

NORTHERN NIGERIA FLOUR MILLS PLC
UNAUDITED NINE MONTHS RESULTS -
DECEMBER 2013

STATEMENT OF FINANCIAL POSITION

31ST DECEMBER 2013

	31/12/2013	31/03/2013	31/03/2012
	N'000	N'000	N'000
Non-current assets			
Property, plant and equipment	586,991	837,389	730,774
Intangible assets	20,317	20,317	27,583
Deferred tax assets			11,084
Total non-current assets	607,308	857,706	769,441
Current assets			
Inventories	2,050,433	1,590,166	1,876,950
Trade and other receivables	432,826	550,030	499,968
Cash and deposits	938,287	625,515	222,754
	3,421,546	2,765,711	2,599,672
Total assets	4,028,854	3,623,417	3,369,113
Equity			
Share capital	89,100	89,100	89,100
Share premium account	89,521	89,521	89,521
Retained earnings	1,587,306	1,427,096	1,174,524
Total Equity	1,765,927	1,605,717	1,353,145
Non-current liabilities			
Deferred tax liabilities	26,651	26,651	-
Retirement benefit obligation	341,356	356,946	365,956
Total non-current liabilities	368,007	383,597	365,956
Current liabilities			
Trade and Other payables	1,728,592	1,516,431	1,166,311
Current tax liabilities	78,818	79,251	4,222
Bank Overdraft	-	-	449,758
Accruals and provisions	63,709	14,620	5,479
Unclaimed Dividends	23,801	23,801	24,242
Total current liabilities	1,894,920	1,634,103	1,650,012
Total liabilities	2,262,927	2,017,700	2,015,968
Total equity and liabilities	4,028,854	3,623,417	3,369,113

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NORTHERN NIGERIA FLOUR MILLS PLC
UNAUDITED NINE MONTHS RESULTS -DECEMBER
2013

FOR THE PERIOD ENDED 31ST DECEMBER 2013

	31/12/2013	31/12/2012	31/03/2013
	N'000	N'000	N'000
Revenue	8,414,402	8,805,895	12,408,553
Cost of sales	(8,163,182)	(7,840,622)	(11,643,116)
Gross profit	251,220	965,273	765,437
Other operating income	281,537	85,430	48,082
Selling and distribution expenses	(24,275)	(19,270)	(24,428)
Administrative expenses	(233,327)	(249,340)	(435,426)
Other gains and losses	19,400	(26,111)	13,840
Operating profit	294,555	755,982	367,505
Finance cost	(1,841)	(17,554)	(19,326)
Interest income	17,596	11,396	20,137
Profit before tax	310,310	749,824	368,316
Tax expense	(78,818)	(239,943)	(116,985)
	231,492	509,881	251,331
Profit for the period	231,492	509,881	251,331
Attributable to:			
Owners of the Company	231,492	509,881	251,331
	231,492	509,881	251,331
Earnings per share - Basic (kobo)	129.91	286.13	141.04
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Earnings per share - Basic (kobo)

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NORTHERN NIGERIA FLOUR MILLS PLC
UNAUDITED NINE MONTHS RESULTS DECEMBER 2013
STATEMENT OF CHANGES IN EQUITY
31ST DECEMBER 2013

	Equity attributable to equity holders of the Company						Total Equity
	Share	Revaluation	Share	Capital	Non	Retained	
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 April 2012	89,100		89,521			1,427,095	1,605,716
Effect of change in accounting policy: IFRS impact							-
As restated	89,100	-	89,521	-	-	1,427,095	1,605,716
Transfer from total comprehensive income for the period						-	-
IFRS balance at 31 March 2013	89,100	-	89,521	-	-	1,427,095	1,605,716
Transfer from total comprehensive income for the period						231,491	231,491
Dividend						(71,280)	(71,280)
Effect of change in accounting policy: IFRS impact						-	-
IFRS balance at 31 December 2013	89,100	-	89,521	-	-	1,587,306	1,765,927

