



RC: 640303

**NOTORE CHEMICAL INDUSTRIES PLC
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018**

Financial statements

| | |
|--|---|
| Consolidated statements of profit or loss and other comprehensive income | 1 |
| Consolidated statements of financial position | 2 |
| Statements of changes in equity | 3 |
| Statements of cash flows | 5 |

Note Notes to the financial statements

| | | |
|------|--|----|
| 1.0 | General information | 6 |
| 2.0 | Basis of preparation and adoption of IFRSs | 6 |
| 3.0 | Changes in accounting policy and disclosures | 6 |
| 4.0 | Summary of significant accounting policies | 7 |
| 4.1 | Foreign currency translation | 7 |
| 4.2 | Trade receivables | 7 |
| 4.3 | Revenue recognition | 7 |
| 4.4 | Cash and cash equivalents | 7 |
| 4.5 | Inventories | 7 |
| 4.6 | Trade payables | 7 |
| 4.7 | Provisions | 7 |
| 4.8 | Property, plant and equipment | 8 |
| 4.9 | Intangible assets | 8 |
| 4.10 | Impairment of non-financial assets | 8 |
| 4.11 | Financial instruments | 8 |
| 4.12 | Offsetting financial instruments | 9 |
| 4.13 | Impairment of financial assets | 9 |
| 4.14 | Income taxation | 9 |
| 4.15 | Employee benefits | 10 |
| 4.16 | Leases | 10 |
| 4.17 | Government grants | 10 |
| 4.18 | Cost of sales | 10 |
| 4.19 | Borrowings | 10 |
| 4.20 | Borrowings costs | 11 |
| 4.21 | Investment property | 11 |
| 4.22 | Consolidation | 11 |
| 4.23 | Segment reporting | 11 |
| 4.24 | Export expansion grant and Negotiable duty credit certificates | 11 |
| 5 | Critical accounting estimates and judgements | 11 |
| 6 | Financial risk management | 12 |
| 7 | Revenue | 13 |
| 8 | Cost of sales | 13 |
| 9a | Administrative expenses | 13 |
| 9b | Selling and distribution expenses | 14 |
| 10 | Other income | 14 |
| 11 | Finance income and costs | 14 |
| 12 | Income tax expense | 15 |
| 13 | Earnings per share (EPS) | 15 |
| 14 | Property, plant and equipment | 16 |
| 15 | Investment property | 18 |
| 16 | Inventories | 18 |
| 17 | Trade and other receivables | 18 |
| 18 | Cash and cash equivalents | 19 |
| 19 | Share capital | 19 |
| 20 | Retained earnings | 19 |
| 21 | Employee benefit obligations | 19 |
| 22 | Borrowings | 20 |
| 23 | Trade and other payables | 21 |
| 24 | Related party transactions | 21 |
| 25 | Investments in subsidiaries | 22 |

NOTORE CHEMICAL INDUSTRIES PLC
UNAUDITED CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

| | Note | Group | | Company | |
|--|------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | Three months 31 Dec 2018 | Three months 31 Dec 2017 | Three months 31 Dec 2018 | Three months 31 Dec 2017 |
| | | N'000 | N'000 | N'000 | N'000 |
| Revenue | 7 | 4,320,733 | 5,995,281 | 4,320,733 | 5,995,281 |
| Cost of sales | 8 | (4,316,975) | (3,840,914) | (4,316,975) | (3,840,914) |
| Gross profit | | 3,758 | 2,154,366 | 3,758 | 2,154,366 |
| Administrative expenses | 9a | (1,484,821) | (1,396,327) | (1,462,112) | (1,364,380) |
| Selling and distribution expenses | 9b | (123,769) | (247,580) | (123,769) | (247,580) |
| Other income | 10 | 4,599,653 | 74,018 | 4,599,653 | 74,018 |
| Operating profit | | 2,994,821 | 584,478 | 3,017,530 | 616,425 |
| Finance income | 11 | 19,413 | 988 | 19,413 | 988 |
| Finance cost | 11 | (3,107,586) | (2,543,909) | (3,107,586) | (2,543,909) |
| Finance costs - (net) | 11 | (3,088,173) | (2,542,921) | (3,088,173) | (2,542,921) |
| Loss before income tax | | (93,352) | (1,958,443) | (70,643) | (1,926,496) |
| Income tax | | | | | |
| (Loss)/profit for the year | | (93,352) | (1,958,443) | (70,643) | (1,926,496) |
| Other comprehensive income: | | | | | |
| Items that may be subsequently reclassified to profit or loss | | | | | |
| Currency translation difference | | 25 | 577 | - | - |
| Total items that may be reclassified to profit or loss | | 25 | 577 | - | - |
| Other comprehensive income for the year - net of tax | | 25 | 577 | - | - |
| Total comprehensive (loss)/income for the year | | (93,327) | (1,957,865) | (70,643) | (1,926,496) |
| Total comprehensive (loss)/income for the year attributable to: | | | | | |
| Equity holders of the parent company | | (93,327) | (1,957,865) | (70,643) | (1,926,496) |
| Non controlling interest | | - | - | - | - |
| Earnings per share for loss attributable to the equity holders of the company | | | | | |
| Basic EPS (Naira) | 13 | (0.06) | (1.21) | (0.04) | (1.20) |
| Diluted EPS (Naira) | 13 | (0.06) | (1.21) | (0.04) | (1.20) |

The notes on pages 6 to 22 are an integral part of these financial statements.

