Northern Nigeria Flour Mills Plc
Annual Report

for the year ended 31 March 2021

Corporate Information

Country of incorporation and domiciliation	Nigeria
Nature of business and principal activities	The Company's main business is milling of Wheat, Sorghum, Maize and similar grains.
Directors	Alhaji (Dr) Aminu Dantata, CON Mr. John G. Coumantaros (American) Alhaji Rabiu Muhammad Gwarzo, OON Alhaji Sani Umar Mr. Paul M. Gbededo Alhaji Y. Olalekan A. Saliu Mallam Abdul Ganiyu Sani Mr. Jack Cwach (American) Dr. Jibrilla Mohammed Alhaji Sadiq A. Usman
Company registration number	RC. 9409
Registered office	15 Maimalari road, Bompai Industrial Estate, Kano.
Postal address	P.O.Box 6640 Kano.
Holding company	Flour Mills of Nigeria Plc incorporated in Nigeria
Bankers	Access Bank Plc First Bank of Nigeria Limited Guaranty Trust Bank Plc Sterling Bank Plc Union Bank of Nigeria Plc Zenith Bank Plc
Independent Auditors	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos Ahmed Zakari & Co. Chartered Accountants 5th Floor African Alliance Building F.1 Sani Abacha Way P.O Box 6500, Kano
Company Secretary	Theophilus Ogwuche 26, Post Office Road, Kano
Solicitor	Messrs J. B. Majiyagbe & Co. 4, Human Rights Avenue P.O.Box 726, Kano.

Index

Report of The Directors

The directors have pleasure in submitting their report on the annual report of Northern Nigeria Flour Mills Plc for the year ended March 31, 2021.

1. Legal form

The Company was incorporated as a private limited liability company on 29 October 1971. Its registered office is 15, Maimalari road, Bompai Industrial Estate, Kano. The Company was converted to a public limited liability company in 1978 and its shares are qouted on the Nigerian Stock Exchange. It is a subsidiary of Flour Mills of Nigeria Plc which holds 53.06% of the Company's equity. Flour Mills of Nigeria Plc is incorporated in Nigeria.

2. Principal activities

Northern Nigeria Flour Mills Plc was incorporated in Nigeria with interests in milling of wheat, maize and sorghum. The Company operates in Kano state, Nigeria. There have been no material changes to the nature of the Company's business from the prior year.

3. Results

The summary of results for the year is as set out below:

	31-Mar-21	31-Mar-20
	N '000	N '000
Revenue	8,667,751	8,841,135
Operating profit	328,293	562,192
Profit before taxation	134,346	120,675
Profit for the year	69,919	64,635
Total comprehensive income for the year	45,505	1,618,281

4. **Dividend**

The Directors are pleased to recommend to shareholders at the forthcoming annual general meeting the declaration of a total of Nxxx million (2020: N23.76 million) representing a dividend of N0.00 (2020: N0.15) per ordinary share of 50 kobo each. This dividend, if approved, is subject to deduction of appropriate withholding tax.

5. Directors and directors' interests

The names of Directors who are currently in office are detailed on page 1. The directors who served during the year are as follows:

		Designation
Alhaji (Dr) Aminu Dantata, CON		Chairman
Mr. John G. Coumantaros	(American)	Vice Chairman
Alhaji Rabiu Muhammad Gwarzo, OON		Vice Chairman
Alhaji Sani Umar		Non-executive
Mr. Paul M. Gbededo		Non-executive
Alhaji Y. Olalekan A. Saliu		Non-executive
Mallam Abdul Ganiyu Sani		Non-executive
Mr. Jack Cwach	(British)	Executive
Dr. Jibrilla Mohammed		Non-executive
Alhaji Sadiq A. Usman		Non-executive

In accordance with Section 303 of the Companies and Allied Matters Act, 2020 (CAMA), none of the directors has notified the Company of any declarable interests in contracts with the Company during the year.

Report of The Directors

6. Directors' interests in shares

The Directors' interests in the issued share capital of the Company as recorded in the Register of members and/or as notified by them for the purpose of Section 301 of the Companies and Allied Matters Act, 2020 (CAMA) and disclosed in accordance with Section 385 also of CAMA are as follows:

Interests in shares

	31-Mar-21		31-Mar-20	
Director	**Direct**	**Indirect**	**Direct**	**Indirect**
Alhaji (Dr) Aminu Dantata, CON	1,216,782	11,661,114	1,216,782	11,661,114
Mr. John G. Coumantaros	-	-	-	-
Alhaji Rabiu Muhammad Gwarzo, OON	609,598	-	609,598	-
Alhaji Sani Umar	237,363	-	237,363	-
Mallam Abdul Ganiyu Sani	-	-	-	-
Dr. Jibrilla Mohammed	-	-	-	-
Alhaji Y. Olalekan A. Saliu	97,881	-	97,881	-
Alhaji Sadiq A. Usman	-	-	-	-
Mr. Paul M. Gbededo	-	-	-	-
Mallam Mahmud Ahmed	-	-	-	-
	2,161,624	**11,661,114**	**2,161,624**	**11,661,114**

7. Parent company

The Company's holding company is Flour Mills of Nigeria Plc which holds 53% (2020: 53%) of the company's equity. Flour Mills of Nigeria Plc is incorporated in Nigeria. The ultimate controlling parent is Excelsior Shipping Company Limited, a company registered in Liberia. The beneficial owner of Excelsior Shipping Company is a trust established by the late John S. Coumantaros.

8. Substantial Interest in shares

According to the Register of Members, the following shareholders of the company held more than 5% of the issued share capital of the company.

	31-Mar-21		31-Mar-20	
	Number of shares	**%**	**Number of shares**	**%**
Flour Mills of Nigeria Plc.	94,545,159	53.06	94,545,159	53.06
Northern Nigeria Investment Limited	12,955,000	7.27	12,955,000	7.27
Dantata Investment & Securities Limited	11,661,114	6.54	11,661,114	6.54

9. Directors' Responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, 2020 (CAMA) and the Financial Reporting Council of Nigeria (FRCN) Act, 2011. In doing so, they ensure that:

- proper accounting records are maintained;
- applicable accounting standards are complied with;
- suitable accounting policies are adopted and consistently applied;
- judgments and estimates made are reasonable;
- the going concern basis is used, unless it is inappropriate to presume that the Company will continue in business and;
- Internal control procedures are instituted which, as far as is reasonably possible, safeguard the assets and also prevent and detect fraud and other irregularities.

Report of The Directors

10. Corporate Governance Report

Introduction

The company is committed to the best practice and procedures in corporate governance. Its business is conducted in a fair, honest and transparent manner which conforms to high ethical standards. This enables the and Management to accomplish the company's strategic goals, ensure good growth and corporate stability for the benefit of all stakeholders.

Role of Directors

The highlights of the role of directors include:

- Critical and regular examination of the company's overall strategy with a view to ensuring that its goals, business plan and budget are in alignment.
- Assign respective committees to consider and take appropriate decisions on issues requiring Board attention.
- Establish well-considered objectives for the company and monitor implementation, reviewing performance and ensure the deployment of appropriate competencies.
- Ensure that adequate resources are available to meet the company's goals and objectives.
- Oversee Board appraisal, training, succession planning, appointment and remuneration of members.

Frequency and Attendance of Board Meetings

The Board held four (4) meetings during the financial year ended March 31, 2021. The notice for each meeting was in line with the company's Articles of Association and Board papers were provided to directors in advance. In line with provisions of the Companies and Allied Matters Act, 2020 (CAMA), record of Directors' attendance at Board meetings is available for inspection at the Annual General Meeting.

Senior Executives of the company are from time to time invited to attend Board meetings and make representations of their business units.

A summary of record of attendance at Board meetings is presented below:

Name	28-Jul-20	08-Sep-20	10-Dec-20	04-Mar-21
Alhaji (Dr) Aminu Dantata, CON	No	No	No	No
Mr. John G. Coumantaros	Yes	Yes	Yes	Yes
Alhaji Rabiu Muhammad Gwarzo, OON	Yes	Yes	Yes	Yes
Alhaji Sani Umar	Yes	Yes	Yes	Yes
Mr. Paul M. Gbededo	Yes	Yes	Yes	Yes
Alhaji Y. Olalekan A. Saliu	Yes	Yes	Yes	Yes
Mallam Abdul Ganiyu Sani	Yes	Yes	Yes	Yes
Mr. Jack Cwach	Yes	Yes	Yes	Yes
Dr. Jibrilla Mohammed	Yes	Yes	Yes	Yes
Alhaji Sadiq A. Usman	Yes	Yes	Yes	Yes
Mr. Boye Olusanya	Yes	Yes	Yes	Yes
Mr. Richard Hedges	Yes	Yes	No	No

Yes - Present

No - Absent

Statutory Audit Committee

Composition

Pursuant to section 404 of the Companies and Allied Matters Act (CAMA), 2020, the Company's Audit Committee comprises:

- Alhaji Bello Umar Gwangwazo (Chairman)
- Alhaji Rabiu Muhammad Gwarzo, OON
- Alhaji Lawan Sule Garo
- Mallam Mahmud Ahmed
- Dr. Jibrilla Mohammed
- Alhaji Sadiq A. Othman

Report of The Directors

Meetings

Members of the Statutory Audit Committee receive regular reports and updates on financial matters and internal control reviews from internal and external auditors. A summary of record of attendance at Statutory Audit Committee meetings held during the financial year ended 31 March 2021 is shown below:

Name	21-Jul-20	20-Aug-20	08-Dec-20	05-Feb-21
Alhaji Rabiu Muhammad Gwarzo, OON	Yes	Yes	Yes	Yes
Alhaji Lawan Sule Garo	Yes	Yes	Yes	Yes
Mallam Mahmud Ahmed	Yes	Yes	Yes	Yes
Dr. Jibrilla Mohammed	Yes	Yes	Yes	Yes
Alhaji Sadiq A. Usman	Yes	Yes	Yes	Yes
Alhaji Bello Umar Gwangwazo	Yes	Yes	Yes	Yes

Yes- Present

No- Absent

Code of Business Conduct

In demonstration of strong commitment to best practices in corporate governance, integrity and high ethical standards in all aspects of our business, the Company has a Code of Conduct in place which is consistent with that of the parent company. Apart from being in line with current global trends, the Company's Code of Conduct also aligns with the requirements of regulatory authorities.

Through the provisions of the Code, the Company instills in its Directors and Employees the need to maintain high standard of corporate values, transparency, accountability, professionalism and promote good corporate governance.

Whistle Blowing

Under the Company's whistle blowing policy and procedures, employees and other stakeholders including third parties are encouraged to report any observed or suspected acts of fraud, corruption or other irregularities, orally or anonymously contact the independent helpline by telephone or online without fear of reprisal or recrimination.

The company guarantees that the identity of the reporting individual or organization shall be accorded utmost protection and the report timeously investigated and treated.

The robust system has been embraced by all employees and stakeholders and it is producing good results.

11. Donations and Charitable Gifts

No donation was made to any political party or organization during the year (2020: N70,000).

The following is an analysis of donations and charitable gifts made last year.

Donations

	31-Mar-20 N'000
Food, Beverages and Tobacco Senior Staff Association	30,000
National Association of Northern Nigerian Students	20,000
National Union of Food, Beverage and Tobacco Employees	20,000
	70,000

12. Property, plant and equipment

Movements in property, plant and equipment during the year are shown in Note 14 to the financial statements. In the opinion of the Directors, the market value of the Company's property, plant and equipment is not less than the value shown in the audited financial statements.

Report of The Directors

13. Human Capital

(a) Employment and Employees

The Company reviews its employment policy in line with the needs of the business. Careful recruiting is undertaken to ensure that potential high performers are attracted and retained.