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NORTHERN NIGERIA FLOUR MILLS PLC
UNAUDITED NINE MONTHS RESULTS DECEMBER 2013
STATEMENT OF CASH FLOWS
FOR THREE MONTHS ENDED 31ST DECEMBER 2013

	31/12/2013 N'000	31/03/2013 N'000
Operating activities		
Cash receipts from customers	8,363,400	12,482,370
Cash paid to suppliers and employees	(7,896,979)	(10,998,867)
Cash generated from operations	466,421	1,483,503
Gratuity paid	(40,838)	(26,682)
Income taxes paid	(79,250)	(23,374)
Net Cash provided by operating activities	346,333	1,433,447
Investing activities		
Proceeds from disposal of property, plant and equipment	165,840	77,157
Proceeds from sale of fixed assets		
Purchase of fixed assets	(120,370)	(651,192)
Purchase of trademarks		
Interest received	17,596	20,137
Dividend received		
Net cash used in investing activities	63,066	(553,898)
Financing activities		
Dividend paid	(71,280)	
Finance charges	(25,346)	(27,030)
Interest paid		
Net cash used in financing activities	(96,626)	(27,030)
Net (decrease)/ increase in cash and cash equivalents	312,773	852,519
Cash and cash equivalents at beginning of Period	625,515	(227,004)
Cash and cash equivalents at end of the period	938,288	625,515

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NORTHERN NIGERIA FLOUR MILLS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2013

1 General Information

1.1 Legal form

Northern Nigeria Flour Mills Plc was incorporated as a private limited company on 29 October 1971. The Company was converted to a public limited liability company in 1978 and was quoted on the Nigerian Stock Exchange in the same year. The Company's registered office and factory is located at No 15 Maimalari Road, Bompai, Kano.

1.2 Principal Activity

The Company's main business is milling of wheat and other associated grains.

1.3 Going concern status

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

1.4 Financial period

The financial statements cover the financial period from 1 April 2012 to 31 December 2013 and opening statement of financial position as at the commencement date of 1 April 2012.

2 Operating environment

The operating environment had, as usual, been fairly rough. So much had happened in the financial sector while the commercial banks grappled with much reorganization and reengineering within the period under review. Both local and international financial transactions were conducted in a difficult business and economic environment which has produced negative impact on the company's operations. Moreover, the volatility in major world currencies coupled with the instability in oil prices due to the political upheaval and Also worthy of note is the fact that the manufacturing industry continued to grapple with challenges posed by poor road infrastructure, inadequate public power supply, worsening state of security and the gradual downward slide in the exchange value of the Naira.

NORTHERN NIGERIA FLOUR MILLS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2013

3 IFRS 1 - First time adoption

As these financial statements represent the initial presentation of Company's results and financial position under IFRS, they were prepared in accordance with IFRS 1, *First Time Adoption of International Financial Reporting Standards ("IFRS 1")*. IFRS 1 requires retrospective application of all IFRS standards, with certain optional exemptions and mandatory exceptions, which are described further in this Note. The accounting policies been applied consistently to all periods presented in the financial statements with the exception of the optional exemptions elected and the mandatory exceptions required. At 1 April 2011 ("the Transition Date"), an opening statement of financial position was prepared under IFRS.

The 2011 and 2012 financial statements were previously prepared in accordance with Nigerian SAS. In this Note, our transition to IFRS is explained through the following:

i First time adoption optional exemptions and mandatory exceptions to retrospective application
This section describes the standards for which IFRS was not applied retrospectively as available in

ii Reconciliation of total equity from Nigerian SAS to IFRS

Quantitative and qualitative explanations are included in this section to explain the differences between Nigerian SAS and IFRS in total equity.

iii Reconciliation of statement of financial position from Nigerian SAS to IFRS

This section explains quantitatively and qualitatively the impact and differences between Nigerian SAS and IFRS (see appendix).