NOTORE CHEMICAL INDUSTRIES PLC
UNAUDITED CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

| | Note | Group | | Company | |
|--------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | Three months | Three months | Three months | Three months |
| | | 31 Dec 2018 | 30 Sept 2018 | 31 Dec 2018 | 30 Sept 2018 |
| | | N'000 | N'000 | N'000 | N'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 14 | 112,812,302 | 112,743,870 | 112,811,401 | 112,742,864 |
| Investment property | 15 | 29,564,429 | 27,468,052 | 29,564,429 | 27,468,052 |
| Investments in subsidiaries | 25 | - | - | 40,255 | 40,255 |
| Total non-current assets | | 142,376,731 | 140,211,922 | 142,416,085 | 140,251,171 |
| Current assets | | | | | |
| Inventories | 16 | 5,765,958 | 3,226,105 | 5,765,958 | 3,226,105 |
| Trade and other receivables | 17 | 8,493,927 | 6,989,977 | 8,493,877 | 6,989,776 |
| Cash at bank and in hand | 18 | 1,064,855 | 2,410,224 | 1,062,841 | 2,408,389 |
| Total current assets | | 15,324,740 | 12,626,306 | 15,322,676 | 12,624,270 |
| Total assets | | 157,701,471 | 152,838,228 | 157,738,761 | 152,875,441 |
| Equity | | | | | |
| Ordinary shares | 19 | 806,033 | 806,033 | 806,033 | 806,033 |
| Share premium | | 27,995,916 | 27,995,916 | 27,995,916 | 27,995,916 |
| Asset revaluation reserves | | 36,695,135 | 36,695,135 | 36,695,135 | 36,695,135 |
| Foreign currency translation reserve | | 408,962 | 408,937 | - | - |
| Retained earnings | 20 | (17,290,880) | (17,197,528) | (17,444,465) | (17,373,822) |
| Total equity | | 48,615,166 | 48,708,493 | 48,052,619 | 48,123,262 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Borrowings | 22 | 65,928,338 | 69,322,544 | 65,928,338 | 69,322,544 |
| Trade and other payables | 23 | - | 3,164,007 | - | 3,164,007 |
| Employee benefit obligation | 21 | 797,928 | 762,145 | 797,928 | 762,145 |
| Deferred tax liability | 12a | 9,771,196 | 9,771,196 | 9,771,196 | 9,771,196 |
| Total non-current liabilities | | 76,497,462 | 83,019,892 | 76,497,462 | 83,019,892 |
| Current liabilities | | | | | |
| Borrowings | 22 | 13,035,932 | 8,079,338 | 13,035,932 | 8,079,338 |
| Trade and other payables | 23 | 19,532,315 | 13,009,909 | 20,132,152 | 13,632,353 |
| Current tax liabilities | 12 | 20,596 | 20,596 | 20,596 | 20,596 |
| Total current liabilities | | 32,588,843 | 21,109,843 | 33,188,680 | 21,732,287 |
| Total liabilities | | 109,086,305 | 104,129,735 | 109,686,142 | 104,752,179 |
| Total equity and liabilities | | 157,701,471 | 152,838,228 | 157,738,761 | 152,875,441 |

The financial statements on pages 1 to 22 were approved and authorised for issue by the board of directors on 29th January 2019 and signed on its behalf by:



Mr. Onajite P. Okoloko
 Managing Director/CEO
 FRC/2014/NIM/00000007662



Mr. Tolujo Bolarin Peters
 Group Head, Finance & Administration
 FRC/2018/ICAN/00000018981

The notes on pages 6 to 22 are an integral part of these financial statements.

NOTORE CHEMICAL INDUSTRIES PLC
UNAUDITED CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

Group

| | Share capital | Share premium | Foreign currency translation reserve | Asset revaluation reserve | Retained earnings | Total equity |
|---|---------------|---------------|--------------------------------------|---------------------------|-------------------|--------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Balance at 1 October 2017 | 806,033 | 27,995,916 | 407,580 | 41,360,539 | (19,883,179) | 50,686,889 |
| Loss for the year | - | - | - | - | (1,958,443) | (1,958,443) |
| Other comprehensive income: | | | | | | |
| PPE revaluation surplus, net of tax | - | - | - | - | - | - |
| Revaluation surplus released to retained earnings | - | - | - | - | - | - |
| Remeasurements of post-employment benefit obligations, net of tax | - | - | - | - | - | - |
| Currency translation difference | - | - | 577 | - | - | 577 |
| Total comprehensive loss for the year | - | - | 577 | - | (1,958,443) | (1,957,866) |
| Transaction with owners | - | - | - | - | - | - |
| Balance at 31 December 2017 | 806,033 | 27,995,916 | 408,157 | 41,360,539 | (21,841,622) | 48,729,023 |

Group

| | Share capital | Share premium | Foreign currency translation reserve | Asset revaluation reserve | Retained earnings | Total equity |
|---|---------------|---------------|--------------------------------------|---------------------------|-------------------|--------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Balance at 1 October 2018 | 806,033 | 27,995,916 | 408,937 | 36,695,135 | (17,197,528) | 48,708,493 |
| Loss for the year | - | - | - | - | (93,352) | (93,352) |
| Other comprehensive income: | | | | | | |
| PPE revaluation surplus, net of tax | - | - | - | - | - | - |
| Revaluation surplus released to retained earnings | - | - | - | - | - | - |
| Remeasurements of post-employment benefit obligations, net of tax | - | - | - | - | - | - |
| Currency translation difference | - | - | 25 | - | - | 25 |
| Total comprehensive loss for the year | - | - | 25 | - | (93,352) | (93,327) |
| Transaction with owners | - | - | - | - | - | - |
| Balance at 31 December 2018 | 806,033 | 27,995,916 | 408,962 | 36,695,135 | (17,290,881) | 48,615,166 |

The notes on pages 6 to 22 are an integral part of these financial statements.

