



[RC: 55495]

Honeywell Flour Mills Plc

Unaudited

Interim Financial Statements

for the

2nd Quarter Ended September 30, 2016

Honeywell Flour Mills Plc

Unaudited Interim Financial Statements - 2nd quarter ended September 30, 2016.

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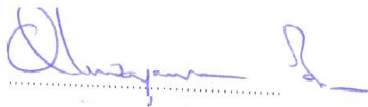
HONEYWELL FLOUR MILLS PLC

UNAUDITED INTERIM FINANCIAL RESULTS FOR THE QUARTER ENDED SEPTEMBER 2016

The Board of Directors of Honeywell Flour Mills Plc hereby presents the following unaudited results for the 2nd Quarter ended September 30, 2016

	<u>Unaudited</u>		
	<u>6 months</u> <u>ended</u> <u>30-Sep-16</u> <u>N'm</u>	<u>6 months</u> <u>ended</u> <u>30-Sep-15</u> <u>N'm</u>	<u>%</u> <u>Change</u>
Revenue	<u>24,423</u>	<u>26,192</u>	<u>-7%</u>
Profit Before Tax	<u>482</u>	<u>1,129</u>	<u>-57%</u>
Taxation	<u>(93)</u>	<u>(226)</u>	<u>-59%</u>
Profit for the Period	<u>389</u>	<u>903</u>	<u>-57%</u>


By Order of the Board




Oluwayemisi Busari (Mrs.)
Company Secretary

Honeywell Flour Mills Plc
Statement of Financial Position
as at September 30, 2016

		Unaudited as at	Audited as at
	Note	30-Sep-16 N'm	31-Mar-16 N'm
Assets			
Non-current assets			
Intangible assets	5	26	31
Property, plant and equipment	6	91,485	53,758
		91,511	53,789
Current assets			
Inventories	7	7,487	5,586
Trade and other current receivables	8	1,800	1,169
Cash and cash equivalents	9	11,260	15,502
		20,547	22,257
Total assets		112,058	76,046
Liabilities			
Current liabilities			
Financial liabilities	10	39,898	40,673
Trade payables and other current liabilities	11	9,368	3,118
Current tax liabilities	12	123	423
		49,389	44,214
Non-current liabilities			
Financial liabilities	10	24,833	10,617
Post-retirement benefits	13	1,008	1,195
Deferred tax liabilities	12	3,632	3,632
Accruals and deferred income	15	12	26
		29,485	15,470
Total liabilities		78,874	59,684
Equity			
Shareholders' equity			
Called up share capital	14	3,965	3,965
Share premium		6,462	6,462
Retained earnings		6,324	5,935
Revaluation Reserve		16,433	-
Total equity		33,184	16,362
Total liabilities and equity		112,058	76,046


Olanrewaju Bamidele Jaiyeola
Managing Director/CEO
FRC/2014/ICAN/00000008542


Oluseye Efunyemi Sandey
Executive Director, Finance & IT
FRC/2016/ICAN/00000014179

Honeywell Flour Mills Plc**Income Statement**

for the period ended September 30, 2016

		Unaudited		Unaudited	
		6 Months ended		3 Months ended	
	Note	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
		N'm	N'm	Nm	Nm
Revenue	16	24,423	26,192	14,443	13,395
Cost of sales	16	(17,927)	(21,115)	(10,331)	(10,631)
Gross profit	16	6,496	5,077	4,112	2,764
Other income	16	31	83	15	20
Selling and administration expenses	16	(3,388)	(3,589)	(2,002)	(1,861)
Operating profit		3,139	1,571	2,125	923
Finance cost		(2,881)	(575)	(1,892)	(264)
Finance income		224	133	125	76
Net finance income/(expense)		(2,657)	(442)	(1,767)	(188)
Profit before taxation		482	1,129	358	735
Taxation	12	(93)	(226)	(70)	(115)
Profit for the period		389	903	288	620
Basic Earnings per share (kobo)		4.91	11.39	3.63	7.82

Honeywell Flour Mills Plc
Statement of Comprehensive Income
for the period ended September 30, 2016

	Unaudited		Unaudited	
	6 Months ended		3 Months ended	
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
	N'm	N'm	N'm	N'm
Profit for the period recognised in the income statement	389	903	288	620
Total comprehensive income	389	903	288	620
Attributable to the owners of the company	389	903	288	620
Total comprehensive income for the period	389	903	288	620

Honeywell Flour Mills Plc.
Statement of Changes in Equity
as at September 30, 2016

