

LIVESTOCK FEEDS PLC

(a subsidiary of uac of nigeria plc)

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FINANCIAL STATEMENTS 30 SEPTEMBER 2020

Board of Directors:

**Joseph I. D. Dada (Chairman), Adegboyega Adedeji (Ag. Managing Director),
Abayomi Adeyemi, Daniel Obaseki, Godwin A. Samuel**

LIVESTOCK FEEDS PLC
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

	Note	3 months to September 2020 N'000	September 2020 N'000	3 months to September 2019 N'000	September 2019 N'000
Revenue from contracts with customers	4	3,068,846	7,988,456	2,601,575	7,431,223
Cost of sales	7i	(2,646,955)	(7,062,065)	(2,387,750)	(6,864,925)
Gross profit		421,891	926,391	213,825	566,298
Other operating income	8	27,715	74,465	20,343	85,331
Selling and Distribution expenses	7ii	(115,342)	(252,688)	(86,654)	(219,385)
Administrative expenses	7iii	(110,308)	(303,508)	(97,243)	(272,291)
Operating profit		223,956	444,660	50,271	159,953
Interest revenue	9	91	271	7,822	10,571
Finance Expense	10	(32,184)	(114,337)	(37,425)	(156,438)
Profit before tax	11	191,862	330,594	20,668	14,086
Income tax (expense)/credit	12	(61,396)	(105,790)	(6,614)	(4,507)
Profit after taxation		130,466	224,804	14,054	9,578
Other comprehensive income		-	-	-	-
Total comprehensive income for the year, net of tax		130,466	224,804	14,054	9,578
Earnings per share					
Basic earnings for the year attributable to ordinary equity holders	13	4.35	7.49 kobo	0.69	0.32
Diluted, earnings for the year attributable to ordinary equity holders	13	4.35	7.49 kobo	0.69	0.32

The notes on pages 6 to 50 are integral part of this financial statements.

LIVESTOCK FEEDS PLC
STATEMENT OF FINANCIAL POSITION
AS AT 30TH SEPTEMBER 2020

	Note	2020 N'000	2019 N'000
Assets			
Non-current assets			
Property, plant and equipment	14	762,648	858,663
Intangible assets	15	36	36
Prepayments	18	-	-
Total non-current assets		762,684	858,699
Current assets			
Inventories	16	1,441,420	2,868,833
Trade and other receivables	17	191,000	154,031
Refund assets	17	8,617	7,361
Short -term lease prepayments	18	155,173	84,314
Cash and short term deposit	19	533,531	60,672
Total current assets		2,329,741	3,175,212
Total assets		3,092,426	4,033,910
Equity			
Issued capital	20	1,500,000	1,500,000
Share premium	20	693,344	693,344
Revenue reserves		(398,948)	(623,752)
Total equity		1,794,396	1,569,592
Current liabilities			
Trade and other payables	21	658,779	1,423,752
Refund liabilities	21.2	11,098	7,991
Income tax payable	12	105,940	6,427
Dividend Payable	22	20,768	20,768
Interest-bearing loans and borrowings	23	496,274	955,273
Government grant	23.1	5,171	50,107
Total current liabilities		1,298,030	2,464,317
Total liabilities		1,298,030	2,464,317
Total equity and liabilities		3,092,426	4,033,910

The notes on pages 6 to 50 are integral part of this financial statements.

The Financial statements was approved and auhorised for issue by the Board of Directors on 15 October 2020 and was signed on its behalf by:

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

Managing Director
Mr. Adeleji Adegboyega
FRC/2020/003/00000021439

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

LIVESTOCK FEEDS PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

	Issued capital (Note 20) ₦'000	Share premium (Note 20) ₦'000	Revenue reserves ₦'000	Total equity ₦'000
At 1 January 2019	1,500,000	693,344	(730,104)	1,463,240
Profit for the year	-	-	9,578	9,578
Other comprehensive income	-	-	-	-
Total comprehensive loss, net of tax	-	-	9,578	9,578
At 30 September 2019	1,500,000	693,344	(720,526)	1,472,818
At 1 January 2020	1,500,000	693,344	(623,752)	1,569,592
Profit for the year	-	-	224,804	224,804
Other comprehensive income	-	-	-	-
Total comprehensive income, net of tax	-	-	224,804	224,804
At 30 September 2020	1,500,000	693,344	(398,948)	1,794,396

The notes on pages 6 to 50 are part of this financial statements.