NOTORE CHEMICAL INDUSTRIES PLC
UNAUDITED CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

Company

| | Share capital | Share premium | Asset revaluation reserve | Retained earnings | Total equity |
|---|----------------------|----------------------|----------------------------------|--------------------------|---------------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| Note | | | | | |
| Balance at 1 October 2017 | 806,033 | 27,995,916 | 41,360,539 | (20,165,417) | 49,997,071 |
| Loss for the year | - | - | - | (1,926,496) | (1,926,496) |
| Other comprehensive income: | | | | | |
| PPE revaluation surplus, net of tax | - | - | - | - | - |
| Revaluation surplus released to retained earnings | - | - | - | - | - |
| Remeasurements of post-employment benefit obligations, net of tax | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | (1,926,496) | (1,926,496) |
| Transaction with owners | - | - | - | - | - |
| Balance at 31 December 2017 | 806,033 | 27,995,916 | 41,360,539 | (22,091,913) | 48,070,575 |

Company

| | Share capital | Share premium | Asset revaluation reserve | Retained earnings | Total equity |
|---|----------------------|----------------------|----------------------------------|--------------------------|---------------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| Note | | | | | |
| Balance at 1 October 2018 | 806,033 | 27,995,916 | 36,695,135 | (17,373,822) | 48,123,262 |
| Loss for the year | - | - | - | (70,643) | (70,643) |
| Other comprehensive income: | | | | | |
| PPE revaluation surplus, net of tax | - | - | - | - | - |
| Revaluation surplus released to retained earnings | - | - | - | - | - |
| Remeasurements of post-employment benefit obligations, net of tax | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | (70,643) | (70,643) |
| Transaction with owners | - | - | - | - | - |
| Balance at 31 December 2018 | 806,033 | 27,995,916 | 36,695,135 | (17,444,465) | 48,052,619 |

The notes on pages 6 to 22 are an integral part of these financial statements.

NOTORE CHEMICAL INDUSTRIES PLC
UNAUDITED CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

| Note | Group | | Company | | |
|---|-------------|-----------------------------|--------------------|-----------------------------|--------------------|
| | 31 Dec 2018 | Three months 31 Dec 2017 | 31 Dec 2018 | Three months 31 Dec 2017 | |
| | N'000 | N'000 | N'000 | N'000 | |
| Cash flows from operating activities: | | | | | |
| Loss on ordinary activities before taxation | (93,352) | (1,958,443) | (70,643) | (1,926,496) | |
| Adjustments for : | | | | | |
| Depreciation | 14 | 1,464,800 | 2,002,315 | 1,464,695 | 2,002,165 |
| Property, plant and equipment written-off | 14 | - | - | - | - |
| Current service cost and interest on gratuity | 21 | 83,069 | 170,096 | 83,069 | 170,096 |
| Fair value adjustment on investment property | 10 | (2,096,377) | - | (2,096,377) | - |
| Currency translation difference | | 25 | 577 | - | - |
| Net adjustments for non-cash items | | (548,483) | 2,172,987 | (548,613) | 2,172,261 |
| Interest received | 11 | (19,413) | (988) | (19,413) | (988) |
| Interest paid | 11 | 3,107,586 | 2,543,909 | 3,107,586 | 2,543,909 |
| Gratuity paid | 21 | - | - | - | - |
| Acquisition of gratuity plan assets | 21 | (47,287) | (30,443) | (47,287) | (30,443) |
| Income taxes paid | 12 | - | - | - | - |
| Changes in working capital: | | | | | |
| Increase in inventories | | (2,539,853) | (1,610,918) | (2,539,853) | (1,610,918) |
| (Increase)/decrease in trade and other receivables | | (1,503,950) | (186,603) | (1,504,099) | (236,285) |
| Increase/(decrease) in trade and other payables | | 6,522,406 | 248,225 | 6,499,799 | 248,225 |
| Net cash generated from operating activities | | 4,877,655 | 1,177,726 | 4,877,477 | 1,159,265 |
| Cash flows from investing activities: | | | | | |
| Purchases of property, plant and equipment | 14 | (1,533,232) | (73,808) | (1,533,232) | (73,531) |
| Investment in subsidiary | 26 | - | - | - | - |
| Interest received | 11 | 19,413 | 988 | 19,413 | 988 |
| Net cash used in investing activities | | (1,513,819) | (72,820) | (1,513,819) | (72,543) |
| Cash flows from financing activities: | | | | | |
| Repayments of borrowings | 22 | (1,451,266) | (1,157,635) | (1,451,266) | (1,157,635) |
| Changes in long term payables | | (3,164,006) | - | (3,164,006) | - |
| Changes in term loan arising from reclassification (to)/from bank overdraft | 22 | 2,894,326 | 37,059,304 | 2,894,326 | 37,059,304 |
| Interest paid | 11 | (3,107,586) | (2,543,909) | (3,107,586) | (2,543,909) |
| Net cash generated from/(used in) financing activities | | (4,828,532) | 33,357,760 | (4,828,532) | 33,357,760 |
| Net increase/(decrease) in cash and cash equivalents | | (1,464,696) | 34,462,666 | (1,464,874) | 34,444,482 |
| Cash and cash equivalents at beginning of year | | 596,769 | (36,602,583) | 594,933 | (36,610,926) |
| Cash and cash equivalents at end of year | 18 | (867,927) | (2,139,917) | (869,941) | (2,166,444) |