4.19.1 First time adoption optional exemption and mandatory exceptions to retrospective application

As previously noted, IFRS 1 requires retrospective application of all IFRS standard with certain optional exemptions and mandatory exceptions. The optional exemptions elected and the mandatory exceptions to retrospective application of IFRS are described below and the quantification of these are shown in the appendix.

Optional exemptions

a. Fair value as deemed cost

IFRS 1 provides option to elect to re-measure property, plant and equipment at fair value at the Transition date and use that fair value as their deemed cost. The 'fair value as deemed cost' exemption may be applied on an asset-by-asset basis. This exemption may also be applied to investment property if an entity elects to use the cost model in IAS 40, *Investment Property*. We had elected to use fair value as deemed cost for certain property, plant and equipment.

b. Employee benefits

IAS 19 provides the option of recognising all cumulative unamortized actuarial gains and losses in equity at the date of transition.

IAS 19, *Employee Benefits*, requires retrospective application for the recognition of actuarial gains and losses on employee benefits. IFRS 1 provides the option to recognise all deferred cumulative unamortised actuarial gains and losses on defined benefit pension plans and other benefits plans under Nigerian SAS in opening equity at the Transition Date and provide disclosures on a prospective basis. We have taken this option, resulting in the cumulative amount of actuarial losses on our defined benefit pension plans and other benefits plans

c. Leases

IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, requires an assessment of whether a contract or arrangement contains a lease. The assessment should be carried out at the inception of the contract or arrangement. First-time adopters must apply IFRIC 4, but can elect to make this assessment as of the date of transition based on the facts at that date, rather than at inception of the arrangement. We had elected to take this exception and did not assess arrangement according to IFRIC 4 prior to Transition Date.

Mandatory exceptions

d. Estimates

Estimates made in accordance with IFRS at the Transition Date are consistent with estimates we previously made under Nigerian SAS.

e. De-recognition of financial assets and liabilities exception

Financial assets and liabilities derecognized before 1 April 2011 are not re-recognized under

All other mandatory exceptions in IFRS 1 were not applicable because there were no significant differences in management's application of Nigerian SAS in these areas.

4 Significant accounting policies

4.1 Statement regarding status of compliance with IFRSs

The Company's financial statements for the period ended 31st December 2013 will be its first full financial statements prepared in accordance with IFRS. These accompanying comparative financial statement relate to the period ended December 2012. The Company's financial statements are presented in accordance with, and comply with, International Financial Reporting Standards (IFRS) and International Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these statements. In the preparation of the financial statements, the provisions of IFRS 1- ***First-time Adoption of International Financial Reporting Standards*** have been applied, and the impacts of adopting IFRS are disclosed in the appendix.

4.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The significant accounting policies are set out on the next sheet.

NORTHERN NIGERIA FLOUR MILLS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2013

4.3 Revenue recognition

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

4.3.1 Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

4.4 Dividend and interest revenue

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

Interest income is recognised when it is probable that the economic benefits will flow to the 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.

4.5 Pensions and other post-employment benefits

The Company operates a defined contribution based retirement benefit scheme for its staff, in accordance with the Pension Reform Act of 2004 with employee contributing 7.5% and employer contributing 12.5% each of the employee's relevant emoluments. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered the service entitling them to the contributions.

The Company also operates a gratuity scheme for its qualified staff. Benefits are related to the employees' length of service and remuneration. The cost of providing gratuity benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses (if any) are recognised fully in other comprehensive income . Also, past service cost is recognised immediately in profit or loss.

4.6 Taxation

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

4.6.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income 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.

4.6.2 Deferred tax

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

4.6 Foreign currency translation

For the purpose of these financial statements, the results and financial position of Nigerian Bag Company Plc are expressed in Naira, which is the functional currency of the Company, and the presentation currency for the financial statements. The functional and presentation currency was determined by the directors and this is explicitly documented in the accounting policies manual approved by the Board.

In preparing the financial statements of the Company, 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 each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NORTHERN NIGERIA FLOUR MILLS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2013

4.6.2 contd

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

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.