LIVESTOCK FEEDS PLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

	Note	2020 N'000	2019 N'000
Cash flows from operating activities			
Profit before tax		330,594	14,086
Depreciation of property, plant and equipment	14	117,801	131,754
Amortisation of intangible assets	15	-	108
Gain on disposal of property, plant and equipment	8	(2,193)	(2,407)
Profit on sales of financial asset	8	-	-
Finance cost	10	114,337	156,438
Interest revenue	9	(271)	(10,571)
Government grant		-	-
Working capital adjustments:			
(Increase)/decrease in inventories		1,427,413	1,318,082
Increase in trade and other receivables		(36,969)	(316,651)
(Increase)/decrease in prepayments and other assets		(72,113)	10,115
Increase/(decrease) in trade and other payables		(761,866)	(9,976)
Cash generated from operating activities		1,116,733	1,290,979
Income tax paid	12	(6,277)	-
Net cash flows from operating activities			
		1,110,456	1,290,979
Investing activities			
Interest received	9	271	10,571
Proceeds from disposal of PPE		2,330	4,396
Proceeds from disposal of financial assets		-	-
Purchase of property, plant and equipment	14	(21,926)	(18,546)
Net cash flows used in investing activities		(19,325)	(3,579)
Financing activities			
Interest paid	10	(114,337)	(156,438)
Borrowings			
Net cash flows used in financing activities	23	(503,935)	(500,000)
		(618,272)	(656,438)
Net decrease in cash and cash equivalents		472,859	630,962
Cash and cash equivalents at 1 January		60,672	138,462
Cash and cash equivalents at 30 September		533,531	769,424

The notes on pages 6 to 50 are integral part of this financial statements.

**LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH SEPTEMBER 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, CAP C20, Laws of the Federation of Nigeria 2004.

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

2.2 Summary of significant accounting policies

a) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
 - It is held primarily for the purpose of trading
 - It is due to be settled within twelve months after the reporting period
- Or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

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

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

2.2 Summary of significant accounting policies

b) Fair value measurement

The company measures its equity 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 assess the goods or services promised to a customer and identifies as a performance obligation each promise to transfer to the customer either:

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

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

2.2 Summary of significant accounting policies - continued

Revenue from contracts with customers - continued

The company has identified one distinct performance obligations:

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

Contract for the sale of feeds and concentrates begins when goods have been delivered to the customer and revenue is recognised at the point in time when control of the goods has been transferred to the customer, generally on delivery of the goods. The normal credit term is 30 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 PERIOD ENDED 30TH SEPTEMBER 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 financial assets, plant and equipment, foreign exchange gains and impairment loss no longer required written back.

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

d) Taxes

Current income tax

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

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 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 PERIOD ENDED 30TH SEPTEMBER 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) Borrowing costs

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

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

2.2 Summary of significant accounting policies - continued

i) Intangible assets

Computer software

Purchased computer software is capitalised on the basis of costs incurred to acquire and bring into use the specific software. These costs are amortised on a straight line basis over the useful life of the asset. Computer software 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 use. The residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An Intangible asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

	per annum
Computer software	33 1/3

Derecognition of intangible assets

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

j) Financial instruments – initial recognition and subsequent measurement - continued

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

i) Financial assets

Initial recognition and measurement

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

Financial instruments – initial recognition and subsequent measurement - continued

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

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

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

2.2 Summary of significant accounting policies - continued

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

Derecognition

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

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

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

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

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

2.2 Summary of significant accounting policies - continued

Financial instruments – initial recognition and subsequent measurement -

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, intercompany receivables (involving sales in the ordinary course of business) and contract assets, 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.
- LGD 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 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.

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

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 including bank overdrafts.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

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 PERIOD ENDED 30TH SEPTEMBER 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.

k) Inventories

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

Cost is determined as follows:-

Raw materials

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

Finished goods

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

Spare parts and consumables

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

I) 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 Company's 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.

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

2.2 Summary of significant accounting policies - continued

m) 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.

n) Provisions

A provision is recognized only if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. The company's provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

o) Government grant

Benefits accruing to the Company on government assisted loans granted at a below market rate of interest is treated as a government grant. The benefit of such a government assisted loan is the difference between market rate of interest and the below market rate applicable to the government assisted loan. The grant so measured is recognised as income in the financial statements.

p) Pension and other post-employment benefits

i) Defined contribution scheme - pension

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

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

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

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

ii) Gratuity Scheme/Annual Retention allowance

Under the gratuity scheme, the Company contributes on an annual basis a fixed percentage of some employees salary to a fund managed by a fund administrator. However, Gratuity Scheme ceased on the 31st March 2018 and the Company has now replaced it with Annual retention allowance effective 1st April 2018.

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

2.2 Summary of significant accounting policies - continued

q) Leases

- Policy from 1 January 2019

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 March 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 March 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.

- Policy prior to 1 January 2019

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

r) Research & Development

Research and development costs are expensed incurred on research.

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

2.3 New and amended standards and interpretations

The company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The company assessed IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. However, none of these lease contracts were identified as lease in line with IFRS 16 as the payment made for the rent were short-term which falls below 12 calendar months and hence, does not qualify as long term lease.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

2.3 New and amended standards and interpretations - continued

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

Annual Improvements 2015-2017 Cycle

• IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

• IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

• IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

2.3 New and amended standards and interpretations - continued

• IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

The following are other interpretations and ammendments that became effective in 2019, but wothout any significant impact on the Company.