The notes on pages 6 to 22 are an integral part of these financial statements.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

1.0 General information

Notore Chemical Industries Plc ("the Company") was incorporated on 30 November 2005 to manufacture and deal in nitrogenous fertilizers and all substances suited to improving the fertility of soil and water. The company fully rehabilitated a 500,000 metric tonne Urea Plant in Onne, Rivers State, Nigeria and commenced commercial production in the first quarter of 2010. It is a subsidiary of Notore Chemical Industries

The principal activities of the company are to manufacture, treat, process, produce, supply and deal in nitrogenous fertilizer and all substances suited to improving the fertility of soil and water.

The address of the company's registered office is:

Notore Industrial Complex
Onne
Rivers State
Nigeria

The consolidated financial statements has been prepared through the consolidation of the subsidiaries with the Company. The subsidiaries are: Notore Supply and Trading Mauritius Limited, Notore Power Limited, Notore Foods Limited, Notore Seeds Limited and Notore Industrial City Limited.

These financial statements are presented in Nigerian Naira which is the functional currency of the primary economic environment in which the parent company operates. The financial statements have been rounded to the nearest thousands Naira (NGN'000), except where otherwise

2.0 Basis of preparation and adoption of IFRSs

The consolidated financial statements of Notore Chemical Industries Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, plant and machinery, investment property and defined benefits plan assets at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note

These financial statements were authorised for issue by the board of directors on 29th January 2019.

3.0 Changes in accounting policy and disclosures

a) New and amended standards adopted by the group

The following standards have been adopted by the group for the first time

Amendments to IAS 7, "Statement of Cash Flows" intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The amendments requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. They are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted.

b) New accounting standards issued but not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 October 2018 and beyond, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except the following set out below:

IFRS 9, ~~Financial instruments~~ addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is assessing IFRS 9's full impact.

IFRS 15, ~~Revenue from contracts with customers~~ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ~~Revenue~~ and IAS 11 ~~Construction contracts~~ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15

IFRS 16, 'Leases' establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. This will result in almost all leases being recognised in the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exception are short term and low-value leases. The accounting for lessors will not significantly change. The standard is effective for annual periods beginning on or after 1 January 2019. The Group is assessing the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

4.0 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Naira which is the group's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency 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 recognised in profit or loss within administrative expenses.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

4.2 Trade receivables

Trade receivables are amounts due from customers for sale of fertilizer products in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

4.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied to third parties in the normal course of business, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Depending on the terms of sales, revenue recognition could be at point of dispatch or upon customer's acknowledgement of delivery.

4.4 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, cash balances with banks, other short term highly liquid investments with original maturity of three months or less and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

4.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses. If carrying value exceeds net realizable amount, a write down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

4.6 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 payment is due within one year or less (or in the normal operating cycle of the business if longer). 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.

4.7 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

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

4.8 Property, plant and equipment

Property, plant and equipment (excluding land & building and plant & machinery) are initially recognised at cost and subsequently stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 Group and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of profit or loss during the period in which they are incurred.

The Group allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each of such part. Depreciation of these assets or parts commences when the assets or parts are ready for their intended use. The carrying amount of a replaced part is derecognized when replaced. Impairment losses and gains and losses on disposals of property, plant and equipment are included in the statement of profit or loss. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

The major categories of property, plant and equipment (excluding land & building and plant & machinery) are depreciated on a straight-line basis as follows:

| Asset category | Depreciation rate (%) |
|--------------------|-----------------------|
| Motor vehicle | 25 |
| Computer equipment | 33 |
| Office equipment | 25 |

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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.

Land & Building and Plant & Machinery are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. A revaluation surplus is recognised, net of tax, in other comprehensive income and accumulated in asset revaluation reserve in shareholders' equity. To the extent that the surplus reverses a loss previously recognised in profit or loss, the increase is first recognised in profit or loss. Revaluation loss that reverses previous surplus of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other losses are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the asset revaluation reserve to retained earnings within equity.

Depreciation is calculated using the straight-line method to allocate their revalued amounts, net of their residual values, over their estimated useful lives. Freehold land is not depreciated but leasehold land and leasehold improvements is depreciated over the remaining lease term. On an annual basis, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from asset revaluation reserves account to retained earnings through other comprehensive income. For Buildings and Plant & Machinery, depreciation is calculated as follows:

| Asset category | Depreciation rate (%) |
|---------------------|-----------------------|
| Buildings | 2 |
| Plant and machinery | 5 |

Capital work-in-progress is not depreciated. Attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and they are subsequently depreciated.