	Issued share capital	Share premium account	Retained profit	Revaluation Reserve	Total
as at September 30, 2016	N'm	N'm	N'm	N'm	N'm
1-Apr-16	3,965	6,462	5,935	-	16,362
Total comprehensive income for the period	-	-	389	-	389
Other movements in equity	-	-	-	16,433	16,433
30-Sep-16	3,965	6,462	6,324	16,433	33,184

as at September 30, 2015

1-Apr-15	3,965	6,462	10,178		20,605
Total comprehensive income for the period	-	-	462		462
Dividends on ordinary capital					
Actuarial Loss					
30-Sep-15	3,965	6,462	10,640		21,067

Honeywell Flour Mills Plc
Statement of Cash Flows
as at September 30, 2016

	Unaudited	
	6 Months ended	
	30-Sep-16	30-Sep-15
	N'm	N'm
Net profit	389	903
Taxation	93	226
Net finance costs:	2,657	442
Finance cost	2,881	575
Finance income	(224)	(133)
Operating profit	3,139	1,571
Depreciation, amortisation and impairment	954	990
Changes in working capital:	3,121	823
Inventories	(1,802)	(77)
Trade and other current receivables	6,463	972
Trade payables and other liabilities	(1,540)	(72)
Cash flow from operating activities	7,214	3,384
Income tax paid	(393)	-
Net cash flow from operating activities	6,821	3,384
Interest received	224	133
Purchase of intangible assets	-	(2)
Purchase of property, plant and equipment	(38,676)	(3,003)
Disposal of property, plant and equipment	-	3
Net cash flow (used in)/from investing activities	(38,452)	(2,869)
Dividends paid on ordinary share capital	-	(397)
Interest paid	(2,881)	(575)
Net change in borrowings	30,278	1,024
Net cash flow (used in)/from financing activities	27,397	52
Net increase/(decrease) in cash and cash equivalents	(4,235)	567
Cash and cash equivalents at the beginning of the period	15,495	3,890
Cash and cash equivalents at the end of the period	11,260	4,457

HONEYWELL FLOUR MILLS PLC

Notes to the interim financial statements for the period ended September 30, 2016

1 REPORTING ENTITY

Honeywell Flour Mills Plc was initially registered as Gateway Honeywell Flour Mills Limited on 21 June, 1983. A change in the company's ownership structure led to a change of the name to Honeywell Flour Mills Limited in June, 1995. The Company was converted to a Public Liability Company in 2008. Its shares were listed on the Nigeria Stock Exchange (NSE) in 2009. As part of its vertical integration strategy, the Company acquired 100% ownership of Honeywell Superfine Foods Limited, manufacturers of pasta and noodles in 2008.

Honeywell Flour Mills Plc is a company domiciled in Nigeria. The company is principally engaged in the manufacture and marketing of wheat-based products including flour, semolina, whole wheat meal, noodles and pasta.

2 BASIS OF PREPARATION

(a) Statement of compliance

These interim financial statements have been prepared in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st March 2016, which have been prepared in accordance with IFRS as issued by the IASB.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis, except for items measured at fair value and the use of actuarial methods for estimating certain employee benefits.

(c) Functional and presentation currency

These financial statements are presented in the Nigerian Naira, which is the Company's functional currency. All financial information presented in Naira has been rounded to the nearest million.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumption that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- measurement of defined benefit obligations; and
- provisions and contingencies.

HONEYWELL FLOUR MILLS PLC

Notes to the interim financial statements

for the period ended September 30, 2016

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

(a) Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company continues to adopt the going concern basis in preparing its financial statements.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

The Company business operating segments are identified by two factory locations at Ikeja and Apapa. The Apapa factory manufactures flour, semolina, wheat meal and brown flour while the Ikeja factory manufactures pasta and noodles.

(c) Foreign currency transactions

Foreign currency transactions are translated into Naira using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other gains / (losses) - net'.

HONEYWELL FLOUR MILLS PLC

Notes to the interim financial statements

for the period ended September 30, 2016

(d) Property, Plant and Equipment

Land and building held for use in the production or supply of goods or services, or for administration purposes, are stated in the statement of financial position at deemed cost at the date of transition to IFRS less accumulated depreciation and any accumulated impairment losses.

All other assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. All other Property, Plant and Equipment are stated at historical cost or valuation less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/ losses on qualifying cash flows hedges of foreign currency purchases of Property, Plant and Equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Subsequent costs are included in the asset's carrying amount or recognized 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 can be measure reliably. The carrying amount of the replaced cost is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An item of Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses on disposal or de-recognition of an item of Property, Plant and Equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, Plant and Equipment, and are recognized in income statement.