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures

2.4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

- IFRS 17 – Insurance Contracts – 1 January 2021
- Amendments to IFRS 3 - Definition of a business - 1 January 2020
- Amendments to IFRS 10 and IAS 28: Sale of Contribution of Assets between an Investor and its Associate or Joint Venture – Effective date has been deferred indefinitely.
- Definition of Material – Amendments to IAS 1 and IAS 8
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

The company intends to adopt these standards, if applicable, when they become effective.

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 2021, 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. This standard is not applicable to the Company.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

2.4 Standards issued but not yet effective - continued

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, '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 to the definition of material is not expected to have a significant impact on the Company's financial statements.

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

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments to the Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 is not expected to have a significant impact on the Company's financial statements.

The Conceptual Framework for Financial Reporting

Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. Thus, no impact to the Company.

3. Significant accounting judgements, estimates and assumptions

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

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

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

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

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. However, for lease with extention the Company applies judgement in evaluating whether it is reasonably certain or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

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 PERIOD ENDED 30TH SEPTEMBER 2020

3. Significant accounting judgements, estimates and assumptions - continued

Provision for expected credit losses of trade receivables and contract assets

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

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

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

Taxes

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

4. Revenue from contracts with customers

4.1 Disaggregated revenue information

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

Segments	For the period ended 30 September 2020				
	Aba N'000	Ikeja N'000	Onitsha N'000	Northern N'000	TOTAL N'000
Type of goods or service					
Sale of livestock feeds	1,203,034	4,276,074	684,286	1,825,063	7,988,456
Total revenue from contracts with customers	1,203,034	4,276,074	684,286	1,825,063	7,988,456
Geographical markets					
Within Nigeria	1,203,034	4,276,074	684,286	1,825,063	7,988,456
Outside Nigeria	-	-	-	-	-
Total revenue from contracts with customers	1,203,034	4,276,074	684,286	1,825,063	7,988,456
Timing of revenue recognition					
Goods transferred at a point in time	1,203,034	4,276,074	684,286	1,825,063	7,988,456
Services transferred over time	-	-	-	-	-
Total revenue from contracts with customers	1,203,034	4,276,074	684,286	1,825,063	7,988,456

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

4. Revenue from contracts with customers - Continued

4.1 Disaggregated revenue information - Continued

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

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	282,055	453,441

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. In 2020: N21.287 Million (2019: N29.72 million) was recognised as provision for expected credit losses on trade receivables.

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

	2020 N'000	2019 N'000
Revenue from contract with customers	7,988,456	7,431,223
Operating profit	444,660	159,953
Finance cost (Note 10)	(114,337)	(156,438)
Finance income (Note 9)	271	10,571
Profit before taxation	330,594	14,086
Income tax expense	(105,790)	(4,507)
Total assets	3,092,426	4,033,910
Total liabilities	1,298,030	2,464,317

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:

	2020 N'000	2019 N'000
Aba	1,203,034	1,211,672
Ikeja	4,276,074	3,863,423
Onitsha Operations	684,286	484,177
Northern Operations	1,825,063	1,871,951
	7,988,456	7,431,223

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

Aba

Ikeja

Onitsha Operations

Northern Operations

Segmental revenue and operating profit-30 September 2020

	Aba N'000	Ikeja N'000	Onitsha Operations N'000	Northern Operations N'000	Total N'000
From external customers	1,203,034	4,276,074	684,286	1,825,063	7,988,456
Segment revenue	1,203,034	4,276,074	684,286	1,825,063	7,988,456
Cost of sales	(1,049,917)	(3,818,044)	(601,304)	(1,592,800)	(7,062,065)
Gross profit	153,117	458,030	82,981	232,264	926,391
Selling, marketing and distribution expense	(12,754)	(142,995)	(17,804)	(44,584)	(218,136)
Trading profit	140,363	315,035	65,178	187,680	708,256
Other income	19,380	50,306	-	-	69,687
Operating profit	159,743	365,341	65,178	187,680	777,943
Finance expenses	(38,079)	(76,259)	-	-	(114,337)
Contribution to margin	121,665	289,082	65,178	187,680	663,606

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

5. Segment information - continued	2020
	N'000
Head Office	
Dividend income	286
Interest income	271
Laboratory income	622
Loss realised on Foreign currency	-
Insurance Claim	200
Gain on disposal of assets	2,193
Miscellaneous income	634
ITF Refund	-
Sale of scraps	843
Administrative cost	(303,508)
Marketing Cost	(34,552)
Profit before tax	330,594

Segment assets and liabilities- 30 September 2020

Non-current assets	Head office	Aba	Ikeja	Onitsha Operations	Northern Operations	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Property,plant and equipment	234,529	266,389	218,680	33,719	9,330	762,648
Intangible assets	36	-	-	-	-	36
Current assets	N'000	N'000	N'000	N'000	N'000	N'000
Inventory	234,261	236,451	783,499	68,593	118,615	1,441,420
Trade and other receivables	9,870	35,195	96,604	31,764	17,566	191,000
Refund assets	8,617	-	-	-	-	8,617
Short -term lease prepayments	109,449	569	45,120	17	17	155,173
Cash and cash equivalents	524,154	4,409	2,853	2,090	24	533,531
	886,351	276,625	928,077	102,464	136,223	2,329,741