4.9 Intangible assets

Computer software licences are acquired and recognized at acquisition cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditures on software are capitalised only when it increases the future economic benefits of the related software. Software maintenance costs are recognized as expenses in the profit and loss as they are incurred. Amortisation is recognized in profit and loss account on a straight-line basis over the estimated useful life of the software, from the date it is available for use. The estimated useful life of software is three years and this is reassessed annually.

4.10 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.11 Financial instruments

(i) Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise trade receivables, and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are carried at amortised cost less any impairment.

(b) Derecognition

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

(ii) Financial liabilities at amortised cost

Financial liabilities are classified as financial liabilities at amortised cost. Financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, inclusive of directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification as follows: These include trade payables and bank borrowings. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortised cost using the effective interest method. Bank borrowings are recognised initially at fair value, net of any transaction costs incurred, and subsequently at amortised cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(c) Derecognition

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

4.12 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

4.13 Impairment of financial assets

Assets carried at amortised cost

The group 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 event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 flows (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 consolidated statement of profit or loss. If a loan 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 group may measure impairment on the basis of an instrument's fair value using an

If, in a 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 recognised in the consolidated statement of profit or loss.

4.14 Income taxation

(a) Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Companies Income Tax Act (CITA). Education tax is assessed at 2% of the chargeable profits.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the entities in the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates except where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

4.15 Employee benefits

The group operates various post-employment schemes, including both a defined contribution scheme and a defined benefit obligation scheme.

(i) Defined contribution scheme (Pension obligations)

The Group operates a defined contribution pension scheme for its employees in line with the provisions of the Pension Reform Act. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The group's contributions to the defined contribution schemes are charged to the statement of profit or loss for the period to which they relate. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Gratuity Scheme

The Group operates a funded defined benefit gratuity scheme for its employees. The employees' retirement benefits under the gratuity scheme depends on the individual's years of service and gross salaries at the end of each completed year and plan assets are managed by external reputable organisation.

The risk that the retirement benefits could cost more than expected or that the return on the investments is lower than expected remains with the Group, and may increase the Group's obligation. Lump-sum benefits payable upon retirement or resignation of employment are fully accrued over the service lives of employees of the Group. The liability recognised in the statement of financial position in respect of the unfunded part of gratuity scheme is the present value of the defined benefit obligation at the statement of financial position date. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of the Federal Government of Nigeria bonds. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in full to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in statement of profit or loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement

(iii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

4.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

4.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

4.18 Cost of sales

Cost of sales is primarily comprised of direct materials and supplies consumed in the manufacture and sale of product, as well as manufacturing labor, depreciation expense and direct overhead expense necessary to acquire and convert the purchased materials and supplies into finished product. Cost of sales also includes the cost of haulage and export grant credit.

4.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(All amounts are in thousands of Naira, unless otherwise stated)

4.20 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.21 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property. Land held under operating leases is classified and accounted for by the Group as investment property when the definition of investment property would otherwise be met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and (where applicable) borrowing costs. After initial recognition, investment property is carried at fair value. Changes in fair values are presented in profit or loss as part of other income. Recognition of investment property takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Group and the cost can be reliably measured. This is usually when all risks are transferred.

Valuation of investment property is performed annually.

4.22 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. Investments in subsidiaries are recognised at cost less impairment.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. That is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in

(c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.23 Segment reporting

An operating segment is a component of an entity: that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Operating segment is reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segment has been identified as the Group Leadership Council. The Group's reportable segment has been identified on a product basis as Fertilizer and the Group is a one segment business.

4.24 Export expansion grant and Negotiable duty credit certificates

Export expansion grant (EEG) and Negotiable duty credit certificates (NDCC) are initially recognised at fair value when the Group has complied with all the conditions precedents. At the end of each reporting period, the Group assesses whether there is objective evidence that the EEG and NDCC are impaired. Where an objective evidence of impairment is identified, the carrying amount of EEG and NDCC is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss.

If in a 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, the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results.

5.1 Impairment of financial assets

The Group has two types of financial assets that are subject to impairment:

- cash and cash equivalents, and
- trade and other receivables.

While cash and cash equivalents are also subject to the impairment, no impairment loss was identified on items of cash and cash equivalents.

(All amounts are in thousands of Naira, unless otherwise stated)

5 Critical accounting estimates and judgements (continued)

The Group assesses impairment of trade and other receivables based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

5.2 Export Expansion Grant Receivable and Negotiable Duty Credit Certificates

Export Expansion Grant Receivable and Negotiable Duty Credit Certificates (NDCC) is Federal Government of Nigeria (FGN) incentive to stimulate export sales. The scheme has been dormant for years resulting to the Group's decision to make full provision for EEG earned in past years. However, NDCC has always been recognised because it is an instrument useful for settlement of duties and levies payable to government in lieu of cash. In 2018, management reversed full provision previously recognised against EEG receivable based on FGN's revised interest in resuscitating the scheme as evidenced by filing of all outstanding claims and submission of NDCC at hand to Nigeria Export Promotion Council (NEPC). In addition, the amount due to the Group under the scheme is a sovereign debt and the outstanding amount was confirmed by NEPC.

5.3 Employee benefit obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for these benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of employee benefit obligations. The Group's actuaries determine the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employee benefit obligations.