(b) Employee Developments

Local Training and Development Programmes are organized to meet the needs of the Company's modernization / automation strategy implementation.

The Company continues to place premium on its Human Capital Development arising from the fact that this would ensure improved efficiency of the business and maintain strategic advantage over competition.

(c) Equal Employment Opportunity and Diversity

The Company has a policy of providing, wherever possible, the same employment opportunities for disabled people as for others. If employees become disabled every effort is made to ensure their employment continues, with appropriate training where necessary.

Subject to applicable laws we recruit, hire, train, promote, discipline and provide other conditions of employment without regard to a person's race, colour, religion, sex, age, national origin, disability or other classifications protected under law. This includes providing reasonable accommodation for members' disabilities or religious beliefs and practices. As at year end, the Company had no physically challenged person in its employment (2020: Nil).

(d) Health, Safety and Environment

The Company appreciates the value of a safe work environment to business success and therefore embarks on periodic assessments to ensure compliance and safety. Employees are continuously sensitized and pep talks on safe work procedures precede the commencement of each shift in the operational areas. The Company provides Personal Protective Equipment to employees as required by the nature of their jobs and safety officers perform regular monitoring to ensure usage compliance.

(e) HIV/AIDS Policy

HIV/AIDS policy guidelines are in place and employees are encouraged to undertake voluntary counseling and testing (VCT) in order to confirm their HIV status. Continuous interactions at workshops with known HIV positive individuals are arranged from time to time to educate staff and eliminate discrimination and stigmatization.

(f) Performance Management/Target Setting

Performance Management/Target Setting is implemented in line with Management resolve to set strategic objectives for effective monitoring of performance of the Company and its employees.

14. Events after the reporting period

There were no significant developments since the balance sheet date which could have had a material effect on the state of affairs of the company at 31 March 2021 and the profit for the year ended on that date which have not been adequately provided for or dislcosed in the financial statements.

Report of The Directors

15. Independent Joint Auditors

Messrs. KPMG Professional Services and Ahmed Zakari & Co. having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Company. In accordance with Companies and Allied Matters Act, 2020 (CAMA), therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD

Theophilus Ogwuche

Company Secretary

FRC/2019/ICAN/00000019501

26, Post Office Road,

Kano, Nigeria.

June 28, 2021

Statement of Directors' Responsibilities in Relation to the Financial Statements

The Directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria Act, 2011.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, 2020 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

Signed on behalf of the Board of Directors By:

Mr. Paul M. Gbededo
Acting Managing director
FRC/2013/IODN/00000003828
28 June, 2021

Alhaji Y. Olalekan A. Saliu
Director
FRC/2013/ICAN/00000003595
28 June, 2021

Statement of Corporate Responsibility for the Financial Statements

for the year ended 31 March 2021

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director/CEO and Chief financial Officer, hereby certify the financial statements of Northern Nigeria Flour Mills Plc for the year ended 31 March 2021 as follows:

a) That we have reviewed the audited financial statements of the Company for the year ended 31 March 2021.

b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.

c) That the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the year ended 31 March 2021.

d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company is made known to the officer by other officers of the companies, during the year end 31 March 2021.

e) That we have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of audited financial statements, and certify that the Company's internal controls are effective as of that date

f) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.

g) That we have disclosed the following information to the Company's Auditors and Audit Committee:

(i) there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors any material weaknesses in internal controls, and

(ii) there is no fraud that involves management or other employees who have a significant role in the Company's internal control

Paul M. Gbededo	**Emmanuel N. Odigie**
Acting Managing Director	**Chief Financial Officer**
FRC/2013/IODN/00000003828	**FRC/2013/ICAN/00000004286**
28 June 2021	**28 June 2021**

Audit Committee Report

To the members of Northern Nigeria Flour Mills Plc

In compliance with section 404(7) of the Companies and Allied Matters Act, 2020 (CAMA), the Audit Committee received the Audited Financial Statements for the year ended 31st March 2021 together with the Management letter from the External Auditors and Management response thereto at the duly convened meeting of the committee.

We reviewed the scope and planning of the audit requirements and found them adequate.

After due consideration the Committee accepted the report of the External Auditors that the financial statements give a true and fair view of the state of affairs of the company's financial affairs as at 31st March 2021 having been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Companies and Allied Matters Act, 2020 (CAMA) and the Financial Reporting Council of Nigeria Act, 2011. The Committee reviewed Management's response to the External Auditors findings in the Management Letter and we are satisfied with the Management response.

The Committee considered and approved the provision made in the Financial Statements for the remuneration of the External Auditors.

We confirm that the internal control system was constantly and effectively monitored through effective internal audit function. The External Auditors confirmed that they received full cooperation from Management in the course of their statutory audit.

The committee therefore recommended that the Audited Financial Statements for the year ended 31st March 2021 and the External Auditors' Report thereon be presented for adoption at this Annual General Meeting.

Dated 28th June, 2021.

On behalf of the audit committee

Alhaji Bello Umar Gwangwazo
Chairman Audit Committee
(FRC/2015/ANAN/00000012376)

Other Members
Alhaji R.M. Gwarzo, OON
Dr. Jibrilla Mohammed
Alhaji Lawa Sule Garo
Alhaji Sadiq A. Usman
Mallam Abdul Ganiyu Sani

Kano, Nigeria

KPMG

Ahmed Zakari & Co.
(CHARTERED ACCOUNTANTS)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Northern Nigeria Flour Mills PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northern Nigeria Flour Mills PLC (the Company), which comprise:

- the statement of financial position as at 31 March, 2021;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate Information, Report of the Directors, Statement of Directors' Responsibilities in relation to the financial statements, Statement of Corporate Responsibility for the financial statements, Audit Committee report and Other National Disclosures, which we obtained prior to the date of this auditors' report, but does not include the financial statements and our auditors' report thereon. Other information also includes financial and non-financial information such as the Corporate Governance report, Chairman's statement and the profile of Directors, among others (together "Outstanding reports"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements
The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
iii. The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Signed:

Elijah O. Oladunmoye, FCA
FRC/2013/ICAN/00000019769
For: KPMG Professional Services
Chartered Accountants
30 June 2021
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0500737

Najib Imam, FCA
FRC/2014/ICAN/00000006900
For: Ahmed Zakari & Co.
Chartered Accountants
30 June 2021
Kano, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0500738

Statement of Financial Position as at March 31, 2021

	Note(s)	31-Mar-21 N'000	31-Mar-20 N'000
Assets			
Non-Current Assets			
Property, plant and equipment	14	3,572,311	3,732,892
Prepayments	17	6,158	6,969
		3,578,469	**3,739,861**
Current Assets			
Inventories	15	3,206,326	1,560,582
Trade and other receivables	16	9,610	824,685
Prepayments	17	41,396	24,375
Investment	18	7,882	31,003
Cash and cash equivalents	19	521,587	2,311,480
		3,786,801	**4,752,125**
Total Assets		**7,365,270**	**8,491,986**
Equity and Liabilities			
Share capital	20	89,100	89,100
Share premium	20	89,521	89,521
Revaluation reserve	39	1,566,005	1,566,005
Retained earnings		1,043,145	1,024,367
		2,787,771	**2,768,993**
Liabilities			
Non-Current Liabilities			
Borrowings	21	384,989	663,611
Retirement benefit obligation	22	180,687	121,864
Long service award	23	40,052	31,602
Deferred income	24	33,173	68,461
Deferred tax	13	104,825	54,249
		743,726	**939,787**
Current Liabilities			
Trade and other payables	25	1,768,304	3,115,124
Borrowings	21	1,626,613	1,364,692
Deferred income	24	39,571	64,605
Current tax payable	12	31,759	65,614
Dividend payable	26	29,404	22,910
Customer deposits	27	338,122	150,261
		3,833,773	**4,783,206**
Total Liabilities		**4,577,499**	**5,722,993**
Total Equity and Liabilities		**7,365,270**	**8,491,986**

The annual report and the notes were approved by the Board of on June 28, 2021 and were signed on its behalf by:

Mr. Paul M. Gbededo	**Alhaji Y. Olalekan A. Saliu**	**Emmanuel N. Odigie**
Acting Managing Director	**Director**	**Chief Financial Officer**
FRC/2013/IODN/00000003828	**FRC/2013/ICAN/00000003595**	**FRC/2013/ICAN/00000004286**

The accompanying notes and significant accounting policies on pages 19 to 68 form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income for the year ended

	Note(s)	31-Mar-21 N'000	31-Mar-20 N'000
Revenue	5	8,667,751	8,841,135
Cost of sales	6	(7,874,781)	(7,965,077)
Gross profit		**792,970**	**876,058**
Other operating income	7	123,305	202,453
Selling and distribution expenses	8	(86,039)	(32,720)
Reversal (impairment losses) on trade receivables	16	(11,043)	28,027
General and administrative expenses	9	(490,900)	(511,626)
Operating profit		**328,293**	**562,192**
Interest income	10	12,039	24,186
Finance costs	11	(184,317)	(465,703)
Profit/(loss) before minimum tax		156,015	120,675
Minimum tax	12	(21,669)	-
Profit/(loss) before taxation		**134,346**	**120,675**
Taxation	12	(64,427)	(56,040)
Profit/(loss) for the year		**69,919**	**64,635**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on net defined benefit liability	22	(35,903)	(18,173)
Revaluation of property, plant and equipment		-	1,740,005
Income tax relating to items that will not be reclassified		11,489	(168,186)
Total items that will not be reclassified to profit or loss		**(24,414)**	**1,553,646**
Other comprehensive income/(loss) for the year net of taxation		**(24,414)**	**1,553,646**
Total comprehensive income/(loss) for the year		**45,505**	**1,618,281**
Earnings per share			
Basic earnings/(loss) per share (kobo)	28	39.00	36.00
Diluted earnings/(loss) per share (kobo)	28	39.00	36.00

The accompanying notes and significant accounting policies on pages 19 to 68 form an integral part of these financial statements.

Statement of Changes in Equity for the year ended 31 March 2021

	Share capital N'000	Share premium N'000	Revaluation reserve N'000	Retained earnings N'000	Total equity N'000
Balance at 1 April 2019	**89,100**	**89,521**	**-**	**972,091**	**1,150,712**
Profit for the year	-	-	-	64,635	64,635
Other comprehensive loss	-	-	1,566,005	(12,359)	1,553,646
Total comprehensive income for the year	**-**	**-**	**1,566,005**	**52,276**	**1,618,281**
Balance at 31 March 2020	**89,100**	**89,521**	**1,566,005**	**1,024,367**	**2,768,993**
Balance at 1 April 2020	**89,100**	**89,521**	**1,566,005**	**1,024,367**	**2,768,993**
Profit for the year	-	-	-	69,919	69,919
Other comprehensive income	-	-	-	(24,414)	(24,414)
Total comprehensive income for the year	**-**	**-**	**-**	**45,505**	**45,505**
Dividends declared	-	-	-	(26,727)	(26,727)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**(26,727)**	**(26,727)**
Balance at 31 March 2021	**89,100**	**89,521**	**1,566,005**	**1,043,145**	**2,787,771**

The accompanying notes and significant accounting policies on pages 19 to 68 form an integral part of these financial statements.