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

Current liabilities	N'000	N'000	N'000	N'000	N'000	N'000
Trade and other payables	548,906	18,126	61,632	10,406	19,709	658,779
Short- term borrowings	496,274	-	-	-	-	496,274
Government Grant	5,171	-	-	-	-	5,171
Refund liabilities	11,098	-	-	-	-	11,098
Dividend payable	20,768	-	-	-	-	20,768
Current tax payable	105,940	-	-	-	-	105,940
	1,188,158	18,126	61,632	10,406	19,709	1,298,030

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

5. Segment information - continued

Segmental revenue and operating profit -30 September 2019

	Aba	Ikeja	Onitsha Operations	Northern Operations	Total
	N'000	N'000	N'000	N'000	N'000
From external customers	1,211,672	3,863,423	484,177	1,871,951	7,431,223
Segment revenue	1,211,672	3,863,423	484,177	1,871,951	7,431,223
Cost of sales	(1,157,640)	(3,587,285)	(449,259)	(1,670,740)	(6,864,925)
Gross profit	54,032	276,138	34,918	201,210	566,298
Marketing and distribution expense	(10,865)	(147,009)	(11,114)	(13,472)	(182,461)
Trading profit	43,167	129,128	23,804	187,738	383,837
Other income	28,862	52,209	476.19	-	81,547
Operating profit	72,029	181,338	24,280	187,738	465,384
Finance expense	(55,059)	(101,379)	-	-	(156,438)
Contribution to margin	16,970	79,958	24,280	187,738	308,946

Head Office

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

Segment assets and liabilities- 31 December 2019

Non-current assets	Head office	Aba	Ikeja	Onitsha Operations	Northern Operations	Total
		N'000	N'000	N'000	N'000	N'000
Property,plant and equipment	235,235	306,668	259,444	43,427	13,888	858,663
Intangible assets	36	-	-	-	-	36
Prepayment (Due after one year)		-	-	-	-	-
Current assets	N'000	N'000	N'000	N'000	N'000	N'000
Inventory	1,514,215	687,828	530,419	28,458	107,914	2,868,833
Trade and other receivables	138,558	31,633	60,293	11,381	3,841	245,706
Cash and cash equivalents	56,325	2,753	1,565	3	25	60,672
	1,709,098	722,214	592,277	39,841	111,780	3,175,211

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

Current liabilities	N'000	N'000	N'000	N'000	N'000	N'000
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
	2,363,690	13,558	38,120	11,323	37,627	2,464,318

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.

		2020	2019
		N'000	N'000
Trade and other payables	21	658,779	907,519
Interest-bearing loans and borrowings	23	496,274	1,000,000
Cash and short term deposit (Note 19)		<u>(533,531)</u>	<u>(323,732)</u>
Net debt		621,522	1,583,788
Total capital: Equity		<u>1,794,396</u>	<u>1,459,897</u>
Capital and net debt		<u>2,415,917</u>	<u>3,043,685</u>
Gearing ratio		26%	52%

No changes were made in the objectives, policies or processes for managing capital during the periods ended 30 September 2020 and 2019.

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

7. Expense by Natures

	2020	2019
	N'000	N'000
7i. Cost of sales		
Change in inventories of finished goods and work in progress	6,626,591	6,432,047
Salaries and other staff benefit	186,142	158,621
Business travelling & entertainment expenses	8,652	7,400
Electricity and power	37,727	46,658
Depreciation of property,plant & equipment (Note 14)	110,910	124,784
Rent	33,176	39,137
Security expenses	15,401	14,500
Local repair and renewal	16,129	24,353
Laboratory expenses	3,351	3,710
Vehicle repairs expenses	724	514
Sundry vehicle expenses	909	1,588
Other expenses ***	22,352	11,615
Total cost of sales	7,062,065	6,864,925

*** 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 (N4,567,787.02).

** Rent represents amount amortised on rented warehouses during the year.

	N'000	N'000
Salaries and other staff benefit	49,635	51,101
Business Travelling expenses	8,740	11,097
Distribution expenses	164,841	134,577
Corporate gifts/marketing investment	26,294	17,119
Depreciation of property,plant & equipment (Note 14)	332	51
Other expenses ***	2,847	5,440
Total selling and distribution	252,688	219,385

*** 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. Salaries & Other benefits include Employer's Pension (N1,962,460.75).