In determining the appropriate discount rate, the actuaries considers the interest rates of high-quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate should be based on market yields on Government bonds) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefit obligation. Other key assumptions for employee benefit obligations are based in part on current market conditions. Additional information is disclosed in

5.4 Income taxes and Deferred tax

Taxes are paid by Group under a number of different regulations and laws, which are subject to varying interpretations. In this environment, it is possible for the tax authorities to review transactions and activities that have not been reviewed in the past and scrutinize these in greater detail, with additional taxes being assessed based on new interpretations of the applicable tax law and regulations. Accordingly, management's interpretation of the applicable tax laws and regulations as applied to the transactions and activities of the Group may be challenged by the relevant taxation authorities. The Group's management believes that its interpretation of the relevant tax laws and regulations is appropriate and that the tax position included in these financial statements will be sustained.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Management is of the view that there is a high probability that future taxable profit will be available to utilise the temporary differences.

5.5 Functional currency

Functional currency is the currency of the primary economic environment in which the parent company operates. The assessment of the functional currency of the foreign subsidiary is subjective and involves the use of management's estimates and judgements. Management is of the opinion that the foreign subsidiary's functional currency is the US Dollars as it is the currency that mainly influences sales prices for its goods.

5.6 Fair value of investment property and property, plant and equipment

Critical accounting estimates and judgements made on fair value of investment property and property, plant and equipment are disclosed in Note 15 to the financial statements.

6.0 Financial risk management

6.1 Introduction and overview of company and group risk management

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by a treasury department under policies approved by the board of directors. Treasury identifies, evaluates, and manages financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk, other price risk and investment of excess liquidity.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

7 Revenue

| | Group | | Company | |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Three months 31 Dec 2018 | Three months 31 Dec 2017 | Three months 31 Dec 2018 | Three months 31 Dec 2017 |
| | N'000 | N'000 | N'000 | N'000 |
| NPK | - | - | - | - |
| Urea and other chemicals | 4,302,615 | 5,981,316 | 4,302,615 | 5,981,316 |
| Ammonia | 18,118 | 13,964 | 18,118 | 13,964 |
| Total | 4,320,733 | 5,995,281 | 4,320,733 | 5,995,281 |
| Analysis by geographical location: | | | | |
| Within Nigeria | 4,320,733 | 5,995,281 | 4,320,733 | 5,995,281 |
| Outside Nigeria | - | - | - | - |
| | 4,320,733 | 5,995,281 | 4,320,733 | 5,995,281 |

The Group's reportable segment has been identified on a product basis as fertilizer because all the Group's sales comprise mainly fertilizer products with similar risks and rewards. The Group is a one segment business with no turnover to a customer that is greater than 10% of sales value. Revenue is generated from local and export sales and an analysis based on customers' locations is set out above.

8 Cost of sales

| | Group | | Company | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Three months 31 Dec 2018 | Three months 31 Dec 2017 | Three months 31 Dec 2018 | Three months 31 Dec 2017 |
| | N'000 | N'000 | N'000 | N'000 |
| Raw materials and other chemicals cost | 2,377,525 | 1,329,924 | 2,377,525 | 1,329,924 |
| Depreciation | 1,367,556 | 1,911,936 | 1,367,556 | 1,911,936 |
| Employee benefit expense (Note 9d) | 571,894 | 570,839 | 571,894 | 570,839 |
| Haulage cost | - | 28,216 | - | 28,216 |
| Export Expansion Grant (EEG) provision no longer required | - | - | - | - |
| Total | 4,316,975 | 3,840,914 | 4,316,975 | 3,840,914 |

Analysis of depreciation charged

| | Group | | Company | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Three months 31 Dec 2018 | Three months 31 Dec 2017 | Three months 31 Dec 2018 | Three months 31 Dec 2017 |
| | N'000 | N'000 | N'000 | N'000 |
| Total depreciation charged to cost of sales | 1,367,556 | 1,911,936 | 1,367,556 | 1,911,936 |
| Total depreciation charged to administrative expenses (Note 9a) | 97,445 | 90,536 | 97,138 | 90,229 |
| Total depreciation charged on PPE (Note 14) | 1,465,000 | 2,002,472 | 1,464,694 | 2,002,165 |

9a Administrative expenses

The following balances are included as part of administrative expenses:

| | Group | | Company | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Three months 31 Dec 2018 | Three months 31 Dec 2017 | Three months 31 Dec 2018 | Three months 31 Dec 2017 |
| | N'000 | N'000 | N'000 | N'000 |
| Employee benefit expense (Note 9d) | 648,120 | 501,971 | 640,686 | 494,198 |
| Repair and maintenance | 56,617 | 30,455 | 56,617 | 30,455 |
| Consultancy | 87,487 | 43,665 | 87,487 | 43,665 |
| Transportation & Travel | 88,268 | 127,347 | 87,669 | 121,050 |
| Depreciation (Note 8) | 97,243 | 90,379 | 97,138 | 90,229 |
| Corporate promotion expenses | 43,136 | 3,001 | 43,136 | 3,001 |
| Directors fees (Note 24c) | 157,102 | 134,778 | 157,102 | 134,778 |
| Board expenses | 12,499 | 11,793 | 12,499 | 11,793 |
| Foreign currency exchange loss/(gain) | (80,307) | 34,970 | (80,307) | 34,970 |
| Bank charges | 11,655 | 12,398 | 11,655 | 12,232 |
| Housing estate maintenance expenses | 75,074 | 54,153 | 75,074 | 54,153 |
| Rent and rates expenses | 51,180 | 81,279 | 39,270 | 68,850 |
| Insurance expenses | 24,968 | 22,106 | 24,968 | 22,106 |
| Other administrative and general expenses | 201,397 | 238,556 | 199,118 | 233,713 |
| Auditor's remuneration | 10,382 | 9,476 | 10,000 | 9,187 |
| | 1,484,821 | 1,396,327 | 1,462,112 | 1,364,380 |