Statement of Cash Flows for the year ended

	Note(s)	31-Mar-21 N'000	31-Mar-20 N'000
Cash flows from operating activities			
Profit before taxation		134,346	120,675
Adjustments for:			
Depreciation and amortisation	14	207,708	198,305
Losses on disposals of assets		-	385
Finance costs	11	184,317	465,703
Provision for long service award	23	7,882	9,130
Provision for retirement benefit liabilities	22	24,922	21,128
Minimum tax	12	21,669	-
Changes in working capital:			
Inventories	15	(1,645,744)	617,485
Trade and other receivables	16	804,506	(702,050)
Prepayments		(16,210)	(5,200)
Investment	18	8,094	(5,839)
Trade and other payables	25	(113,627)	2,572,195
Deferred income	24	(60,322)	(190,473)
Customer deposits		187,861	75,223
Cash generated from operations		**(254,598)**	**3,176,667**
Tax paid	12	(40,823)	(2,746)
Long service award paid	23	-	(1,902)
Retirement benefit paid	22	(3,500)	(13,181)
Net cash (used)/generated from operating activities		**(298,921)**	**3,158,838**
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(46,260)	(96,420)
Liquidation of investment	18	15,027	-
Net cash used in investing activities		**(31,233)**	**(96,420)**
Cash flows from financing activities			
Proceeds from borrowings	21	-	900,000
Interest paid on borrowings	21	(97,856)	(206,707)
Monitoring and guarantee fees	11	(5,541)	(6,258)
Repayment of principal	21	(1,329,615)	(1,860,756)
Dividend paid		(26,727)	-
Net cash used in financing activities		**(1,459,739)**	**(1,173,721)**
Total cash movement for the year		**(1,789,893)**	**1,888,697**
Cash at the beginning of the year		2,311,480	422,783
Total cash at end of the year	19	**521,587**	**2,311,480**

The accompanying notes and significant accounting policies on pages 19 to 68 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 March 2021

1. Reporting entity

Northern Nigeria Flour Mills Plc was incorporated in Nigeria as a private limited liability Company on 29 October 1971. The Company was converted to a public liability company in 1978 and was quoted on the Nigeria Stock Exchange in the same year. Its registered head office is located at 15 Maimalari Road, Bompai, Kano. Its present ownership structure is 47% owned by individuals and institutions in Nigeria and 53% owned by Flour Mills of Nigeria Plc which is the parent Company and ultimate controlling party is Excelsior Shipping Company Limited, a company registered in Liberia.

1.1 Principal activities

The Company's main business is milling of wheat, maize, sorghum and other associated grains and sales of the milled products in the form of flour.

1.2 Going concern status

The financial statements have been prepared on a going concern basis. The Directors believe that there is no intention or threat from any source to curtail significantly the Company's lines of business in the foreseeable future.

1.3 Ownership structure

Name of shareholder	No. of shares held	% of share capital
Flour Mills of Nigeria Plc	94,545,159	53.06
Northern Nigeria Investment Limited	12,955,000	7.27
Dantata Investment & Securities Limited	11,661,114	6.54
Other individuals and institutional shareholders	59,038,727	33.13
	178,200,000	**100**

1.4 Financial period

These financial statements cover the financial year from 1 April 2020 to 31 March 2021, with comparatives for year ended 31 March 2020.

1.5 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board (IASB) and the requirements of the Companies and Allied Matters Act, 2020 (CAMA) and the Financial Reporting Council (FRC) of Nigeria Act, 2011. The financial statements were authorised for issue by the board of directors on June 28, 2021.

1.6 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the following:

Financial instruments: Initially measured at fair value and subsequently measured at amortised cost.

Inventories: Lower of cost and net realisable value

Defined benefits obligations: Present value of the defined benefit obligation

Land: measured at fair value

1.7 Functional and presentation currency

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

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Notes to the financial statements for the year ended 31 March 2021

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied except where indicated otherwise.

2.1 Segmental reporting

The Company is involved in the milling of wheat, Sorghum and other grains. All of the Company's products have similar risks and returns thus the management does not use any operating segments results to make decisions about resources to be allocated to the segment and assess its performance. The Company has only one business segment.

Geographical

The Company earned all its revenue in current and prior years from customers who are all in its country of domicile (Nigeria)

Major Customer

Three customers contributed more than 10% of the Company's revenue during the year (2020: three) This is summarized in the table below.

	31-Mar-21	31-Mar-20
	N'000	N'000
Customer A	989,398	916,500
Customer B	1,108,411	1,539,221
Customer C	1,182,963	1,589,540

2.2 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue net of value added tax (VAT) and discounts when it transfers control of a product or service to a customer.

Sale of goods

The Company recognises revenue from the sale and distribution of flour and its by products. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer. The Company recognises revenue when it transfers control of products to the customers. The Company sells flour and related products to distributors. For sales of products to the distributors, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the distributor's location if the agreement is for the Company to deliver or when the customer picks up the products from the Company's premises. For distributors that buy on credit, a receivable is recognised by the Company when the goods are delivered to the distributor as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

Rendering of services

The Company provides milling and re-bagging services to customers. For services, depending on the nature, revenue is recognized at a point in time or overtime. IFRS 15 contains specific, and precise, guidance to be applied in determining whether revenue is recognised over time or at a point in time. There are three criteria, each of which would result in recognition over time. These are:

- The customer simultaneously receives and consumes the benefits provided by the Company’s performance as the Company performs.

Notes to the financial statements for the year ended 31 March 2021

Revenue from contracts with customers (continued)

- The Company's performance creates or enhances an asset (for example, work in progress) that is controlled by the customer as work progresses.

- The Company's performance creates an asset which does not have an alternative use to the Company, and the Company has an enforceable right to be paid for work completed to date.

IFRS 15 takes the view that the provision of services constitutes the provision of an asset, which is often transferred to the customer and consumed immediately. However, some services may result in an asset that is not transferred until some point in the future. The third criterion may then be relevant.

Advance payments received for goods yet to be delivered and services yet to be rendered by the Company are recognized as customer deposit liabilities on the statement financial position and revenue is recognised as soon as goods have been delivered or services have been rendered.

2.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use and which are expected to be used for more than one year.

The cost of an item of property, plant and equipment is recognised as an asset 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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items, including the capitalisation of borrowing costs on qualifying assets.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following basis by the company.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life for current and prior periods
Land	N/A
Buildings	50 years
Plant and machinery	10-25 years
Furniture and equipment	3-10 years
Motor vehicles	5 years

Notes to the financial statements for the year ended 31 March 2021

2.3 Property, plant and equipment (continued)

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

Engineering spare parts and stand-by equipment are capitalised as property, plant and equipment when the Company expects to use them for more than one year.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Properties in the course of construction (capital work-in-progress) are carried at cost, less any recognised impairment losses. Cost includes professional fees and for qualifying assets borrowing costs capitalised in accordance with the company's accounting policy. Assets in the course of construction are not depreciated until they get to the stage of intended use.

2.4 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company ,as applicable, are as follows:

Non-derivative financial assets:

- Amortised cost. (This category applies when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or

Financial liabilities:

- Amortised cost

Note 33 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to directors. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the directors' strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
– how the performance of the portfolio is evaluated and reported to the directors
– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity

Assessment of whether contractual cash flows are solely payments of principal and interest

Financial instruments (continued)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

– contingent events that would change the amount or timing of cash flows;

– terms that may adjust the contractual coupon rate, including variable-rate features;

– prepayment and extension features; and

– terms that limit the Company's claim to cash flows from specified assets (e.g. nonrecourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

2.4.1 Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, statutory deductions and prepayments, are classified as financial assets subsequently measured at amortised cost (note 16).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding statutory deductions and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Notes to the financial statements for the year ended 31 March 2021

Financial instruments (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 16.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account.

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

The Company expects no significant recovery from the amounts written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

2.4.2 Borrowings and loans from related parties

Recognition and measurement

Borrowings and loans from related parties are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

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

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 11.)

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 33 for details of risk exposure and management thereof.

Financial instruments (continued)

2.4.3 Trade and other payables

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 11).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 33 for details of risk exposure and management thereof.

2.4.4 Derecognition

Financial assets

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

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liabilities simultaneously.

2.5 Taxation

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, in other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

The tax currently payable is based on taxable or assessable profit for the period in accordance with the Company Income Tax Act, CAP C21, LFN 2004 and Education Tax Act, CAP E4, LFN 2004. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2.5 Taxation (continued)

Current tax

The current tax is based on taxable and assesssable profit for the year and any adjustment in respect of previous years. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in future years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Based on the provisions of the Tertiary Education Trust Fund (Establishment etc.) Act 2011, tertiary education tax is imposed on every Nigerian Company at the rate of 2% of assessable profit, that is, tax adjusted profit before capital allowances for each year of assessment. Tax adjusted profit is the profit arrived at after adding back non tax-deductible expenses and excluding non-taxable income.

The Company is subject to the Companies Income Tax Act (CITA). Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and Minimum tax (determined as defined in the Finance Act as 0.5% of turnover less franked investment income. Franked investment income is defined as dividend received by one company from another after deduction of withholding tax. Taxes based on taxable profit for the period are treated as income tax in line with IAS 12; whereas Minimum tax which is based on gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in profit or loss but presented separately above the income tax line.

Deferred tax assets and liabilities

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

The Company has adopted IFRIC 23 for the first time in current year. The amendment clarifies how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

2.6 Leases

Policy applicable after 1st April, 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

2.6 Leases (continued)

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

the company has the right to operate the asset; or

the company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 April 2019.

Contracts may contain both lease and non-lease components. The company has elected to not separate lease and non-

lease components.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The company moved to adopt the standard for the first time in the 2020 annual report. However, the standard has no material impact on the company's annual report as the company had no finance or operating leases.

Cash flow relating to leases

Cash flow relating to leasses are presented as follows:

a) cash payments for the principal portion of the lease liabilities as cash flows from financing activities

b) Cash payments for the interest portion are recognised in financing activities, and

c) short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities.

Lease liabilities

At the commencement date of a lease, the Company recognises lease liabilities at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

a) fixed payments (including in-substance fixed payments), less any lease incentives receivable

b) variable lease payments that are based on an index or a rate

c) amounts expected to be payable by the Company under residual value guarantees

d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and

e) payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Notes to the financial statements for the year ended 31 March 2021

2.6 Leases (continued)

The lease payments are discounted using the Company's incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification (i.e. a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset where applicable).

Right-of-use assets

Right-of-use assets are initially measured at cost, comprising of the following:

a) the amount of the initial measurement of lease liability

b) any lease payments made at or before the commencement date, less any lease incentives received

c) any initial direct costs, and

d) restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases and leases of low-value assets

Short-term leases are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets are assets that have values less than N1,800,000 when new, and depends on the nature of the asset. Lease payments on short-term leases and leases of low-value assets are recognized as expenses in profit or loss on a straight-line basis over the lease term.

Rental income from letting property is recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are considered as an integral part of the total rental income and recognised over the term of the lease. Rental income from the ordinary business of the company is recognised as revenue, while rental income from activities other than the ordinary business are recognised as other operating income.

2.7 Inventories

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

The Company's Inventories consist of raw materials, consumables, finished goods and spare parts.

The basis of costing of different Inventories type are as follows:

Raw and packaging materials: Purchase cost including transportation and other incidental cost on a First In First Out (FIFO) basis.

Goods in transit: Purchase cost incurred to date

Finished products: Purchase cost of direct materials, labour and a reasonable allocation of overheads based on normal operating capacity on a weighted average basis.

Engineering spares and other consumables: Weighted average cost.

Notes to the financial statements for the year ended 31 March 2021

2.7 Inventories (continued)

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised.