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

4.7 **Property, plant and equipment.**

Land and buildings mainly comprise factories, depots, warehouses and offices. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which it is incurred.

Depreciation on property, factory buildings, machinery, vehicles, furniture and equipment is calculated on a straight-line basis at rates deemed appropriate to write off the cost of the assets to their residual values over their expected useful lives.

NORTHERN NIGERIA FLOUR MILLS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2013

4.7 contd

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:

	%
Leasehold land and building	5
Fixed plant	10
Mobile plant	10
Factory fittings, furniture and office equipment	10
Motor vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Profits and losses on disposals of fixed assets are determined by comparing proceeds with the carrying amounts. These profits and losses are included within 'items of a capital nature' 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.

4.8 Impairment of tangible and intangible assets excluding goodwill 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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 income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease subject to the available surplus in the revaluation reserve.

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 so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in 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.

4.9 Inventories

Inventories are stated in the financial statements at the lower of cost and net realisable value. Raw Materials which include purchase cost and other costs incurred to bring the materials to their location and condition, are valued at First-In-First-Out (FIFO). Cost of finished goods and work-in-progress which include direct labour and factory overheads.

Engineering spare parts and other consumables are valued at FIFO after making allowance for obsolete and damaged stocks. Engineering spare parts with high value and held for commissioning of a new plant or for infrequent maintenance of plants are capitalised and depreciated over their useful life and the useful life starts when they are put to use. If the estimated useful life of the spare parts from installation exceeds that for the whole plant, depreciation is limited to the remaining life of the plant.

NORTHERN NIGERIA FLOUR MILLS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2013

8 Retirement benefit plans

The employees of the Company are members of a state arranged Pension scheme (Pension reform act, 2004) which is managed by several private sector service providers. The Company is required to contribute a specified percentage of payroll costs 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 and remit to the nominated Pension Fund Administrators.

The Company operates unfunded defined benefit plans for qualifying employees of the Company. Under the plans, the employees are entitled to retirement benefits varying between 1.25% and 2.5% of final salary. No other post-retirement benefits are provided to these employees.

NORTHERN NIGERIA FLOUR MILLS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2013

4.10 Trade receivables

Trade receivables are carried at original invoice amount less any allowance for doubtful debts. Allowances are made where there is evidence of a risk of non-payment, taking into account previous experience and general economic conditions. When a trade receivable is determined to be uncollectable it is written off, firstly against any allowance available and then to profit or loss. Subsequent recoveries of amounts for which a previous allowance was made are credited to the profit or loss. Short-term receivables are discounted where the effect is material. Trade receivables are measured at amortized cost. Interest income is recognised by applying the effective interest rate, except for

4.11 Trade payables

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

4.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar and highly liquid investments generally with maturities of three months or less. They are convertible into known amounts of cash and have an insignificant risk of changes in value.

4.13 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the 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 (when the time value of money is material).

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

4.16.1 Environmental expenditure

Environmental expenditure related to existing conditions resulting from past or current operations from which no current or future benefit is discernible is charged to profit or loss. The Company recognizes its liability on a site-by-site basis when it can be reliably estimated. This liability represents the Company's portion of the total costs and also a portion of other potentially responsible parties' costs.

Company's portion of the total costs and also a portion of other potentially responsible parties when it is probable that they will not be able to satisfy their respective shares of the clean-up costs. Recoveries of reimbursements are recorded as assets when virtually certain.

4.16.2 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as present obligations if an onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

4.14 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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

4.14.1 Financial assets

The Company's financial assets are classified into available for sale (AFS) and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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NORTHERN NIGERIA FLOUR MILLS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2013

4.14.2 Available for sale financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as AFS financial assets. AFS financial assets are stated at fair value at the end of each reporting period. Changes in the fair value of AFS financial assets are recognised in other comprehensive income. Dividends on AFS equity instruments are recognised in the income statement when the Company receives the dividends. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

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

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as AFS financial assets. AFS financial assets are stated at fair value at the end of each reporting period. Changes in the fair value of AFS financial assets are recognised in other comprehensive income. Dividends on AFS equity instruments are recognised in the income statement when the Company receives the dividends. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Listed equities held by the Company that are traded in an active market are classified as AFS financial assets. AFS financial assets are stated at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of fair value reserve.