Depreciation is provided on components that have homogenous useful lives by using the straight line method so as to depreciate the initial cost down to the residual value over the estimated useful lives. The useful lives are as follows:

Buildings	20 to 50 years
Tools, Furniture/Fittings and equipment	2 to 5 years
Vehicles	3 to 4 years
Land	Not depreciated

Assets residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting date.

Where an indication of impairment exists, 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. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement for the period.

(e) Intangible assets

(i) Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives. Costs associated with maintaining computer software programmes are recognized as expenses incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

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Notes to the interim financial statements

for the period ended September 30, 2016

- it is technically feasible to complete the software product and use or sell it;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditure that do not meet these criteria are recognized as expenses as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives.

(ii) *Amortisation of Intangible assets*

Intangible assets are amortized on a straight line basis in the income statement over their estimated useful lives, from the date that they are available for use. The estimated useful life of computer software for the current and comparative years is five (5) years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted for if appropriate.

(f) **Financial assets**

(i) **Classification**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. the Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement.

- *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

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Notes to the interim financial statements

for the period ended September 30, 2016

(ii) **Recognition and measurement**

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to received cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are substantially carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within 'other (losses) / gains - not in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Company's right to receive payments is established. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Company's right to receive payments is established.

(iii) **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(iv) **Impairment of financial assets**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss events (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated. The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

HONEYWELL FLOUR MILLS PLC

Notes to the interim financial statements

for the period ended September 30, 2016

- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including
- adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlates on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price. If in an subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognized in the income statement.

(v) **Impairment of non - financial assets**

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready for use - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are tested at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) **Inventories**

Inventories are stated at the lower of cost and estimated net realizable value. Costs comprise direct materials costs and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Spare parts and servicing equipment are usually carried as inventory and recognized in profit or loss as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when the Company expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment. Such classified spares are depreciated as property, plant and equipment over the useful life on a straight line basis.

HONEYWELL FLOUR MILLS PLC

Notes to the interim financial statements

for the period ended September 30, 2016

(h) Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. The collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due, according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognized in the income statement.

(i) Research and development

Research and development expenditure is charged against profits in the year in which it is incurred, unless it meets the criteria for capitalisation set out in IAS 38 'Intangible assets'.

(j) Cash, cash equivalents and bank overdrafts

Cash, cash equivalents and bank overdrafts includes cash at bank and in hand plus short-term deposits less overdrafts. Short-term deposits have a maturity of less than three months from the date of acquisition. Bank overdrafts are repayable on demand and form an integral part of the Company's cash management.

(k) Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

(l) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payments is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(m) Investments

Investments are classified as either held-to-maturity, held-for-trading, loans and receivables or available-for-sale. Held-to-maturity investments and loans and receivables are measured at amortised cost. Held-for-trading and available-for-sale investments are measured at fair value. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in the income statement for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statements for the period.

(n) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation and the amount has been reliably estimated. Provisions for restructuring costs are recognised when the Company has a detailed formal plan for the restructuring that has been communicated to affected parties. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be acquired to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

HONEYWELL FLOUR MILLS PLC

Notes to the interim financial statements

for the period ended September 30, 2016

(o) **Tax**

Income tax expense represents the sum of current tax expense and deferred tax expense. Current tax and deferred tax are recognised in income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) **Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company is subject to the following types of current income tax:

- Companies Income tax - This relates to tax on revenue and profit generated by the company during the year, to be taxed under the Companies Income Tax Act Cap C21, LFN 2004 as amended to date.
- Tertiary Education tax - Tertiary education tax is based on assessable income of the Company and is governed by the Tertiary Education Trust Fund (Establishment) Act LFN 2011.

(ii) **Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

HONEYWELL FLOUR MILLS PLC

Notes to the interim financial statements

for the period ended September 30, 2016

(iii) **Tax exposures**

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expenses in the period that such determination is made.

(p) **Employee benefits**

(i) **Defined benefit plan**

The defined benefit plan defines an amount of gratuity the employee will receive on retirement, dependent on date of employment, year of service and compensation. The defined benefit plan is being accounted for using the projected unit method that considers the rate of inflation, the degree of salary increases of employees, the retirement age among other factors.

The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow flows using market rates on Government Bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income statement.