2.8 Impairment of tangible and intangible assets excluding goodwill, inventories, deferred tax assets and financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

2.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. The use of the share premium account is governed by S.120(3) of CAMA. All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Incremental cost directly attributable to the issue of Ordinary shares are recognised as deduction from equity

2.10 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid as cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Notes to the financial statements for the year ended 31 March 2021

2.10 Employee benefits (continued)

Defined contribution plans

The Company operate a defined contribution based retirement benefit scheme for its staff, in accordance with the Pension Reform Act of 2014 with employee contributing 8% and the employer contributing 10% each of the employee's relevant emoluments (basic salaries, housing and transport allowances). Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered the service entitling them to the contributions. Employees contributions are deducted through payroll. The funds are managed by several independent fund managers approved by the Pension Commission. The Company's only obligation is the monthly contributions to the fund.

Defined benefits

The Company also operates a defined benefit gratuity scheme for its qualified staff. Benefits are related to the employees' length of service and remuneration. The gratuity obligation is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period by an independent actuary. All actuarial gains and losses are recognised immediately through other comprehensive income.

The Company's obligation in respect of the scheme is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximate to the term of the company's defined benefits obligation. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense
- Remeasurement (actuarial gains and losses)

The service cost and net interest expense are charged to the profit or loss while the gains and loss due to remeasurement are charged to other comprehensive income.

Although the scheme is not funded the Company ensures that adequate arrangements are in place to meet its obligations under the scheme.

Long service award

The company operates long service award for its qualified staff. The benefits are graduated depending on the employees number of years in service to the company. The Company's obligation in respect of the scheme is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximate to the term of the Company's defined benefits obligation. The obligation is determined by an independent actuary at each reporting period.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. Gains or losses due to remeasurement of long service awards are recognised in profit or loss.

Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

2.11 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Notes to the financial statements for the year ended 31 March 2021

2.11 Provisions and contingencies (continued)

The amount of a provision is the present value of the expenditure discounted at a pre-tax rate expected to be required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

2.12 Government grants

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

Where a loan is received from government at below market interest rate, the difference between the fair value of the loan and the amount received is recognised as a government grant (deferred income) amortised to the profit or loss over the term of the loan on a systematic basis.

2.13 Investment income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established by approval of dividend at the annual general meeting of the investee (provided that it is probable that the economic benefits will flow to the Company and the amount can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income from letting property is recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are considered as an integral part of the total rental income and recognised over the term of the lease. Rental income from the ordinary business of the company is recognised as revenue, while rental income from activities other than the ordinary business are recognised as other operating income.

Notes to the financial statements for the year ended 31 March 2021

2.14 Earnings per share

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

2.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Naira, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual report are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Naira by applying to the foreign currency amount the exchange rate between the Naira and the foreign currency at the date of the cash flow.

2.16 Statement of cash flows

The Company applies the indirect method for preparation of the statement of cash flows. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, fair value changes and other non-cash items have been adjusted for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Interest paid is also included in financing activities while finance and dividend income is included in investing activities.

3 Significant judgements and sources of estimation uncertainty

The preparation of annual report in conformity with IFRS requires Directors, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The following are the areas of estimation uncertainties and critical judgements, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Assumptions and estimation uncertainties

Notes to the financial statements for the year ended 31 March 2021

3. Significant judgements and sources of estimation uncertainty (continued)

Deferred tax asset

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Allowance for credit losses

The Company periodically assesses its trade and other receivables for probability of credit losses. Management considers several factors including past credit record, current financial position and credibility of management. Estimation and assumptions are made in determining the allowances made for credit losses.

Impairment allowance are made for receivables that have been outstanding for 365 days, in respect of which there is no firm commitment to pay by the customer

These assessments are subjective and involve a significant element of estimation by management on the ultimate recoverability of amounts receivable.

Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Company. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance.

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in the reduced depreciation charge in profit or loss.

The Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. There were no changes in the useful lives of Property, plant and equipment in the current year.

Valuation of financial liabilities

As at the end of the reporting period, the Company was granted some government assisted loans at below market rates. In accordance with IAS 20, the government grant which is the difference between the proceeds of the loans and their fair value is accounted for. Based on IFRS 9, all financial liabilities are initially recognized at fair value. In computing the fair value of these loans, the imputed interest rate used in discounting the cash flows associated with the loans is based on managementa ssessment of its market rate of interest at the time the loans were granted.

Provision for gratuity

The Company operates an unfunded defined benefit scheme which entitles staff who put in a minimum qualifying working period of five years to gratuity upon leaving the employment of the Company. IAS 19 requires the application of the Projected Unit Credit Method for actuarial valuations. Actuarial measurements involve assumptions and the making of several demographic projections regarding mortality, rates of employee turnover etc. and financial projections in the area of future salaries and benefit levels, discount rate, inflation etc, which impact the obligation.

Notes to the financial statements for the year ended 31 March 2021

3. Significant judgements and sources of estimation uncertainty (continued)
Provision for long service award

A provision for Long term service award is granted at first to employees that have spent a minimum of ten years in service and for every multiple five years an employee remains in service. IAS19 requires the application of the Projected Unit Credit Method for actuarial valuations. Actuarial measurements involve the making assumptions and several demographic projections regarding mortality, rates of employee turnover etc. and financial projections in the area of future salaries and benefit levels, discount rate, inflation etc.

Taxation

The Company's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority.

Impairment of property, plant and equipment

Determining whether an item of property, plant and equipment is impaired requires an estimation of the recoverable amount of the cash generating units to which the item has been allocated. The value in use calculations requires directors to estimate the future cashflows expected to arise from the cash generating unit and use a suitable discount rate to calculate the present value. The determination of the expected future cashflows requiresassumptions to be made by management. Where the actual future cashflows are less than expected, an impairment loss may arise.

Critical judgements

Provision and Contigencies

Judgements and assumptions are made about the likelihood and magnitude of an outflow of resources with respect to ongoing litigation and claims and regulatory audits.

Measurement of fair value

Several assets and liabilities of the company are either measured at fair value or disclosure is made of their fair values.

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In some cases, if the inputs used to measure the fair value of an asset or a liability is categorised in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement

Further information about the basis of determination of fair values is included in Note 33.

4. New Standards and Interpretations

4.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Notes to the financial statements for the year ended 31 March 2021

4. New Standards and Interpretations (continued)

Amendments to References to the Conceptual Framework in IFRS Standards

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.

Purpose

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.

Key provisions

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

• Chapter 1 – The objective of financial reporting

• Chapter 2 – Qualitative characteristics of useful financial information

• Chapter 3 – Financial statements and the reporting entity

• Chapter 4 – The elements of financial statements

• Chapter 5 – Recognition and derecognition

• Chapter 6 – Measurement

• Chapter 7 – Presentation and disclosure

• Chapter 8 – Concepts of capital and capital maintenance

The Conceptual Framework is accompanied by a Basis for Conclusions. The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 and for those applying IAS 8.

Impact

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

Definition of Material - Amendments to IAS 1 and IAS 8

Effective for annual periods beginning on or after 1 January 2020.

Key requirements

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 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 clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Obscuring information

Notes to the financial statements for the year ended 31 March 2021

4. New Standards and Interpretations (continued)

The amendments explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

New threshold

The amendments replaced the threshold 'could influence', which suggests that any potential influence of users must be considered, with 'could reasonably be expected to influence' in the definition of 'material'. In the amended definition, therefore, it is clarified that the materiality assessment will need to take into account only reasonably expected influence on economic decisions of primary users.

Primary users of the financial statements

The current definition refers to 'users' but does not specify their characteristics, which can be interpreted to imply that an entity is required to consider all possible users of the financial statements when deciding what information to disclose. Consequently, the IASB decided to refer to primary users in the new definition to help respond to concerns that the term 'users' may be interpreted too widely.

Other amendments

The definition of material in the Conceptual Framework and IFRS Practice Statement 2: Making Materiality Judgements were amended to align with the revised definition of material in IAS 1 and IAS 8.

Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact

Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organized in the financial statements.

4.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after April 1, 2021 or later periods:

Disclosure Initiative — Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

Under the new definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the 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 effective date of the amendment is for years beginning on or after January 1, 2020

The standard is not expected to have material impact on the Company.

Amendments to References to Conceptual Framework in IFRS Standards

Notes to the financial statements for the year ended 31 March 2021

4. New Standards and Interpretations (continued)

This document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

The effective date of the amendment is for years beginning on or after January 1, 2020.

It is unlikely that the amendment will have a material impact on the company's annual report.

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 - Annual Improvements (effective date - 1 January 2022)

IFRS 1 First Time Adoption of International Financial Reporting Standards - The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.

IFRS 9 Financial Instruments - The amendment clarifies that for the purpose of performing the ‘’10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

IFRS 16 Leases – The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

IAS 41 Agriculture - The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

It is unlikely that the amendment will have a material impact on the Company's annual report and financial statements.

Amendments to IAS 1 - Classification of liabilities as current or non-current (effective date - 1 January 2023)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management’s intentions or expectations for settling a liability when determining its classification is unchanged.

The amendments also clarify how a company classifies a liability that includes a counterparty conversion option, which could either be recognized as either equity or liability separately from the liability component under IAS 32 Financial Instruments: Presentation

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

It is unlikely that the amendment will have a material impact on the Company's annual report and financial statements.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use (effective date - 1 January 2022)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before its intended use by management.

As such, proceeds from selling items before the related item of property, plant and equipment is available for use should be recognized in profit or loss, together with the costs of producing those items.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

It is unlikely that the amendment will have a material impact on the Company's annual report and financial statements.

Notes to the financial statements for the year ended 31 March 2021

4. New Standards and Interpretations (continued)

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract (effective date - 1 January 2022)

The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets clarify that costs of fulfilling a contract comprise both:

- the incremental costs – e.g. direct labour and materials; and
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

This clarification is applicable for companies that apply the 'incremental cost' approach and they will need to recognize bigger and potentially more provisions.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

It is unlikely that the amendment will have a material impact on the Company's annual report and financial statements.

Notes to the Financial Statements for the year ended 31 March 2021

	31-Mar-21 N'000	31-Mar-20 N'000
5. Revenue		
Revenue from contracts with customers		
Sale of goods	8,667,751	7,735,742
Rendering of services - contract milling fees	-	1,105,393
	8,667,751	**8,841,135**
6. Cost of sales (by nature)		
Raw materials consumed	7,183,220	6,969,562
Manufacturing - Employee costs	121,610	165,461
Depreciation	203,854	182,791
Petrol, gas and oil	152,988	237,250
Factory rents and rates	1,880	26,256
Repairs and maintenance	52,383	27,829
Insurance	770	4,025
Other production expenses	158,076	351,903
	7,874,781	**7,965,077**
7. Other operating income		
Other rental income	2,675	1,825
Scrap sales	60,308	10,155
Government grants	60,322	190,473
	123,305	**202,453**
8. Selling and distribution expenses (analysed by nature)		
Employee cost - salesmen	28,544	18,318
Advertisement	6,293	2,466
Selling expenses	51,202	11,936
	86,039	**32,720**
9. General and administrative expenses (analysed by nature)		
Auditors remuneration	15,480	14,400
Bank charges	2,339	2,765
Consulting and professional fees	29,783	29,710
Depreciation	3,854	15,514
Donations	-	70
Employee costs	187,535	123,846
Directors' emoluments	11,803	24,470
Meeting expenses	-	7,856
Insurance	8,396	4,246
IT expenses	55,666	51,578
Medical expenses	5,794	8,882
Motor vehicle expenses	970	688
Fuel, gas and oil	13,887	13,594
Other administrative expenses	26,900	11,594
Fines, penalties and non-recoverable taxes	12,377	53,684
Postages, telephone and cables	2,315	3,182
Printing and stationery	6,419	5,918

Notes to the Financial Statements for the year ended 31 March 2021

	31-Mar-21 N'000	31-Mar-20 N'000
9. General and administrative expenses (analysed by nature) (continued)		
Rates	3,167	3,062
Repairs and maintenance	18,241	51,438
Subscriptions	4,687	1,710
Security services	5,276	3,483
Travelling and accomodation expenses	76,011	79,936
	490,900	**511,626**

10. Interest income

Interest income on bank balance and fixed deposit	9,614	18,347
Interest income on short term investment	2,425	5,839
Total interest income	**12,039**	**24,186**

11. Finance costs

Interest on intragroup loan	2,877	32,907
Interest on bank loans	175,899	426,538
Total finance costs determined using effective interest rate	**178,776**	**459,445**
Monitoring fees	5,541	6,258
Total finance costs expensed	**184,317**	**465,703**

Monitoring fees relates to 0.125% charge on the outstanding balance of the loan payable quarterly. The guarantee fees relates to charge payable to the bank guaranteeing the loan. The amount paid in the year was Nil (2020: - million).