Dividends on AFS equity instruments are recognised in the income statement when the Company receives the dividends. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined by reference to the closing rate of the foreign currency and translated at the spot rate prevailing at the end of the reporting period. The fair value of AFS equity investments is determined based on the amortised cost of the investments and losses that are recognised in profit or loss are determined based on the amortised cost of the investments.

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

4.14.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the carrying amount is close to the fair value.

4.14.4 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator of impairment.

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

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

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end of each reporting

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NNFM PLC- KANO

NOTES TO THE ANNUAL UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2013

	Company		
	Dec-13	Mar-13	Mar-12
	N'000	N'000	N'000
INVENTORIES			
Raw materials	1,663,551	1,218,417	725,455
Finished goods	29,142	73,192	130,085
Spare parts	324,003	288,569	294,173
Deisel and other lubricants	45,356	21,503	131,372
Work in progress	-	-	85,396
Provision for obsolete stock	(11,619)	(11,619)	-
	2,050,433	1,590,062	1,366,481
Goods - in - transit	-	104	510,469
	2,050,433	1,590,166	1,876,950
TRADE AND OTHER RECEIVABLES			
TRADE RECEIVABLES	N'000	N'000	N'000
Trade Debtors	401,410	490,495	441,223
Provision for bad debts	(64,561)	(64,561)	(12,094)
	336,849	425,934	429,130
OTHER RECEIVABLES AND PREPAYMENTS			
Prepayments	10,412	53,145	3,064
Staff debtors	57,442	58,321	63,990
Other debtors	619	745	-
Amount due from related compaines	27,504	11,884	3,786
	95,977	124,095	70,839
TOTAL TRADE AND OTHER RECEIVABLES	432,826	550,030	499,968

NORTHERN NIGERIA FLOUR MILLS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2013

4.14.4 contd

For certain categories of financial assets, such as trade receivables, assets that are assessed individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collections, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that could lead to default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

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

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are reversed through profit or loss. Any increase in fair value subsequent to an impairment loss recognised in other comprehensive income and accumulated under the heading of impairment loss reserve. In respect of AFS debt securities, impairment losses are reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4.14.5 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flow asset expire, or when it transfers the financial asset and substantially all the risks and ownership of the asset to another entity. 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 liability for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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NORTHERN NIGERIA FLOUR MILLS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2013

4.14.5 contd

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains or repurchases part of a transferred asset), the Company allocates the previous carrying amount of the asset between the part it continues to recognise under continuing involvement, and the part that it does not recognise on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the consideration received for the part no longer recognised and any cumulative gain or loss allocated to the part no longer recognised had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

4.15 Financial liabilities and equity instruments

4.15.1 *Classification as debt or equity*

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

4.15.2 *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at fair value less costs, received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. Any difference between the carrying amount of the equity instrument repurchased and the consideration paid is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's equity instruments.

4.15.3 Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

4.15.3.1 *Other financial liabilities*

Other financial liabilities (including borrowings and trade and other payables) are initially measured at fair value. Subsequently they are 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 allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments (including all fees and points paid or received) to the net carrying amount of the financial liability at its initial recognition.

discounts estimated future cash payments (including all fees and points paid or received) as an integral part of the effective interest rate, transaction costs and other premiums or discounts over the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount at initial recognition.

4.15.3.2 *Derecognition of financial liabilities*

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

4.16 *Segment information*

The Company is involved in the milling of wheat and other associated grains. There is only one reportable segment and operating results of the segment are reported regularly to the Chief Operating Decision Maker (the Chief Executive Officer) for purposes of resource allocation and performance assessment.

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