(ii) **Defined contribution scheme**

The Company operates a defined contribution plan which is funded by contributions from the Company and the employees. The Company's contribution is recognised as employee benefit expenses and charged to the income statement. The contributions of both the company and the employees are paid on a monthly basis to a pension fund administrator. The Company has no legal or constructive obligation to pay further contributions if the pension fund administrator does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due.

(iii) **Short-term employee benefit**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plan if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably.

HONEYWELL FLOUR MILLS PLC

Notes to the interim financial statements

for the period ended September 30, 2016

(q) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below:

i) **Sale of goods**

The Company manufactures and sells a range of products to the distributors and dealers. Sale of goods are recognised when the Company has delivered product to the customers and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been shipped to the specified locations; the risks of obsolescence and loss have been transferred to the customers and either the customers have accepted the products in accordance with the sales contract, or the company has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with discounts and rebates. Sales are recorded based on the price specified on the sales invoice net of the discounts, rebates and returns at the time of sale.

Sales are also recognised when the customer self-collect the product directly at the Company premises during which the risks and rewards of ownership passes to the customer at the point of loading after the customer's delivery truck leaves the company premises.

No element of financing is deemed present where sales are made on agreed credit terms which are consistent with the market practice.

ii) **Interest income**

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the investment, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(r) **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividends are recognised once paid.

(s) **Earnings per share**

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year.

(t) **Share Capital**

The Company has only one class of shares - ordinary shares which 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.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

HONEYWELL FLOUR MILLS PLC

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for the period ended September 30, 2016

4 **Risk management**

Risk management is inherent in the business operations of the Company. Management has set up processes and systems to identify, assess, monitor and control business risks including the following :-

(a) **Credit risk**

This refers to the risk that a trade debtor will default by failing to make payments in accordance with the agreed credit terms and conditions. The possible impact of the credit risk is poor Account Receivable assets quality arising from high level of bad and doubtful debts and possible impairment of shareholders' funds. The carrying amount of financial assets represents the maximum credit exposure.

Mitigating Measures

- Credit application follows rigorous and extensive credit review and approval process.
- All credits are secured by insurance or bank bonds.
- Once conditions precedent to credit utilization are met by the customer, the approved credit is updated, monitored and controlled by the ERP on real time basis in accordance to credit terms.
- Credit utilization reports are prepared and monitored on a daily basis.

b) **Liquidity risk**

This refers to the risk of company's inability to finance its operation and meet its obligation when they become due without incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources.

Mitigating Measures

- Efficient and effective working capital management.
- Efficient Naira facility management
- Efficient funds management to eliminate idle funds, meet obligations as they fall due and reduce interest expenses to the minimum level.
- Liquidity and working capital management reports are prepared and monitored on daily basis.
- The Treasury Department is well structured and equipped under the management of a very experienced and well trained team.

c) **Market risk**

Market risk is the risk of financial loss due to the change in value of the market risk factors. The Company is faced with the following market risk factors.

- Interest rate risk:- The risk that interest rate will change adversely at the money market.
- Foreign exchange risk:- The risk that foreign exchange rates will fluctuate unfavorably at the foreign exchange market.
- Commodity risk:- The risk that wheat prices will significantly increase at the international commodity markets.

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Mitigating Measures

- Efficient management of exchange and interest rate risks including generation of relevant risk management reports for the monitoring and review on a daily and weekly basis.
- Monitor the money, capital and foreign exchange markets including micro and macroeconomic environment on a daily basis.
- Efficient management of the commodity risk by the Logistics and Supplies Department with a full-fledged experienced and well trained Team in the area of wheat dynamics and procurement strategies.
- We monitor price dynamics and changes at the relevant Commodity Exchange Boards on a real time basis and take proactive decisions on a timely basis.
- The commodity risk affects the global milling industry as the wheat prices are determined at the international commodity markets. We usually increase product price in response to global volatility in wheat prices in order to recover some portion of the rise in wheat prices .

d) Operational Risk

This relates to the risk of loss resulting from inadequate or failed internal processes, controls, procedures, people, and systems. Operational risk is inherent in the business activities. These include risk of inadequate haulage partners required to achieve the company's objectives in terms of sales volume and profit; risk of wastages, downtime and other associated losses arising from inefficient plant operations; risk of breakdown of ERP and IT infrastructure or outright loss of critical operational/business data and information; risk of loss of company assets due to unexpected disaster which may affect business operations; risk of breakdown of internal control systems and misstatement of financial statements.