12. Taxation

Per profit or loss

Income tax charged	-	44,506
Education tax	2,354	13,418
Police Trust Fund Levy	7	6
Current tax expense	2,361	57,930
Deferred taxation	62,066	(1,890)
Net income tax/(credit) as per profit or loss	**64,427**	**56,040**

Corporation tax is calculated at 30% (2020: 30%) of the estimated taxable profit for the year while tertiary education tax is calculated at 2% (2020: 2%) of the estimated assessable profit for the year.

Per statement of financial position		
At 1 April	65,614	21,345
Charge for the year	2,362	57,930
Minimum tax	21,669	-
Payment during the year		
Cash payment during the year	(40,823)	(2,746)
Witholding tax utilized	(17,063)	(10,915)
At 31 March	**31,759**	**65,614**

Notes to the Financial Statements for the year ended 31 March 2021

		31-Mar-21 N'000	31-Mar-20 N'000

12. Taxation (continued)

Reconciliation of effective tax rate

Profit before tax on continuing operations (A)	Rate	134,346	120,675
Tax at the statutory corporation tax rate of 30%	30%	40,303	36,203
Tertiary education tax rate @2%	2%	2,687	13,418
Tax effect of tax incentives (investment allowance)	(1)%	(783)	(3,720)
Tax effect of non-deductible expenses	8%	18,717	10,133
Police trust fund levy @ 0.005%	0.005%	7	6
Changes in estimates related to prior years		3,496	-
Income tax expense recognized in profit or loss (relating to continuing operations) (B)	**48%**	**64,427**	**56,040**
Effective tax rate (B/A)		**48 %**	**46 %**

13. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(110,640)	(54,249)
Deferred tax asset	5,815	-
Total net deferred tax asset (liability)	**(104,825)**	**(54,249)**

Analysis of deferred tax (assets)/liabilities

2021	**At 1 April 2020**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**At 31 March 2021**
Deferred tax (assets)/liabilities in relation to:	**N'000**	**N'000**	**N'000**	**N'000**
Property, plant and equipment	84,838	(24,297)	-	60,541
Retirement benefits	(49,077)	(10,070)	(11,489)	(70,636)
Other provisions	(155,513)	96,432	-	(59,081)
Allowance for bad debt	174,001	-	-	174,001
	54,249	**62,065**	**(11,489)**	**104,825**

March 31, 2020	**At 1 April 2019**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**At 31 March 2020**
Deferred tax (assets)/liabilities in relation to:	**N'000**	**N'000**	**N'000**	**N'000**
Property, plant and equipment	(8,597)	93,435	-	84,838
Retirement benefits	(38,406)	(4,856)	(5,815)	(49,077)
Allowance for bad debt	(63,192)	7,615	-	(55,577)
Write-down of obsolete inventories	(1,852)	(98,084)	-	(99,936)
Revaluation surplus on land	-	-	174,001	174,001
	(112,047)	**(1,890)**	**168,186**	**54,249**

Notes to the Financial Statements for the year ended 31 March 2021

13. Deferred tax (continued)

Movement in Deferred tax (asset)/liabilities

	31-Mar-21 N'000	31-Mar-20 N'000
Beginning of the year	(54,249)	112,047
Charge for the year recognised in profit or loss	(62,065)	1,890
Charge/(Credit) to other comprehensive income	11,489	(168,186)
31 March	**(104,825)**	**(54,249)**

	Assets		**Liabilities**		**Net**	
Deferred tax assets and liabilities are attributable to the following:	**31-Mar-21**	**31-Mar-20**	**31-Mar-21**	**31-Mar-20**	**31-Mar-21**	**31-Mar-20**
Property, plant and equipment	(24,297)	-	84,838	84,838	60,541	84,838
Retirement benefit provision	(49,077)	(49,077)	(21,559)	-	(70,636)	(49,077)
Revaluation surplus on land	(59,081)	(55,577)	-	-	(59,081)	(55,577)
Write-down for obsolete inventories	(99,936)	(99,936)	99,936	-	-	(99,936)
Revaluation surplus on land	174,001	-	-	174,001	174,001	174,001
	(58,390)	**(204,590)**	**163,215**	**258,839**	**104,825**	**54,249**

The directors have recognised a deferred tax asset of N(104.83) million relating to deductible temporary differences and unused tax losses available for utilization against future taxable profits. Management assessment of the recoverability of the deferred tax asset is based on approved forecast which reflects improved trading performance arising from introduction of new products and strengthening of the sales and distribution channels of the Company by partnering with the sales team of the parent company, Flour Mills of Nigeria Plc.

There was no unrecognised deferred tax as at the end of the reporting period (2020: Nil).

The tax assessments and computations for the year ended 31 March 2021 were performed by Olukunle Ogunbamowo of Messrs Deloitte & Touche, FRC/2013/ICAN/00000000818.

Notes to the Financial Statements for the year ended 31 March 2021

14. Property, plant and equipment

Company

	Land and Building	Plant and machinery	Furniture and equipment	Motor vehicles	Capital work-in-progress	Total
	N'000	N'000 '000	N'000 '000	N'000 '000	N'000 '000	N'000 '000
Cost/Revaluation						
Balance at 1 April 2019	129,281	2,990,128	89,457	308,402	154,713	3,671,981
Additions	-	-	-	-	96,420	96,420
Disposals	-	-	-	(18,050)	-	(18,050)
Transfer - capital work in progress	10,578	124,009	5,594	6,176	(146,357)	-
Transfer from inventories (spare parts)	-	-	-	-	925	925
Revaluation (Note 41)	1,740,005	-	-	-	-	1,740,005
Balance at 31 March 2020	1,879,864	3,114,137	95,051	296,528	105,701	5,491,281
Balance at April 1, 2020	1,879,864	3,114,137	95,051	296,528	105,701	5,491,281
Additions	-	-	-	-	46,260	46,260
Disposals	-	-	-	-	-	-
Transfer from CWIP	10,307	26,120	11,333	9,845	(57,605)	-
Reclassification	(12,725)	21	(21)	-	-	(12,725)
Balance at March 31, 2021	1,877,446	3,140,278	106,363	306,373	94,356	5,524,816
Accumulated depreciation						
Balance at April 1, 2019	49,685	1,137,366	86,325	304,373	-	1,577,749
Charge for the year	4,199	189,270	2,891	1,945	-	198,305
Disposals	-	-	-	(17,665)	-	(17,665)
Balance at March 31, 2020	53,884	1,326,636	89,216	288,653	-	1,758,389
Balance at April 1, 2020	53,884	1,326,636	89,216	288,653	-	1,758,389
Charge for the year	2,503	196,071	1,496	7,638	-	207,708
Reclassification	(12,725)	-	-	-	-	(12,725)
Adjustment	-	924	(1,791)	-	-	(867)
Balance at March 31, 2021	43,662	1,523,631	88,921	296,291	-	1,952,505
Carrying amount						
At March 31, 2021	1,833,784	1,616,647	17,442	10,082	94,356	3,572,311
At March 31, 2020	1,825,980	1,787,501	5,835	7,875	105,701	3,732,892

Land and building is analysed as follows:

	Land	Building	Total
	N'000	N'000	N'000
Carrying amount			
At March 31, 2021	1,761,275	72,509	1,833,784
At March 31, 2020	1,761,275	64,705	1,825,980

Carrying amount that would have been recognised if land was stated at cost is N21.27 million.

Pledged as security

There is a negative pledge over the Company's property, plant and equipment given in relation to one of the Company's borrowing (2020: same).

Capital commitment

At 31 March 2021, the company had no authorised and/or contracted capital commitments for the acquisition of property, plant and equipment (2020: Nil).

Capital work in progress

All Capital work in progress relates to the installation of certain items of plant and machinery.

14. Property, plant and equipment (continued)

Revaluation of land
Management determined that the Land properties constitute a separate class of property, plant and equipment, based on the nature, characteristics and risks of the property.
Fair value of the properties was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. As at the dates of revaluation on 31 March 2020, the properties' fair values are based on valuations performed by Chime Peter Adesanya (ANIVS), FRC/2013/NIESV/00000011462 of Jide Taiwo & Co. (Estate Surveyors and Valuers), FRC/2012/0000000000254 on March 20, 2020 who has recognised professional qualifications and experience in the location of the land. A net gain from the revaluation of the land in Nigeria of N1.74 billion in 2020 was recognised in Other comprehensive income.
The land revaluation exercise provided a revaluation surplus which is not available for distribution to the shareholders. It is the management policy to carry out revaluation of land every three (3) years. The valuation has been made using inputs classified as level 3 fair value hierarchy.

Significant unobservable valuation input:	**Range**
Price per square metre	N22,500 - N30,000

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value on a linear basis.

15. Inventories

Raw and packaging materials	2,613,907	1,621,763
Goods in Transit - Raw Materials	87,040	95,274
Finished goods	433,516	127,344
Maintenance spares and consumables	71,863	53,344
	3,206,326	1,897,725
Inventories (write-downs)	-	(337,143)
	3,206,326	**1,560,582**

The cost of inventories recognised as an expense (raw material consumed) during the year was N7.18 billion (2020: N6.97 million).

There was no Inventory write down recognised in profit or loss during the year (2020: N337.143 million).

In the previous year, an amount of N337.143 million was written off inventory due to deterioration in quality of sorghum grains as a result of weevil infestation. A further provision of N24 million was made to cover for unforseen grains inventory loss after its disposal. However, the infested grains were successfully sold in the current year and the provision of N24 million was no longer necessary and therefore reversed from the books.

Reconciliation of changes in inventories included in the statement of cash flows

Closing balance	(3,206,326)	(1,560,582)
Opening balance	1,560,582	2,178,992
Change in inventory	(1,645,744)	618,410
Transfer to property, plant and equipment	-	(925)
	(1,645,744)	**617,485**

Notes to the Financial Statements for the year ended 31 March 2021

	31-Mar-21 N'000	31-Mar-20 N'000
16. Trade and other receivables		
Financial instruments:		
Trade receivables - third parties	180,396	369,480
Trade receivables - related parties	273	594,860
Withholding tax receivables	226	15,013
Loss allowance	(180,396)	(169,354)
Trade receivables at amortised cost	499	809,999
Unclaimed dividends receivable from registrar	9,111	14,686
Total trade and other receivables	**9,610**	**824,685**

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

Before granting a new customer credit, the Company initially trades with the customer on a cash basis to assess the customer's credit worthiness and also determine the customer's transaction volumes. This enables a reasonable credit limit to be set. Once these are determined, the customer is then allowed to apply for a credit facility from the Company through a rigorous process with several levels of approval.

Credit sales form a small portion of overall sales. Other than amount due from parent company, the concentration of credit risk is limited due to this fact and the large and unrelated customer base. The Company has pledged no trade receivables during the year.