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

9b Selling and distribution expenses

| Group | | Company | | |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------|
| Three months 31 Dec 2018 | Three months 31 Dec 2017 | Three months 31 Dec 2018 | Three months 31 Dec 2017 | |
| N'000 | N'000 | N'000 | N'000 | |
| Marketing expenses | 123,769 | 247,580 | 123,769 | 247,580 |

9c Employee benefits expense

| Group | | Company | | |
|---|-----------------------------|-----------------------------|-----------------------------|------------------|
| Three months 31 Dec 2018 | Three months 31 Dec 2017 | Three months 31 Dec 2018 | Three months 31 Dec 2017 | |
| N'000 | N'000 | N'000 | N'000 | |
| Salaries and wages | 762,707 | 661,343 | 755,273 | 653,569 |
| Other employee benefits | 315,732 | 270,986 | 315,732 | 270,986 |
| Termination benefits | 1,270 | 3,759 | 1,270 | 3,759 |
| Employer's pension contribution - defined contributions | 69,138 | 60,729 | 69,138 | 60,729 |
| Gratuity charge (Note 21) | 71,167 | 75,993 | 71,167 | 75,993 |
| | <u>1,220,014</u> | <u>1,072,810</u> | <u>1,212,580</u> | <u>1,065,036</u> |

9d Analysis of employee benefits expense charged to:

| Group | | Company | | |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------|
| Three months 31 Dec 2018 | Three months 31 Dec 2017 | Three months 31 Dec 2018 | Three months 31 Dec 2017 | |
| N'000 | N'000 | N'000 | N'000 | |
| Cost of sales | 571,894 | 570,839 | 571,894 | 570,839 |
| Administrative expenses | 648,120 | 501,971 | 640,686 | 494,198 |
| | <u>1,220,014</u> | <u>1,072,810</u> | <u>1,212,580</u> | <u>1,065,036</u> |

10 Other income

| Group | | Company | | |
|--|-----------------------------|-----------------------------|-----------------------------|---------------|
| Three months 31 Dec 2018 | Three months 31 Dec 2017 | Three months 31 Dec 2018 | Three months 31 Dec 2017 | |
| N'000 | N'000 | N'000 | N'000 | |
| Fair value adjustment on investment property (Note 15) | 2,096,377 | 2,096,377 | - | |
| Others | 2,503,276 | 74,018 | 2,503,276 | 74,018 |
| | <u>4,599,653</u> | <u>74,018</u> | <u>4,599,653</u> | <u>74,018</u> |

11 Finance income and costs

| Group | | Company | | |
|---|-----------------------------|-----------------------------|-----------------------------|------------------|
| Three months 31 Dec 2018 | Three months 31 Dec 2017 | Three months 31 Dec 2018 | Three months 31 Dec 2017 | |
| N'000 | N'000 | N'000 | N'000 | |
| Finance income | | | | |
| Interest income on short-term bank deposits | 19,413 | 988 | 19,413 | 988 |
| Finance cost | | | | |
| Interest expense: | | | | |
| . Interest and fees on bank borrowings | 3,107,586 | 2,543,909 | 3,107,586 | 2,543,909 |
| Net finance costs | <u>3,088,173</u> | <u>2,542,921</u> | <u>3,088,173</u> | <u>2,542,921</u> |

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

12 Income tax expense

The movement in the current income taxation payable is as follows:

| | Group and Company | |
|---|--------------------------|---------------------|
| | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 |
| At start of the period | 20,596 | 94,367 |
| Charge for the period - Income tax | - | - |
| Charge for the period - Education tax | - | 20,596 |
| Payment during the period | - | (94,367) |
| Total current income tax liabilities | 20,596 | 20,596 |

12a Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | Group and Company | |
|--|--------------------------|---------------------|
| | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 |
| Deferred tax assets: | | |
| . Deferred tax assets to be recovered after more than 12 months | 23,231,804 | 23,231,804 |
| | <u>23,231,804</u> | <u>23,231,804</u> |
| Deferred tax liabilities: | | |
| . Deferred tax liabilities to be recovered after more than 12 months | 33,003,000 | 33,003,000 |
| | <u>33,003,000</u> | <u>33,003,000</u> |
| Deferred tax (liability) - (net) | (9,771,196) | (9,771,196) |

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| | Group and Company | |
|--|--------------------------|---------------------|
| | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 |
| Deferred tax assets: | | |
| Deferred income tax asset: | | |
| Balance at the beginning of the year | 23,231,804 | 16,397,529 |
| Credit to profit or loss for the year | - | 6,834,275 |
| Total deferred tax asset | 23,231,804 | 23,231,804 |
| Deferred tax liabilities: | | |
| Deferred income tax liabilities: | | |
| Balance at the beginning of the year | 33,003,000 | 27,791,271 |
| Charge to profit or loss for the year | - | 5,197,384 |
| (Credit)/charge to other comprehensive income for the year | - | 14,345 |
| Total deferred tax liabilities | 33,003,000 | 33,003,000 |

13 (Loss)/earnings per share (EPS)

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. Diluted (loss)/earnings per share is the same as Basic (loss)/earnings per share as there are no potential securities convertible to ordinary shares at both year ends.