Mitigating Measures

- Efficient and effective maintenance culture to prevent down time and inefficient production operations.
- Control activities are an integral part of the company's day to day operations and are defined at every business area.
- Existence of robust ERP and comprehensive computerisation of internal business processes, systems and procedures.
- Existence of robust IT business continuity and disaster recovery programmes
- All insurable business risks are assessed, identified and adequately covered/insured.
- Existence of documented standard operating procedures for all business activities.
- All key positions have a minimum of one under-study who can assume the roles immediately with minimum support, and eventually grow into the position.
- We continually train talents to meet our future skill requirements.
- Continuous recruitment of qualified haulage contractors to meet corporate requirements and prevent shortage of delivery trucks. We also acquired and managed some of our delivery trucks e.g bulk flour loading trucks.
- We also have a strong, active and experienced Internal Audit Team. Internal Audit Reports highlighting control weaknesses are presented periodically to Management and Board Audit Committee.

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Notes to the interim financial statements

for the period ended September 30, 2016

- The company's internal control and risk management systems ensure that material errors or inconsistencies in the financial statements are identified and corrected. Financial Statements are prepared in accordance with accounting standards and policies.
- Financial statements are prepared periodically on monthly and quarterly bases for the review of the Management and the Board. Performance are monitored and compared with budgets.

Honeywell Flour Mills Plc
Notes to the Interim Financial Statements

5.Intangible assets

	Unaudited	Audited
	as at	as at
	30-Sep-16	31-Mar-16
	N'm	N'm
	Software	Software
Cost		
opening	53	51
Additions	-	4
Disposals		(2)
closing	53	53
Amortisation		
opening	22	14
Amortisation for the year	5	9
Disposals		(1)
closing	27	22
Net Carrying Amount	26	31

6. Property, plant and equipment

Unaudited							
Land N'm	Building N'm	Plant and Machinery N'm	Motor Vehicles N'm	Furniture & Equipment N'm	Construction in Progress N'm	Total N'm	
Cost/Valuation							
01-Apr-16	5,661	8,506	19,752	851	333	26,918	62,021
Additions	9,656		12,004	51	39	493	22,243
Disposals				(0.35)		-	(0.35)
Revaluation	12,290		3,735	383	25	-	16,433
30-Sep-16	27,607	8,506	35,491	1,285	397	27,411	100,697
Depreciation							
01-Apr-16	-	(945)	(6,522)	(552)	(244)	-	(8,263)
Depreciation charge for the period	-	(126)	(736)	(66)	(21)	-	(949)
30-Sep-16	-	(1,071)	(7,258)	(618)	(265)	-	(9,212)
Net Carrying Amount	27,607	7,435	28,233	667	132	27,411	91,485

Audited							
Land N'm	Building N'm	Plant and Machinery N'm	Motor Vehicles N'm	Furniture & Equipment N'm	Construction in Progress N'm	Total N'm	
Cost/Valuation							
01-Apr-15	5,661	8,450	18,719	689	289	21,754	55,562
Additions	-	38	610	171	44	5,605	6,468
Other adjustments/Reclassification	-	18	423	-	-	(441)	-
Disposals	-	-	-	(9)	-	-	(9)
31-Mar-16	5,661	8,506	19,752	851	333	26,918	62,021
Depreciation							
01-Apr-15	-	695	4,970	422	193	-	6,280
Depreciation charge for the period	-	250	1,552	138	51	-	1,991
Disposals	-	-	-	(8)	-	-	(8)
31-Mar-16	-	945	6,522	552	244	-	8,263
Net Carrying Amount	5,661	7,561	13,230	299	89	26,918	53,758

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Notes to the Interim Financial Statements

	<u>Unaudited</u>	<u>Audited</u>
	as at	as at
	<u>30-Sep-16</u>	<u>31-Mar-16</u>
	N'm	N'm
7. Inventories		
Inventories		
Raw materials and consumables	6,945	5,351
Work-in-progress	-	111
Finished goods	196	124
Goods in transit	346	-
	<u>7,487</u>	<u>5,586</u>

8. Trade and other current receivables

Trade receivables	364	349
Prepayments	1,436	820
	<u>1,800</u>	<u>1,169</u>

9. Cash and cash equivalent

Cash and cash equivalents

Cash at bank and in hand	4,462	11,864
Short Term Deposits	6,798	3,638
	<u>11,260</u>	<u>15,502</u>

Honeywell Flour Mills Plc
Notes to the Interim Financial Statements

10. Financial liabilities

	Unaudited		
	Current N'm	Non-Current N'm	Total N'm
as at September 30, 2016			
Bank loans and overdrafts	12,518	24,833	37,351
Import finance facilities	27,380	-	27,380
	39,898	24,833	64,731