Ageing group	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**
1 - 30 days	70%	8,100	8,100
31 - 60 days	97%	-	-
61 - 180 days	98%	56	56
181 - 365 days	70%	139	139
Over 365 days	100%	172,101	172,101
		180,396	180,396

Movement in impairment of trade and other receivables

	31-Mar-21 N'000	31-Mar-20 N'000
At 1 April	169,354	197,381
Impairment	11,042	-
Amounts recovered during the year		(28,027)
At 31 March	**180,396**	**169,354**

In determining the recoverability of the trade receivables, management considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the directors believe that there is no further impairment required in excess of the allowance for doubtful debts already recognised.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts due to the immaterial impact of discounting as a consequence of their short term nature. Accordingly, no further fair value information is presented.

Notes to the Financial Statements for the year ended 31 March 2021

	31-Mar-21 N'000	31-Mar-20 N'000

16. Trade and other receivables (continued)

Reconciliation of changes in trade and other receivables included in the statement of cashflows		
Movement during the year	815,075	691,135
Withholding tax utilised (Note 12)	(17,063)	10,915
Unclaimed dividend during the year (Note 26)	6,494	-
	804,506	**702,050**

17. Prepayments

Long term prepayment - Prepaid rent & rates	6,158	6,969
Short term prepayment - Prepaid rent & rates	41,396	268
Short term prepayment - Other prepaid expenses	-	24,107
	47,554	**31,344**

18. Investment

Investment represents a portion of unclaimed dividend which the Company has invested in treasury bills through an investment manager, in line with the requirements of the Securities and Exchange Commission that unpaid dividends be invested in an interest bearing instrument with an Investment manager. This amount is restricted from use by the Company. The investment is for 6 months with an interest rate of 14%.

At 1 April	31,003	25,164
Short-term investment recorded in Cash in FY2021	(30,312)	-
Short-term investment recorded in Cash in FY2020	7,476	-
Reclassification of cash with Registrar previously recorded in Investments	(2,369)	-
Transfer of investment from Registrar to the Company	14,686	-
Liquidated investment	(15,027)	-
Interest income	2,425	5,839
At 31 March	7,882	31,003

Reconciliation of changes in investment included in the statement of cashflows.		
Movement during the year	23,121	(5,839)
Liquidated investment	(15,027)	-
	8,094	(5,839)

19. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	697	328
Bank balances	490,578	1,660,430
Short-term investments	30,312	650,722
Cash and cash equivalents per statement of financial position	521,587	2,311,480
Cash and cash equivalents per statement of cash flows	**521,587**	**2,311,480**

The carrying amount of these assets approximate their fair values. See note 33 for additional information on exposure to credit and currency risk.

Notes to the Financial Statements for the year ended 31 March 2021

	31-Mar-21 N'000	31-Mar-20 N'000
20. Share capital		
Authorised		
200,000,000 (2020: 200,000,000) ordinary shares of 50 kobo each	100,000	100,000
Issued and fully paid share capital		
178,200,000 (2020: 178,200,000) ordinary shares of 50 kobo each	89,100	89,100
Share premium	89,521	89,521
	178,621	**178,621**

21. Borrowings

	31-Mar-21 N'000	31-Mar-20 N'000
Unsecured borrowings		
Bank of Industry Loan - CBN intervention fund (a)	533,603	1,130,986
Bank of Industry Loan 2 (b)	243,416	897,317
Intra group loan from FMN (c)	1,234,583	-
	2,011,602	2,028,303
Secured Borrowings		
	-	-
	2,011,602	**2,028,303**
Analysed into		
Current	1,626,613	1,364,692
Non-current	384,989	663,611
	2,011,602	**2,028,303**
Loan movement		
Opening balance	2,028,303	2,847,993
Additions	-	900,000
Impact of fair value measurement on initial recognition	-	(111,672)
Reclassification from intercompany balance to loans and borrowing	1,231,994	-
Accrued interest	178,776	465,703
Principal repayment	(1,329,615)	(1,860,756)
Repayment of interest	(97,856)	(212,965)
Closing balance	**2,011,602**	**2,028,303**

Details of Borrowings

(a) The Commercial Agricultural Credit Scheme(CACS) loan is guaranteed by a negative pledge on the Company's assets.

The Bank of Industry (BOI) loans were obtained at below market interest rates and were hence recorded at their fair value at inception using the appropriate market rate at date of draw down. Due to the nature of the lending and the providers, the benefit of the below market rate has been treated as government grants and included in deferred revenue (Note 24).

(c) The CBN on 16 March 2020 announced certain policy measures to ensure the country's financial stability and cushion the adverse effect of the coronavirus pandemic on the Nigerian Economy. These measures include:

21. Borrowings (continued)

(i) the one year extension of moratorium on principal repayments of all CBN intervention facilities and

(ii) reduction of the interest rate from 12% to 10% for one year effective from 1 April 2020.

31 March 2021	**Currency**	**Nominal interest rate**	**Maturity**	**Carrying amount**	**Face value**
Bank of industry loan 1	Naira	10%	2024	533,603	663,611
Bank of industry loan 2	Naira	12%	2021	243,416	467,375
				777,019	**1,130,986**

31 March 2020	**Currency**	**Nominal interest rate**	**Maturity**	**Carrying amount**	**Face value**
Bank of industry loan 1	Naira	10%	2024	663,611	790,283
Bank of industry loan 2	Naira	12%	2021	467,375	515,423
Commercial Agricultural Credit Scheme	Naira	5%	2020	897,317	900,000
				2,028,303	**2,205,706**

The Company's exposure to liquidity risk is disclosed in Note 34.

22. Retirement benefits

Defined benefit plan

The Company operates unfunded defined benefit plans for qualifying employees of the Company. Under the plans, the employees are entitled to retirement benefits on attainment of a retirement age ranging from 50 to 60 years.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 March 2021 by EY professional services (Rotimi Okpaise, FRC registration number: FRC/2012/NAS/00000000738). The present value of the defined benefit obligation, and the related current service cost, were measured using the Projected Unit Credit Method.

Amounts recognised in the financial statements in respect of the defined benefit scheme are as follows:

	31-Mar-21 N'000	31-Mar-20 N'000
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(180,687)	(121,864)
Movements during the year		
Opening balance	121,864	95,744
Net transfer	1,498	-
Benefits paid	(3,500)	(13,181)
Net expense recognised in profit or loss and other comprehensive income	60,825	39,301
	180,687	**121,864**

Notes to the Financial Statements for the year ended 31 March 2021

	31-Mar-21 N'000	31-Mar-20 N'000

22. Retirement benefits (continued)

Net expense recognised in profit or loss and other comprehensive income

	31-Mar-21	31-Mar-20
Current service cost	9,015	7,267
Interest cost	15,907	13,861
Recognised in profit or loss	24,922	21,128
Actuarial (gains)/losses recognised in other comprehensive income	35,903	18,173
	60,825	**39,301**

	31-Mar-21	31-Mar-20
Actuarial gains and losses due to:		
Changes in assumptions	25,220	9,861
Changes in experience	10,683	8,312
	35,903	**18,173**

Key assumptions used

	31-Mar-21	**31-Mar-20**
Discount rates (per annum)	12.10 %	13.50 %
Average rate of inflation (per annum)	12.00 %	11.00 %
Expected increase in salaries (per annum)	13.00 %	12.00 %
Average duration of the plan (years)	9.03	9.27

Demographic assumption

Mortality and withdrawal from service

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK due to unavailability of published reliable demographic data in Nigeria.

Sample age	**Number of deaths in year out of 10,000 lives**	**Withdrawal from Service (Age band)**	**Withdrawal from Service (Rate)**
25	7	</=30	2.5%
30	7	31 - 39	1.5%
35	9	40 -44	1.0%
40	14	45 - 59	0.0%
45	26		

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefits obligation as shown below:

2021		**N '000**
Base		187,805
Discount rate	+1%	172,438
	-1%	205,340
Salary increase	+1%	195,835
	-1%	180,533
Mortality experience	Age rated up by 1 year	187,683
	Age rated down by 1 year	187,915

Notes to the Financial Statements for the year ended 31 March 2021

22. Retirement benefits (continued)

Defined contribution plan

The employees of the Company are members of a government approved Pension scheme (Pension Reform Act, 2014) which is managed by several private sector service providers. The Company and employees are required to contribute 10% and 8% respectively of the employees basic salaries, housing and transport allowances to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions.

	31-Mar-21 N'000	31-Mar-20 N'000
Movement in pension payable		
Opening balance	14,636	14,640
Employees' contribution	9,608	7,635
Employer's contribution	11,812	9,544
Remittances	(18,931)	(17,183)
Closing Balance (Note 25)	**17,125**	**14,636**

23. Long service award

The Company operates a long service award scheme where employees are rewarded after a specific number of years in service. Employees are entitled to the benefits after being in service for 10, 15, 20, 25, 30 and 35 years. The amounts and items given are based on the number of years in service.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out by EY professional services (Rotimi Okpaise, FRC registration number: FRC/2012/NAS/00000000738). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Carrying value

The amount included in the statement of financial position arising from the Company's obligations in respect of its long service awards is as follows:

	31-Mar-21 N'000	31-Mar-20 N'000
Long service awards	40,052	31,602

The movement in the account during the year was as follows:

Movement in Long service award

At the begining of the year	31,602	24,374
Net transfer	568	-
Net expense recognised in profit or loss	7,882	9,130
Benefits paid	-	(1,902)
At the end of the year	**40,052**	**31,602**

Notes to the Financial Statements for the year ended 31 March 2021

	31-Mar-21 N'000	31-Mar-20 N'000

23. Long service award (continued)

Net expense recognised in profit or loss		
Service cost	3,137	2,278
Interest cost	4,091	3,415
Actuarial (gains)/ losses	654	3,437
	7,882	**9,130**

The actuarial gains and losses on long service awards are analyzed as follows:		
Change in economic assumption	5,689	1,684
Change in demographic assumption	(5,035)	1,753
	654	**3,437**

The principal assumptions used for the purpose of the actuarial valuation were as follows:

	Valuation at	
	31-Mar-21	**31-Mar-20**
Discount rate (per annum)	11.85%	13.50%
Expected rate(s) of salary increases (per annum)	13%	12%
Average rate of inflation (per annum)	12%	11%
Benefit inflation rate (per annum)	6%	5.5%
Average duration of the plan (years)	7.06	7.29

Demographic assumptions

Mortality and withdrawal from service

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK due to unavailability of published reliable demographic data in Nigeria.

Sample age	Number of deaths in year out of 10,000 lives	Age band	Withdrawal from service
25	7	</= 30	2.5%
30	7	31 - 39	1.5%
35	9	40 - 44	1.0%
40	14	45 - 55	0.0%
45	26	56 - 59	0.0%

Sensitivity analysis

Reasonbly possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the long service awards obligation to the amount shown below.

		N'000
Base		42,546
Discount rate	+1%	39,959
	-1%	45,444
Salary increase	+1%	45,376
	-1%	39,978
Benefit escalation rate	+1%	42,643
	-1%	42,453
Mortality experience	Age rated up by 1 year	42,361
	Age rated down by 1 year	42,713

Notes to the Financial Statements for the year ended 31 March 2021

	31-Mar-21 N'000	31-Mar-20 N'000

24. Deferred income

Non-current liabilities	33,173	68,461
Current liabilities	39,571	64,605
	72,744	**133,066**
Opening balance	133,066	211,867
Fair value of initial recognition	-	111,672
Release of deferred income from government grant	(60,322)	(190,473)
Closing balance	**72,744**	**133,066**

The deferred income represents government grants arising from the benefit received from below-market-interest rate government assisted loans (BOI and CACS loans) granted to date (Note 21). The income is recognised in profit or loss over the tenor of the loan on a systematic basis. See Notes 7 and 21.