	N'000	2020	2019
Salaries and other staff benefit	75,587	72,293	
Consultancy	10,285	10,292	
Auditor's fee	8,144	8,144	
Subscription	4,868	3,813	
Corporate public relations	9,774	10,371	
AGM expenses	5,460	4,140	
Internet/e-mail charges	13,978	13,076	
Depreciation of property,plant & equipment (Note 14)	6,559	6,920	
Amortisation of intangible assets (Note 15)	-	108	
Insurance	13,087	11,275	
Management service fees (Note 28)	79,104	78,032	
Bank charges	5,873	5,353	
Expected credit loss on trade receivables (Note 17)	21,287	35,916	
Other expenses ***	49,502	12,558	
Total administrative expenses	303,508	272,291	

Note (7iii) Administrative expenses - continues

*** Otherer 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 (N3,609,761.85).

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

	2020	2019
	N'000	N'000
8. Other operating income		
Sale of sacks	7,985	3,843
Laboratory income *	639	609
Weighing income	498	831
Sales of scrap	868	167
Gain on disposal of property, plant and equipment	2,193	2,407
Registration fees & other miscellaneous	756	825
ITF Refund	-	-
Dividend Income	286	31
Profit on sale of financial assets	-	-
Insurance Claim	200	71
Government grant*** (Note 23.1)	61,040	76,548
Total other operating income	74,465	85,331

* 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 facility is obtained at an interest rate of 8% as against prevailing 16% commercial rate. The CACS fund has further been reduced to 5% in March 2020 in line with CBN circular to deposit money bank and the general public tagged CBN policy measures in response to COVID 19 outbreak and spillovers.

	2020	2019
	N'000	N'000
9. Interest revenue		
Interest income on short-term bank deposits	-	9,334
Interest Income - Unclaimed Dividend	271	1,237
Total administrative expenses	271	10,571

10. Finance Expense

Overdraft charges	-	-
Interest on loans	(53,297)	(79,890)
Government grants	(61,040)	(76,548)
	(114,337)	(156,438)

11. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging:

Amortisation of intangible assets (Note 15)	-	108
Depreciation (Note 14)	117,801	131,755
Auditors remuneration (Note 7iii)	8,144	8,144
Staff cost	311,364	282,015

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

12. Income tax

The major components of income tax expense for the periods ended 30 September

Statement of profit or loss	2020	2019
	N'000	N'000
Current income tax:		
Income tax charge	99,178	4,226
Education tax charged	6,612	282
	<hr/>	<hr/>
	105,790	4,507
Deferred tax:		
Relating to origination and reversal of temporary differences	-	-
Charge for the year	-	-
	<hr/>	<hr/>
Income tax expense (Benefit) reported in the statement of profit or loss	105,790	4,507
	<hr/>	<hr/>

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

Reconciliation of income tax payable

As of 1 January	6,427	6,427
Income tax expense for the year	105,790	-
Payment during the year	(6,277)	-
As at 30 September	105,940	6,427

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/(LPS) calculations:

	2020	2019
	N'000	N'000
Earnings attributable to ordinary equity holders for basic earnings	224,804	9,578
Average number of ordinary shares for basic EPS	Thousands 3,000,000	Thousands 3,000,000
Basic earnings per share (Kobo)	7.49	0.32
Diluted earnings per share (Kobo)	7.49	0.32

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 PERIOD ENDED 30TH SEPTEMBER 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
1 January 2019	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)	-
31 December 2019	75,000	316,836	947,857	155,526	36,264	40,016	197,765	1,769,264
Additions	-	904	5,951	-	1,197	5,469	8,407	21,926
Disposal	-	-	-	(9,089)	-	-	-	(9,089)
Reclassification	-	3,947	19,892	-	-	-	(23,839)	-
30 September 2020	75,000	321,686	973,700	146,437	37,461	45,485	182,333	1,782,101
Accumulated depreciation								
1 January 2019	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)
31 December 2019	64,488	152,290	516,570	116,300	26,620	34,333	-	910,601
Depreciation charge for the year	6,308	7,526	80,991	15,161	3,572	4,242	-	117,801
Disposal	-	-	-	(8,952)	-	-	-	(8,952)
30 September 2020	70,796	159,816	597,562	122,509	30,192	38,575	-	1,019,450
Net book value								
At 30 September 2020	4,204	161,870	376,138	23,928	7,268	6,909	182,333	762,648
At 31 December 2019	10,512	164,546	431,287	39,226	9,644	5,682	197,765	858,663

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 30 September 2020, no impairment indicators was identified (2019: Nil).

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

15. Intangible assets

	2020 N'000	2019 N'000
Computer software with definite useful life		
Cost:		
At 1 January	13,069	13,069
Additions	-	-
At 30 September	13,069	13,069
Amortisation		
At 1 January	13,033	12,925
Amortisation	-	108
At 30 September	13,033	13,033
Carrying value	36	36

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 30 September 2020 (2019: Nil).

