the Company) is N111.54million (2019: N99.88million).

**29. Events after the reporting period**

There were no events after the reporting date that require adjustment in the financial statements of the Company that had not been adequately provided for or disclosed in the financial statements.

**30. Securities Trading Policy**

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of the Exchange 2015 (Issuers Rule) Livestock Feeds Plc maintains a Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company's shares. The Policy undergoes periodic reviews by the Board and is updated accordingly. The Company has made specific inquiries of all its directors and other insiders and is not aware of any infringement of the policy during the period.

**LIVESTOCK FEEDS PLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31ST DECEMBER 2020**

31. Livestock Feeds Plc-Free Float Computation

Company Name:	Livestock Feeds Plc
Board Listed:	Main Board
Year End:	December 31
Reporting Period:	31 December 2020
Share Price at end of reporting period:	N1.30(2019: N0.50)

Shareholding Structure/Free Float

Description	31-Dec-20		31-Dec-19	
	Units	Percentage	Unit	Percentage
Issued Share Capital	2,999,999,418	100%	2,999,999,418	100%
Substantial Shareholdings(5% and above)				
UAC of Nigeria Plc	2,198,745,772	73.29%	2,198,745,772	73.29%
Total Substantial Shareholdings	2,198,745,772	73.29%	2,198,745,772	73.29%
Directors' Shareholdings(direct and indirect), excluding directors with substantial interests				
Mr. Joseph Dada	-	-	-	-
Mr. Adebolanle Badejo	-	-	-	-
Mr. Adegboyega Adedeji	-	-	-	-
Mr. Godwin Samuel	-	-	-	-
Mr. Daniel Obaseki	-	-	-	-
Mr Abayomi Adeyemi	-	-	-	-
Other Influential Shareholdings				
Total Other Influential Shareholdings				
Free Float in Units and Percentage	801,253,646	26.71%	801,253,646	26.71%
Free Float in Value	N1,041,629,740		N400,626,823	

Declaration:

(A) Livestock Feeds Plc with a free float percentage of 26.71% as at 31 December 2020, is compliant with the Exchange's free float requirements for companies listed on the Main Board.

**LIVESTOCK FEEDS PLC**  
**VALUE ADDED STATEMENT**  
**AS AT 31 DECEMBER 2020**

	<b>2020</b>	<b>%</b>	<b>2019</b>	<b>%</b>
	<b>N'000</b>		<b>N'000</b>	
Revenue	11,179,328		9,955,222	
Other	(54,351)		(80,787)	
	<u>11,124,977</u>		<u>9,874,435</u>	
<b>Bought in services</b>				
- Foreign	(5,981,876)		(5,520,698)	
- Local	(3,987,917)		(3,680,466)	
Total Value added	<u>1,155,184</u>		<u>673,271</u>	
<b>Applied as follows:</b>				
<b>Employees</b>				
Salaries and other labour related benefits	454,772	39	387,634	58
<b>Government</b>				
Taxation	42,884	4	6,277	1
<b>The Future</b>				
Depreciation and amortisation	154,342	13	173,007	26
Profit for the year	503,186	44	106,353	16
	<u>1,155,184</u>	<u>100</u>	<u>673,271</u>	<u>100</u>

**LIVESTOCK FEEDS PLC**  
**FIVE YEAR FINANCIAL SUMMARY**  
**AS AT 31 DECEMBER 2020**

<b>Assets</b>	2020 N'000	2019 N'000	2018 N'000	2017 N'000	2016 N'000
Non-current assets	835,562	858,700	996,921	1,088,159	1,082,060
Current assets	5,638,578	3,175,211	2,947,498	4,172,565	6,275,474
<b>Total assets</b>	<b>6,474,140</b>	<b>4,033,910</b>	<b>3,944,419</b>	<b>5,260,724</b>	<b>7,357,534</b>
<b>Equity</b>					
Issued capital	1,500,000	1,500,000	1,500,000	1,500,000	1,000,000
Share premium	693,344	693,344	693,344	693,344	455,207
Revenue reserve	(120,567)	(623,752)	(730,104)	(95,407)	630,396
<b>Total equity</b>	<b>2,072,777</b>	<b>1,569,592</b>	<b>1,463,240</b>	<b>2,097,937</b>	<b>2,085,603</b>
<b>Liabilities</b>					
Non-current liabilities	-	-	-	147,081	147,082
Current liabilities	4,401,362	2,464,318	2,481,179	3,015,706	5,124,849
<b>Total liabilities</b>	<b>4,401,362</b>	<b>2,464,318</b>	<b>2,481,179</b>	<b>3,162,787</b>	<b>5,271,931</b>
<b>Total equity and liabilities</b>	<b>6,474,140</b>	<b>4,033,910</b>	<b>3,944,419</b>	<b>5,260,724</b>	<b>7,357,534</b>

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	2020 N'000	2019 N'000	2018 N'000	2017 N'000	2016 N'000
Revenue	11,179,328	9,955,222	7,834,018	10,188,513	11,067,161
Profit/(loss) before taxation	546,070	112,630	(761,227)	(725,803)	223,990
Taxation	(42,884)	(6,277)	140,916	-	(71,709)
Profit/(loss) after taxation	503,186	106,353	(620,311)	(725,803)	152,281