25. Trade and other payables

Financial instruments:		
Trade payables - third parties	1,265,683	326,124
Trade payables - related parties	281,699	2,495,991
Other accrued expenses	20,392	70,400
Non-financial instruments:		
Statutory payables	183,405	207,973
Pension payable (Note22)	17,125	14,636
	1,768,304	**3,115,124**

"Trade payables - third parties" - included in the Trade payables -third parties balance is the balance due to Flour Millers Association of Nigeria(FMAN). FMAN pulls cash from its members, one of whom is the parent company, Flour Mills of Nigeria PLC(FMN) to procure Nigerian wheat for use in production. Amount received FMN, included in the balance above is N918 million.

The average credit period on purchases is 62 days. No interest is charged on trade payables. The Company have financial risk management policies in place to ensure that all payables are paid within a reasonable time of the credit time frame.

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts due to the immaterial impact of discounting as a consequence of their short term nature.

Changes in trade and other payables per statement of cash flow		
Trade payables as at year end	1,768,304	3,115,124
Trade payables as at 1 April	(3,115,124)	(542,929)
Reclassification from intercompany payables to Loans and borrowing (Note 21)	1,231,994	-
Adjustment to PPE (Note 14)	(867)	-
Net transfer on Gratuity (Note 22)	1,498	-
Net transfer on Long Service Award (Note 23)	568	-
	(113,627)	**2,572,195**

26. Dividend payable

At 1 April	22,910	22,910
Declared during the year	26,727	-
Payment made in the year by registrar	(26,727)	-
Unclaimed dividends arising from dividend declared during the year	6,494	-
At 31 March	**29,404**	**22,910**

Notes to the Financial Statements for the year ended 31 March 2021

26. Dividend payable (continued)

Additional text

The dividend of N26.73 million was fully paid during the year but an amount of N6.494 million from it remained unclaimed by the shareholders.

27. Customer deposits

Advance payment by customers for goods to be supplied (contract liabilities)	338,122	150,261

The amount N150.261 million included in contract liabilities as at 31 March 2020 has been recognised in revenue in 2021 (2020: N75 million)

28. Earnings per share

Basic earnings/(loss) per share

Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	31-Mar-21 N'000	31-Mar-20 N'000
Reconciliation of profit or loss for the year to earnings per share		
Profit or loss for the year attributable to equity holders of the parent	69,919	64,635
Weighted average number of shares ('000)*	178,200	178,200
Basic earnings (loss) per share		
Kobo per share	39.00	36.00

Diluted earnings/(loss) per share

In the determination of diluted earnings per share, profit or loss attributable to the equity holders of the Company and the weighted average number of ordinary shares are adjusted for the effects of all dilutive potential ordinary shares.

	31-Mar-21 N'000	31-Mar-20 N'000
Reconciliation of profit or loss for the year to earnings per share		
Profit or loss for the year attributable to equity holders of the parent	69,919	64,635
Weighted average number of shares ('000)	178,200	178,200
Diluted earnings (loss) per share		
From continuing operations (kobo per share)	39.00	36.00

The Company has no potentially dilutive instruments as at year year end.

29. Employee information

Employee costs

Notes to the Financial Statements for the year ended 31 March 2021

	31-Mar-21 N'000	31-Mar-20 N'000
29. Employee information (continued)		
Salaries, wages and other benefits	294,422	292,093
Pensions	21,420	17,179
Long service awards	7,882	9,130
Gratuity	24,922	21,128
	348,646	**339,530**

	31-Mar-21 N'000	31-Mar-20 N'000
Total employee costs recognised in profit or loss		
Cost of sales	121,610	165,461
General and administrative expenses	198,492	155,751
Selling and distribution expenses	28,544	18,318
	348,646	**339,530**

Average number of persons employed as at year end

	31-Mar-21 Number	31-Mar-20 Number
Managerial	3	4
Non-managerial staff	60	60
	63	**64**

The table shows the number of employees (excluding directors) whose earnings during the year fell within the ranges shown below:

	31-Mar-21	31-Mar-20
N'000500,001 - N'0001,000,000	30	31
N'0001,000,001 - N'0001,500,000	20	19
N'0001,500,001 - N'0002,000,000	4	4
N'0002,000,001 - N'0002,500,000	2	2
N'0002,500,001 - N'0003,000,000	3	3
N'0003,000,001 - N'0003,500,000	1	1
N'0003,500,001 and above	3	4
	63	**64**

30. Categories of financial instruments

	31-Mar-21 N'000	31-Mar-20 N'000
Non- derivative financial assets		
Cash and cash equivalents (Note 19)	521,587	2,311,480
Trade and other receivables (Note 16)	9,610	824,685
Investment	7,883	31,003
	539,080	**3,167,168**
Other Financial liabilities		
Borrowings (Note 21)	2,011,602	2,028,303
Trade and other payables (excluding statutory deductions) (Note 25)	1,567,774	2,892,515
Dividend payable	29,404	22,910
	3,608,780	**4,943,728**

Notes to the Financial Statements for the year ended 31 March 2021

31. Related parties transactions

Relationships

Parent company	Flour Mills of Nigeria Plc

Name of related party	Nature of relationship
Apapa Bulk Terminal Limited	Fellow subsidiary
Golden Shipping Company Nigeria Limited	Fellow subsidiary
Golden Sugar Company Limited	Fellow subsidiary
Kaboji Farms Limited	Fellow subsidiary
Premier Feed Mills Company Limited	Fellow subsidiary
Nigerian Eagles Flour Mills Limited	Fellow subsidiary
Crestview Towers Limited	Fellow subsidiary
Olympic Towers Limited	Fellow subsidiary
Agri Palm Limited	Fellow subsidiary
Agri Estates Limited	Fellow subsidiary
Sunflag Farms Limited	Fellow subsidiary
Shao Golden Farms Limited	Fellow subsidiary
Premium Edible Oil Products Limited	Fellow subsidiary
Premium Cassava Products Limited	Fellow subsidiary
Best Chickens Limited	Fellow subsidiary
Sunti Golden Sugar Estates Limited	Fellow subsidiary
Golden Agri Inputs Limited	Fellow subsidiary
Eastern Premier Feeds Limited	Fellow subsidiary

Related party balances

	31-Mar-21 N'000	31-Mar-20 N'000
Trade and other receivables		
Flour Mills of Nigeria Plc	-	552,639
Premier Feed Mills Company Limited	-	244
ROM Oil Mills Limited	273	273
Eastern Premier Feed Mills Company Limited	-	41,704
	273	**594,860**
Trade and other payables		
Flour Mills of Nigeria Plc	3,712	2,449,844
BAGCO	25,002	25,028
Golden Fertilizer Company Limited	-	(58)
Golden Transport Company Limited	41,712	19,848
Premier Feeds Mills Company Limited	211,513	-
Golden Agri Input Limited	(240)	1,329
Total (Note25)	**281,699**	**2,495,991**

The following transactions were carried out with related parties during the year:
Purchase of goods and services

Flour MIlls of Nigeria Plc	4,389,188	5,341,154
BAGCO	258,230	242,691
Golden Transport	320,457	393,744
Premier Feed Mills Limited	604,119	-
Thai Farm International Limited	-	280
Golden Agri Input Limited	1,892	31,242
	5,573,886	**6,009,111**

Notes to the Financial Statements for the year ended 31 March 2021

	31-Mar-21 N'000	31-Mar-20 N'000
31. Related parties transactions (continued)		
Sale of goods and services		
Flour Mills of Nigeria Plc	989,561	1,365,140
Eastern Premier Feed Mills Limited	33,960	169,062
Premier Feed Mills Company Limited	109,782	282,222
	1,133,303	**1,816,424**

Related party transactions disclosed is inclusive of the relevant Value Added Tax applicable on the transactions.

Compensation of key management personnel		
Short term benefits	36,771	36,771
Post-employment benefits (Pension) Defined contribution plan	1,909	1,909
Gratuity	7,374	7,374
	46,054	**46,054**

32. Directors' emoluments

The members of the executive management team and all directors are considered to be the key management personnel of the Company.

The remuneration paid to Directors was:		
Fees	7,000	7,856
Salaries and other emoluments	4,803	16,614
	11,803	**24,470**

Fees and other emoluments disclosed above include amount paid to:		
Chairman	-	-
Other directors	11,803	24,470
	11,803	**24,470**

The number of Directors excluding the Chairman whose emoluments (excluding certain benefits) were within the following ranges:

	31-Mar-21	31-Mar-20
Range (N'000)		
1 - 5,000,000	9	10
5,000,001 - 25,000,000	1	1
	10	**11**

In thousands of Naira		
Higest paid Director received	8,000	16,614

The Chairman did not receive any remuneration during the year (2020: Nil).

Loan to key management personnel

No loan was given to any key management personnel during the year (2020: Nil).

33. Financial instruments and risk management

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital through the optimisation of the net debt to equity ratio. The overall strategy remains unchanged from the previous year.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in notes 21 and equity as disclosed in the statement of financial position.

The management of the Company reviews the capital structure on a frequent basis to ensure that gearing is within acceptable limit.

The Company is not subject to any externally imposed capital requirements.

Ratios

The capital structure and gearing ratio of the select entity at the reporting date was as follows:

		31-Mar-21 N'000	31-Mar-20 N'000
Borrowings	21	2,011,602	2,028,303
Cash and cash equivalents	19	(521,587)	(2,311,480)
Net borrowings		**1,490,015**	**(283,177)**
Equity		2,803,008	2,768,996
Gearing ratio		1 : 0.53	1 : (0.10)

Financial risk management

Overview

The Company is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

Risk management is carried out by management under policies approved by the board of directors. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

Financial risk management is an integral part of the way the Company is managed. The Board of Directors establishes the Company's financial policies and the Managing Director establishes objectives in line with these policies.

The risk management activities are supervised by the Internal Audit Department of the parent company, Flour Mills of Nigeria Plc, and they provide an independent assurance of the risk framework. The Internal Audit assesses compliance with established controls and recommendations for improvement in processes are escalated to relevant management, Audit Committee and Board of Directors.

33.1 Credit risk

33. Financial instruments and risk management (continued)

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the executive committee periodically.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of counterparties to assess recoverability of amount due. See Note 16.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by 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. The Company does not hold collateral as security.

The maximum exposure to credit risk is presented in the table below:

		31-Mar-21			31-Mar-20		
		Gross carrying amount N'000	Credit loss allowance N'000	Amortised cost / fair value N'000	Gross carrying amount N'000	Credit loss allowance N'000	Amortised cost / fair value N'000
Trade receivables	16	180,396	(180,396)	-	369,480	(169,354)	200,126
Related party receivables	16	273	-	273	594,860	-	594,860
Bank balances	19	490,578	-	490,578	1,660,430	-	1,660,430
Investment		7,882	-	7,882	31,003	-	31,003
		679,129	**(180,396)**	**498,733**	**2,655,773**	**(169,354)**	**2,501,432**

The amount of cash and cash equivalents and investments disclosed in the table above represents the Company's maximum credit exposure on these assets. The cash and cash equivalents are held with banks and financial institution counterparties, which are reputable and have a sound financial position.

33.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company’s short-, medium- and long-term funding and liquidity management requirements. The Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cashflows, and by matching the maturity profiles of financial assets and liabilities.

Maturity analysis of financial liabilities

The maturity profile of contractual cash flows of non-derivative financial liabilities, are presented in the following table. The cash flows are undiscounted contractual amounts.