16. Inventories

	2020 N'000	2019 N'000
Raw materials	906,828	2,459,899
Finished goods	484,672	197,339
Engineering spares	40,226	45,739
Diesel	3,715	3,112
Inventory with third party for conversion **	5,598	161,548
Other consumables	381	1,196
	1,441,420	2,868,833

During 2020, there was no material written off Inventories by the Company (2019: Nil). In addition, the Company recognised N7,062,065,370.27(2019: N6,864,926,039.43) 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

	2020 N'000	2019 N'000
Receivables from third-party customers	282,055	189,115
Write-off	-	-
Allowance for expected credit losses	(105,120)	(83,832)
	176,935	105,283
Other receivables*	14,065	48,748
	191,000	154,031
Refund asset	8,617	7,361
	199,617	161,392

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 WHT receivables, advances to staff etc. All other receivables are due and payable within one year from the end of the reporting period.

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

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

	2020 N'000	2019 N'000
As at 1 January	(83,832)	(63,661)
Impact of IFRS 9 adoption	-	-
As at 1 January (restated)	(83,832)	(63,661)
Provision for expected credit losses	(21,288)	(20,171)
Reversal of impairment	-	-
Write off	(21,288)	(20,171)
At 30 September	(105,120)	(83,832)

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

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

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>Stage 1</i>	<i>Simplified Model</i>	
	<i>Individual</i>	<i>Collective</i>	<i>Total</i>
	<i>N'000</i>	<i>N'000</i>	<i>N'000</i>
Internal grading system			
Standard grade	-	282,055	282,055
	-----	-----	-----
	-	282,055	282,055
	=====	=====	=====
Debt instruments measured at amortised cost			
ECL allowance as at 1 January 2020	-	(83,832)	(83,832)
New assets originated or purchased	-	(21,287)	(21,287)
	-----	-----	-----
	-	(105,119)	(105,119)
	=====	=====	=====

Trade receivables and Refund assets

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

(In thousands of naira)		2020
As at 1 January	7,361	-
Effect of adoption of IFRS 15		6,990
Amount deferred as a result of unexpired rights		7,361
Performance obligations recognised in the period	8,617	-
Revenue recognized in the period from:		-
Amounts included in the return assets at the beginning of the period	(7,361)	(6,990)
As at 30 September	8,617	7,361

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

18. Prepayments

	2020 N'000	2019 N'000
Due within one year		
Import prepayment	114,281	41,680
Others	10,539	7,242
Rent	-	-
Short-term lease prepayments Note 18.1	27,105	19,164
Insurance	3,248	16,228
	155,173	84,314

Due after one year

Import prepayment	-	-
Others	-	-
Rent	-	-
Insurance	-	-
	-	-

Reconciliation of Prepayment

As at 1 January	84,314	59,945
Additions	152,819	172,377
Amortization	(170,393)	(148,007)
As at 30 September	66,741	84,314

	2020 N'000
The following are the amounts recognised in profit or loss:	
Expense relating to short-term leases (included in Cost of sales and administrative expenses)	33,686
	33,686

18. I Short-term lease prepayments

These were lease payment for Warehouse made during the year for a lease period of one year i.e expired in July. 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

	2020 N'000	2019 N'000
Cash on hand	83	307
Short term deposit	20,668	20,668
Cash at banks	512,780	39,697
	533,531	60,672

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

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.

	2020 N'000	2019 N'000
Cash on hand, cash at bank and short term deposit	533,533	60,672

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

	N'000	N'000
20. Issued capital and reserves		
Authorised shares		
4,000,000,000 ordinary shares of 50Kobo each	2,000,000	2,000,000
Ordinary shares issued and fully paid		
2,999,999,418 ordinary shares of 50kobo each	1,500,000	1,500,000
Share premium		
At 1 January	693,344	693,344
At 31 December	693,344	693,344
21. Trade and other payables		
Trade Payables(Note 21)	399,378	1,002,087
Related parties (Note 24)	25,041	340,475
Other payables (Note 21.1)	234,360	81,190
Refund liabilities	658,779	1,423,753
	11,098	7,991
	669,877	1,431,744

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

	2020 N'000	2019 N'000
VAT payable	126	91
Accrued liabilities	223,429	78,861
WHT Payable	10,805	2,238
	234,360	81,190
21.2 Refund liabilities		
Refund liabilities	11,098	7,991
	245,458	89,181

Trade payable and Refund liabilities

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

(In thousands of naira)	2020
As at 1 January	
Effect of adoption of IFRS 15	(3,945)
Amount deferred as a result of unexpired rights	(7,991)
Performance obligations recognised in the period	(11,098)
Revenue recognized in the period from:	
Amounts included in the return assets at the beginning of the period	7,991
As at 30 September	3,945
	(11,098)
	(7,991)

Net refund liabilities consist of the following at December 31:

(In thousands of naira)	2020	2019	Change	Change
Refund assets	8,617	7,361	1,256	17%
Refund liabilities	(11,098)	(7,991)	(3,107)	39%
Net refund liabilities	(2,481)	(630)	(1,851)	294%