	Audited		
	Current N'm	Non-Current N'm	Total N'm
as at March 31, 2016			
Bank loans and overdrafts	16,376	10,617	26,993
Import finance facilities	24,297	-	24,297
	40,673	10,617	51,290

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Notes to the Interim Financial Statements

	<u>Unaudited</u>	<u>Audited</u>
	as at	as at
	30-Sep-16	31-Mar-16
	N'm	N'm

11. Trade payables and other current liabilities

Due within one year		
Trade payables	5,101	1,848
Accruals	4,229	1,205
Pension and sundry taxes	38	65
	9,368	3,118

12 Taxation

Tax charge in income statement

Current tax		
Current period	69	40
Education tax	1	-
	70	40
Deferred Tax		
Origination and reversal of temporary differences	-	115
	70	155

Tax payable

At 1 April	423	131
Charge for the period	93	390
	516	521
Charge for the period (Prior year adjustment)	(393)	(98)
At closing	123	423

Gross movement in deferred tax during the quarter

At 1 April	3,632	3,517
Income statement charge	-	115
At closing	3,632	3,632

Honeywell Flour Mills Plc
Notes to the Interim Financial Statements

	<u>Unaudited</u>	<u>Audited</u>
	as at 30-Sep-16	as at 31-Mar-16
	N'm	N'm

13. Gratuity and post employment benefits

Net liability for gratuity scheme	1,008	962
Income statement charge for gratuity scheme	-	50
Actuarial gain / (losses) recognised in the statement of other comprehensive income in the period	-	183

*The group operates a gratuity scheme based on employees length of service. The benefit arrangement is non-contributory and unfunded, but a provision is made in the Company accounts to meet the cost of future benefits payout under the Benefit Arrangement.

* The last Actuarial valuation of the post employment gratuity scheme was conducted on March 31, 2015.

The movement in the defined benefit obligation over the year is as follows:

Present Value of Obligation, at beginning of the period	-	962
Interest cost	-	140
Current service cost	-	82
Benefits paid	-	(172)
Actuarial (gain) loss due to change in experience	-	183
Present value of obligation, end of the period	<u>1,008</u>	<u>1195</u>

The principal actuarial assumptions were as follows:-

*Actuarial Method : Projected Unit Method

*Discount rate : 14% per annum

*Rate of salary escalation : 15% per annum

*Retirement Age : 60 years

*Pre-retirement mortality : A67/70 Ultimate Tables

Honeywell Flour Mills Plc
Notes to the Interim Financial Statements

	Unaudited	Audited
	3 months ended <u>30-Sep-16</u>	12 Months ended <u>31-Mar-16</u>
	N'm	N'm
14 Equity		
Consolidated statement of changes in equity		
Equity at 1 April	16,362	20,316
Total comprehensive income for the year	389	(3,207)
Dividends on ordinary capital	-	(397)
Other movements in equity	-	(350)
Revaluation Reserve	16,433	-
Equity at closing	33,184	16,362

Share capital

	30-Sep-16	
	Number in millions	Amount N'm
Authorised share capital		
Ordinary shares of 50k each	8,000	4,000
Total authorised share capital	8,000	4,000
Issued and fully paid:		
Ordinary shares of 50k each	7,930	3,965
Total Issued share capital	7,930	3,965
Total Issued share capital	7,930	3,965

15. Accruals and deferred income

	Unaudited	Audited
	as at 30-Sep-16 N'm	as at 31-Mar-16 N'm
Accruals and deferred income	12	26

Honeywell Flour Mills Plc
Notes to the Interim Financial Statements

16. Segment information

	Apapa N'm	Ikeja N'm	Total N'm
for the period ended September 30, 2016			
Revenue	19,892	4,531	24,423
Cost of sales	(14,914)	(4,007)	(18,921)
Gross profit	4,978	524	5,502
Other income	24	7	31
Selling and admin expenses	(1,339)	(1,055)	(2,394)
Segment operating profit	3,663	(524)	3,139

	Apapa N'm	Ikeja N'm	Total N'm
for the period ended September 30, 2015			
Revenue	21,040	5,152	26,192
Cost of sales	(16,568)	(4,547)	(21,115)
Gross Profit	4,472	605	5,077
Other income	68	15	83
Selling and admin expenses	(2,925)	(664)	(3,589)
Segment operating profit	1,615	(44)	1,571