Notes to the Financial Statements for the year ended 31 March 2021

	31-Mar-21	31-Mar-20
	N'000	N'000

33. Financial instruments and risk management (continued)

2021

	Contractual cash flows						
	Carrying amount	**Total**	**2 months or less**	**2-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Trade and other payables (excluding statutory deductions	1,745,690	1,745,690	-	1,745,690	-	-	-
Borrowings	777,019	967,133	109,285	392,066	209,559	256,223	-
	2,522,709	**2,712,823**	**109,285**	**2,137,756**	**209,559**	**256,223**	**-**

2020

	Contractual cash flows						
	Carrying amount	**Total**	**2 months or less**	**2-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Trade and other payables (excluding statutory deductions	2,974,704	2,974,704		2,974,704			-
Borrowings	2,028,000	2,432,314	1,043,810	494,186	426,385	467,933	-
	5,002,704	**5,407,018**	**1,043,810**	**3,468,890**	**426,385**	**467,933**	**-**

33.3 **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 such as interest rate, exchange rates and other prices.The Company negotiates long term credit facilities and obtains subsidised loans from the Government in order to reduce the risk associated with high cost of borrowing. The Company also takes advantage of the Central Bank of Nigeria intervention funds and grants from the Federal Government at below market rate in order to mitigate this risk.

The Company's activities expose it primarily to financial risks of changes in foreign currency exchange rates and interest rates. Market risks exposures are measured using sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

33.3.1 Foreign currency risk

The Company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary.

The Company is mainly exposed to fluctuation in the exchange rate of the American Dollar (USD).

Effective closing rate as at 31 March 2021 is N482/ US Dollar (2020: 387/ US Dollar). Average rate for the year is N482/ US Dollar (2020: N387/ US Dollar).

Foreign currency exposure at the end of the reporting period

The net carrying amounts, in Naira, of the exposure to the Amercan Dollars. The amounts have been presented in Naira by converting the foreign currency amounts at the closing rate at the reporting date:

		31-Mar-21	31-Mar-20
		USD	USD
Non-current liabilities:			
Cash and cash equivalent	25	1,228	1,228

33. Financial instruments and risk management (continued)

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 10%, increase and decrease in the value of Naira against USD. Management believes that a 14% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analysis below include outstanding balances of USD denominated assets and liabilities. A positive number indicates an increase in profit where Naira strengthens by 10% against the USD. For a 10% weakening of Naira against the USD there would be an equal and opposite impact on profit, and the balances below would be negative.

	31-Mar-21	31-Mar-21	31-Mar-20	31-Mar-20
Increase or decrease in rate	Increase N'000	Decrease N'000	Increase N'000	Decrease N'000
Impact on profit or loss:				
Naira changes by 10% (2020: 10 %)	59	(59)	95	(95)

33.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market interest rates. The Company negotiates long term credit facilities and obtains subsidised loans from the Government in order to reduce the risk associated with high cost of borrowing and also takes advantage of the Central Bank of Nigeria intervention funds and grants from the Federal Government at below market rate in order to mitigate this risk.

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

If interest rates had been 100 basis points (i.e. 1%) higher/lower and all other variables were held constant, the Company's profit or loss will be affected as follows:

	31-Mar-21	31-Mar-21	31-Mar-20	31-Mar-20
Increase or (decrease) in rate	Increase N'000	Decrease N'000	Increase N'000	Decrease N'000
Impact on profit or loss:				
Borrowings	11,035	(11,035)	15,685	(15,685)

Notes to the Financial Statements for the year ended 31 March 2021

34. Fair value information

Accounting classifcation and fair values

The following table shows the carrying amount and fair values of financial assets and liabilites, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial libailities not measured at fair value if the carring amount is a reasonable approximation of fair value.

		Carrying amount			Fair value			
31 March 2021 **In thousands of Naira**	**Note**	**Financial assets measured at amortised cost**	**Fnancial liabilites measured at amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortised cost								
Trade and other receivables	16	9,610	-	9,610	-	-	-	-
Cash and cash equivalents	19	521,587	-	521,587	-	-	-	-
		531,197	-	531,197	-	-	-	-
Financial liabilities not measured at fair value								
Unsecured loans	21	-	(2,011,602)	(2,011,602)	-	2,087,662	-	2,087,662
Trade and other payables (excluding statutory deductions)		-	(1,567,774)	(1,567,774)	-	-	-	-
		-	(3,579,376)	(3,579,376)	-	2,087,662	-	2,087,662

Notes to the Financial Statements for the year ended 31 March 2021

34. Fair value information (continued)

31 March 2020 In thousands of Naira	Note	Carrying amount Financial assets measured at amortised cost	Financial liabilites at amortised cost	Total	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at amortised cost								
Trade and other receivables	16	824,685	-	824,685	-	-	-	-
Cash and cash equivalents	19	2,311,480	-	2,311,480	-	-	-	-
Investment	18	31,003	-	31,003	-	-	-	-
		3,167,168	-	3,167,168	-	-	-	-
		-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Secured loans	21	-	-	-	-	-	-	-
Unsecured loans	21	-	(2,028,303)	(2,028,303)	-	(2,057,586)	-	(2,057,586)
Trade and other payables (excluding statutory payables)	25	-	(2,970,613)	(2,970,613)	-	-	-	-
		-	(4,998,916)	(4,998,916)	-	(2,057,586)	-	(2,057,586)

Notes to the Financial Statements for the year ended 31 March 2021

34. Fair value information (continued)

Fair value hierarchy

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Company can access at measurement date.

The fair value of financial instruments traded in active markets (quoted equity) is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis

The quoted market price used for financial assets held by the Company is the bid price at the reporting date. These instruments are included in level 1. There were no transfers between levels during the year.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

The fair value of financial instruments that are not traded in an active market (loans and borrowings) is determined by using discounted cash flow valuation techniques. This valuation technique maximize the use of observable market data by using the market related interest rate for discounting the contractual cash flows. There are no significant unobservable inputs. There were no transfers between levels during the year. The basis of measurement has remained the same between current and prior years. The discount rate used to determine the fair value of loans is 22% (2020 :22%).

35. Contingencies

The company has no contingent liability arising from pending or ongoing litigation at the year end.

36. Commitments

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

37. Going concern

The Company reported a profit after tax of N69.9 million for the year ended 31 March 2021 (2020: profit of N64.6 million) and as of that date, its current liabilities exceeded its current assets by N46.9 million (2020: N31.1 million). The company also had a negative operating cash flows of N298.9 million during the year ended 31 march 2021 (2020: positive cash flows of N3.2 billion).

Commencing in the 2019 financial year, the Company embarked on several turnaround initiatives with a view to making profit amongst which are:

- Invested in refurbishing its major milling lines to enable the milling and sales of sorghum, maize and wheat-based products.
- Strengthened the sales and distribution channels of the Company to cover more geographical locations within the northern part of the Country by partnering with the sales team of the parent company, Flour Mills of Nigeria Plc, as well as engaging additional competent sales team.
- The parent company also decided to use the Company as a local grain milling hub for the Group. As part of this arrangement, the Company mills locally produced wheat, maize and Sorghum for the parent company for which a fee is payable to the Company.

The parent company, Flour Mills of Nigeria Plc (FMN) has confirmed that it will continue to provide financial and other support necessary to enable the Company to continue to realise its assets and settle its liabilities in the normal course of business i.e. to continue to operate the business on a going concern basis.

On the basis of the above, the Directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future and as such, realise its assets and settle its liabilities in the normal course of business. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern

Notes to the Financial Statements for the year ended 31 March 2021

38. Events after the reporting period

There are no significant events after the reporting date which could have had a material effect on the financial position and the loss for the year ended on that date, which have not been adequately provided for or disclosed in the Company's financial statements.

39. Revaluation reserve

	1,566,005	1,740,005
	-	(174,000)
	1,566,005	**1,566,005**

Management determined that the Land properties constitute a separate class of property, plant and equipment, based on the nature, characteristics and risks of the property.

Fair value of the properties was determined using the market comparable method. There was no gain/loss from revaluation of the land in the current year (N=1.74 billion was recognised in other comprehensive income in 2020).

The revaluation surplus is not available for distribution to the shareholders. It is the management policy to carry out revaluation of land every three (3) years.

Other National Disclosures

Value Added Statement

	31-Mar-21 N'000	31-Mar-21 %	31-Mar-20 N'000	31-Mar-20 %
Value Added				
Revenue	8,667,751		8,841,135	
Investment income	12,039		24,186	
Other operating income	123,305		210,884	
Bought - in materials and services	(7,906,413)		(7,950,736)	
Value Added	**896,682**	**100**	**1,125,469**	**100**
Value Distributed				
To Pay Employees				
Salaries, wages, medical and other benefits	348,646		339,530	
	348,646	**39**	**339,530**	**30**
To Pay Providers of Capital				
Finance costs	184,317		466,959	
	184,317	**21**	**466,959**	**41**
To Pay Government				
Income tax	21,677		44,512	
Education tax	2,354		13,418	
	24,031	**3**	**57,930**	**5**
To be retained in the business for expansion and future wealth creation:				
Depreciation, amortisation and impairments	207,708		198,305	
Deferred tax	62,066		(1,890)	
	269,774	**30**	**196,415**	**17**
Value retained				
To augument/(deplete) reserves	69,914		64,635	
	69,914	**8**	**64,635**	**6**
Value Distributed	**896,682**	**100**	**1,125,469**	**100**

Value added represents the additional wealth which the company has been able to create by its own and employees efforts.

Five Year Financial Summary

	31-Mar-21 N'000	31-Mar-20 N'000	31-Mar-19 N'000	31-Mar-18 N'000	31-Mar-17 N'000
Statement of Financial Position					
Assets					
Non-current assets	3,578,469	3,739,861	2,206,279	2,201,907	2,045,648
Current assets	3,786,801	4,752,125	2,786,633	3,715,732	2,291,796
Total assets	**7,365,270**	**8,491,986**	**4,992,912**	**5,917,639**	**4,337,444**
Liabilities					
Non-current liabilities	743,726	939,787	956,876	1,369,065	117,752
Current liabilities	3,833,773	4,783,206	2,885,324	3,374,312	2,980,114
Total liabilities	**4,577,499**	**5,722,993**	**3,842,200**	**4,743,377**	**3,097,866**
Share capital	89,100	89,100	89,100	89,100	89,100
Share premium	89,521	89,521	89,521	89,521	89,521
Revaluation reserve	1,566,005	1,566,005	-	-	-
Retained earnings	1,043,145	1,024,367	972,091	995,641	1,060,957
Total equity	**2,787,771**	**2,768,993**	**1,150,712**	**1,174,262**	**1,239,578**
Total equity and liabilities	**7,365,270**	**8,491,986**	**4,992,912**	**5,917,639**	**4,337,444**
Statement of Profit or Loss and Other Comprehensive Income					
Revenue	8,667,751	8,841,135	4,149,917	2,861,752	1,330,537
Profit (loss) before taxation	**156,011**	**120,675**	**(41,498)**	**(103,964)**	**(1,403)**
Taxation	(86,097)	(56,040)	9,802	42,976	(16,639)
Profit (loss) for the year	**69,914**	**64,635**	**(31,696)**	**(60,988)**	**(18,042)**
Retained income (loss) for the year	**69,914**	**64,635**	**(31,696)**	**(60,988)**	**(18,042)**
Per share data					
Earnings per share (Basic) (kobo)	39	36	(18)	(34)	(10)
Earnings per share (Diluted) (kobo)	39	36	(18)	(34)	(10)
Net assets per share (kobo)	1,564	1,554	646	659	696

Loss per share are based on loss after tax and the number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share is based on the net assets total and the number of issued and fully paid ordinary shares at the end of each financial year.