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

22. Dividend payable

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

	2020 N'000	2019 N'000
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

Borrowings Current portions	2020 N'000	2019 N'000
Borrowings(CBN CACS FUND)	496,274	955,273
Commercial Loan-FBN	-	-
	<u>496,274</u>	<u>955,273</u>

Reconciliation of interest-bearing loans and borrowings

As at 1 January	955,273	1,500,000
Proceeds from borrowings	300,000	(500,000)
Initial fair value of grant	-	(59,421)
Additional grant received	(16,104)	-
Accrued interest	57,106	14,694
FBN Loan Repayment	(300,000)	-
CACS Fund Repayment	(500,000)	-
As at 30 September	<u>496,274</u>	<u>955,273</u>
Maturity		
0 - 1 year	496,274	955,273
Over 1 year	-	-
Total	<u>496,274</u>	<u>955,273</u>

Between January and February 2020, N300 million (N250m @ 14% and N50 million @ 12%) commercial loan was disbursed by First Bank. Also in April 2020, the interest rate on the N1 billion CACS fund was reduced from 8% to 5% in line with the CBN circular and N500m was paid back on 8th September 2020.

31-Dec-19

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 it is expected to be paid in 2 tranches of N500 million each in September and November 2020.

23. 1 Government grant

	2020 N'000	2019 N'000
As at 1 January	50,107	
Received during the year	16,104	59,421
Released to the statement of profit & loss	(61,040)	(9,314)
As at 30 September	<u>5,171</u>	<u>50,107</u>

Current

Non- current

Government grants have been received for the local purchase of Maize, Raw Soya seeds and Soya Beans meal.
There are no unfulfilled conditions or contingencies attached to these grants.

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.

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

	Commercial service fees N'000	Purchases from related parties N'000	Amounts owed by related parties N'000	Amounts owed to related parties N'000
As at 30 September				
Entity with significant influence over the Company:				
UAC of Nigeria Plc	79,104	6,103	-	10,492
Other related party				
Grand Ceareal Nigeria Limited	-	1,866,060	-	14,549
	79,104	1,872,162	-	25,041
Entity with significant influence over the company:				
UAC of Nigeria Plc	99,888	8,430	-	40,223
Other related party:				
Grand Cereal Nigeria Limited	-	3,092,500	-	300,252
	99,888	3,100,930	-	340,475

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

The company is involved in some legal actions that arose in the ordinary course of the business. Judgement was given in favour of an applicant as compensation for the complaint made against the Company in one of the legal cases. Accordingly, provision has been made in these financial statements.

LIVESTOCK FEEDS PLC
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

26. Financial assets and financial liabilities

26.1 Financial assets

	2020 N'000	2019 N'000
Cash and short term deposit (note 19)	533,531	60,672
Trade and other receivables (Note 17)	<u>176,935</u>	<u>105,283</u>

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

26.2 Financial liabilities

	2020 N'000	2019 N'000
Financial liabilities at amortised cost		
Borrowing (Note 23)	(496,274)	(955,273)
Trade and other payables (Note 21)	647,848	1,421,424

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 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.

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

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

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.

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
Cash and short term deposits		
Euro	€ 379	€ 379
United State Dollar (USD)	\$ 15,001	\$ 861
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.

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

LIVESTOCK FEEDS PLC
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

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.

Treasury, trading and interbank relationships

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

Nigeria Mapping Table

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

(ii) Security

No security is obtained for trade receivables either in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. However, some 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.

LIVESTOCK FEEDS PLC**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****FOR THE PERIOD ENDED 30TH SEPTEMBER 2020**

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:

	2020 N'000	2019 N'000
Cash at bank and short-term bank deposits A+(nga)	533,448	60,365
Unrated cash and cash equivalents	83	307
Unrated trade and other receivables	199,617	161,392
Maximum credit exposure	733,148	222,064

(iii) Impairment of trade and related party receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due 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
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

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:

	30-Sep-20	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	
		4.85%	6.04%	40.95%	100.00%	100.00%	
Expected credit loss rate							
Estimated total gross carrying amount at default	145,858	33,700	10,989	23,802	67,706	282,055	
Expected credit loss	(7,074)	(2,037)	(4,500)	(23,802)	(67,706)	(105,119)	

	31-Dec-19	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	
		5.81%	6.66%	24.97%	100.00%	100.00%	
Expected credit loss rate							
Estimated total gross carrying amount at default	75,412	32,654	5,027	13,386	62,635	189,115	
Expected credit loss	(4,381)	(2,174.76)	(1,255)	(13,386)	(62,635)	(83,833)	

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)
Adjustment upon application of IFRS		-	-
Balance as at 1 January 2020		(83,832)	(63,661)
Provision for expected credit losses		(21,287)	(20,171)
Reversals		-	-
Write off		(21,287)	(20,171)
Balance at 30 September		(105,119)	(83,832)

The company has no Right of Use Assets as at 1 January 2020 and 30 September 2020 because existing leases are classified as short-term leases.

The company has no lease liability as at 1 January 2020 and 30 September 2020 because all existing leases have been prepaid.

LIVESTOCK FEEDS PLC**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020****26.4 Financial instruments risk management objectives and policies - continued****Expected credit loss measurement - other financial assets**

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

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

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

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

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

Analysis of inputs to the ECL model under multiple economic scenarios

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

Impairment allowance for financial assets

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

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

26.4 Financial instruments risk management objectives and policies - continued

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

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

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

Trade receivables	2020		2020	
	<i>Simplified Model Collective N'000</i>	<i>Total N'000</i>	<i>Simplified Model Collective N'000</i>	<i>Total N'000</i>
Internal grading system				
Standard grade	282,055	282,055	189,115	189,115
	=====	=====	=====	=====
	282,055	282,055	189,115	189,115
Trade receivables	2019		2020	
	<i>Simplified Model Collective N'000</i>	<i>Total N'000</i>	<i>Simplified Model Collective N'000</i>	<i>Total N'000</i>
Gross carrying amount as at				
1 January	77,092	77,092	189,115	189,115
New assets originated or purchased	189,115	189,115	282,055	282,055
Assets derecognised or repaid (excluding write offs)	(77,092)	(77,092)	(189,115)	(189,115)
	=====	=====	=====	=====
At 30 September	189,115	189,115	282,055	282,055
	=====	=====	=====	=====
Impairment allowance for trade receivables	2019		2020	
	<i>Model Collective N'000</i>	<i>Total N'000</i>	<i>Model Collective N'000</i>	<i>Total N'000</i>
ECL allowance as at 1 January	(63,661)	(63,661)	(83,832)	(83,832)
New assets originated or purchased	83,832	83,832	(21,287)	15,001
Assets derecognised or repaid (excluding write offs)	63,661	63,661	-	-
Write off	-	-	-	-
	=====	=====	=====	=====
As at 30 September	83,832	83,832	(105,119)	(68,831)
	=====	=====	=====	=====

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

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE PERIOD ENDED 30TH SEPTEMBER 2020

26.4 Financial instruments risk management objectives and policies - continued

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.

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

	On demand N'000	Less than 3 months N'000	3 to 12 months N'000	1 to 5 years N'000	> 5 years N'000	Total days N'000
Period ended 30 September 2020						
Trade and other payables	-	424,419	-	-	-	424,419
Interest-bearing loans and borrowings			501,445			501,445
	-	424,419	501,445	-	-	925,864
Year ended 31 December 2019						
	On demand N'000	Less than 3 months N'000	3 to 12 months N'000	1 to 5 years N'000	> 5 years N'000	Total days N'000
Trade and other payables	-	1,342,562	-	-	-	1,342,562
Interest-bearing loans and borrowings		1,005,380				1,005,380
	-	2,347,942	-	-	-	2,347,942

LIVESTOCK FEEDS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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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.

Staff Numbers by function	2020 Number	2019 Number
Direct	50	47
Admin	13	12
Sales & Marketing	20	17
	83	76
<hr/>		
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	43	39
	83	76

Staff costs for the above persons (excluding Directors):

	2020 N'000	2019 N'000
Salaries and wages	301,224	278,249
Pension cost	10,140	3,766
	311,364	282,015

28. Technical support agreements

The company has commercial services agreement with UACN Plc for support services. Expense for commercial services fee (representing 1% of turnover of the Company) is N79.104million (2019: N78.032million).

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.

The outbreak of Coronavirus (COVID-19) and the unprecedented crash in international oil price with imminent devaluation in naira will likely impact on the company's financial performance in the current financial year 2020.

However the stimulus package by the federal government to extend the moratorium of government intervention funds such as commercial Agriculture Credit Scheme (CACS) etc. till March 2021 of which the Livestock Feeds is a beneficiary with interest reduction might help the liquidity position of the company. Management will continue to monitor situation as new information becomes available and adjustment thereof will be reflected in the appropriate reporting period.

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 PERIOD ENDED 30TH SEPTEMBER 2020

31. Livestock Feeds Plc-Free Float Computation

Company Name:
 Board Listed:
 Year End:
 Reporting Period:
 Share Price at end of reporting period:

Livestock Feeds Plc
 Main Board
 December 31
 3rd Quarter Ended 30 September 2020
 N0.60(2019: N0.43)

Shareholding Structure/Free Float

Description	30-Sep-20	30-Sep-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. Daniel Obaseki	-	-	-	-
Mr. Godwin Samuel	-	-	-	-
Mr Abayomi Adeyemi	-	-	-	-
Other Influential Shareholdings				
Total Other Influential Shareholdings				
Free Float in Units and Percentage	801,253,646.00	26.71%	801,253,646.00	26.71%
Free Float in Value	N480,752,187.60		N344,539,067.78	

Declaration:

(A) Livestock Feeds Plc with a free float percentage of 26.71% as at 30 September 2020, is compliant with the Exchange's free float requirements for companies listed on the Main Board.