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2018 | 31 Dec 2017 |
| | N'000 | N'000 | N'000 | N'000 |
| (Loss) for the period attributable to shareholders | (93,352) | (1,958,443) | (70,643) | (1,926,496) |
| Weighted average number of ordinary shares in issue | 1,612,066 | 1,612,066 | 1,612,066 | 1,612,066 |
| Basic (loss)/earnings per share (Naira) | (0.06) | (1.21) | (0.04) | (1.20) |
| Diluted (loss)/earnings per share (Naira) | (0.06) | (1.21) | (0.04) | (1.20) |

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

14 Property, plant and equipment

Group

| | Land & Buildings | Plant & Machinery | Motor Vehicle | Computer Equipment | Office Equipment | Capital Work in Progress | Total |
|---|-----------------------------|------------------------------|----------------------|---------------------------|-------------------------|---------------------------------|--------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Cost | | | | | | | |
| At 1 October 2017 | 15,827,947 | 108,068,965 | 644,761 | 222,831 | 390,762 | 1,753,615 | 126,908,881 |
| Additions | - | 432,281 | 188,638 | 49,495 | 50,501 | 3,580,728 | 4,301,643 |
| Revaluation surplus | 92,124 | - | - | - | - | - | 92,124 |
| Disposal | - | - | (88,926) | - | - | - | (88,926) |
| Transfer to investment property (Note 15) | (1,581,340) | - | - | - | - | - | (1,581,340) |
| At 30 September 2018 | 14,338,731 | 108,501,246 | 744,473 | 272,326 | 441,263 | 5,334,343 | 129,632,382 |
| Accumulated depreciation | | | | | | | |
| At 1 October 2017 | 284,214 | 7,662,242 | 524,456 | 198,067 | 334,963 | - | 9,003,942 |
| Charge for the year | 278,092 | 7,686,518 | 54,242 | 20,827 | 25,344 | - | 8,065,023 |
| Transfer to investment property (Note 15) | (91,527) | - | - | - | - | - | (91,527) |
| Disposal | - | - | (88,926) | - | - | - | (88,926) |
| At 30 September 2018 | 470,779 | 15,348,760 | 489,772 | 218,894 | 360,307 | - | 16,888,512 |
| Net Book Value | | | | | | | |
| At 30 September 2018 | 13,867,952 | 93,152,487 | 254,702 | 53,432 | 80,956 | 5,334,343 | 112,743,870 |
| Cost | | | | | | | |
| At 1 October 2018 | 14,338,731 | 108,501,246 | 744,473 | 272,326 | 441,263 | 5,334,343 | 129,632,382 |
| Additions | - | - | 41,139 | 16,249 | 20,537 | 1,455,307 | 1,533,232 |
| At 31 December 2018 | 14,338,730 | 108,501,246 | 785,612 | 288,575 | 461,800 | 6,789,650 | 131,165,614 |
| Accumulated depreciation | | | | | | | |
| At 1 October 2017 | 470,779 | 15,348,760 | 489,772 | 218,894 | 360,307 | - | 16,888,512 |
| Charge for the year | 65,902 | 1,367,556 | 15,704 | 7,216 | 8,422 | - | 1,464,800 |
| At 31 December 2018 | 536,681 | 16,716,316 | 505,476 | 226,110 | 368,729 | - | 18,353,312 |
| Net Book Value | | | | | | | |
| At 31 December 2018 | 13,802,049 | 91,784,929 | 280,136 | 62,465 | 93,071 | 6,789,650 | 112,812,302 |

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

14 Property, plant and equipment (continued)

Company

| | Land & Buildings | Plant & Machinery | Motor Vehicle | Computer Equipment | Office Equipment | Capital Work in Progress | Total |
|---|-----------------------------|------------------------------|----------------------|---------------------------|-------------------------|---------------------------------|--------------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Cost | | | | | | | |
| At 1 October 2017 | 15,827,947 | 108,068,965 | 644,761 | 218,381 | 390,762 | 1,753,615 | 126,904,431 |
| Additions | - | 432,281 | 188,638 | 49,495 | 50,501 | 3,580,728 | 4,301,643 |
| Revaluation surplus | 92,124 | - | - | - | - | - | 92,124 |
| Disposal | - | - | (88,926) | - | - | - | (88,926) |
| Transfer to Investment property (Note 15) | (1,581,340) | - | - | - | - | - | (1,581,340) |
| At 30 September 2018 | 14,338,731 | 108,501,246 | 744,473 | 267,876 | 441,263 | 5,334,343 | 129,627,933 |
| Accumulated depreciation | | | | | | | |
| At 1 October 2017 | 284,214 | 7,662,242 | 524,456 | 194,931 | 334,963 | - | 9,000,806 |
| Charge for the year | 278,092 | 7,686,518 | 54,242 | 20,520 | 25,344 | - | 8,064,716 |
| Transfer to Investment property (Note 15) | (91,527) | - | - | - | - | - | (91,527) |
| Disposal | - | - | (88,926) | - | - | - | (88,926) |
| At 30 September 2018 | 470,779 | 15,348,760 | 489,772 | 215,451 | 360,307 | - | 16,885,069 |
| Net Book Value | | | | | | | |
| At 30 September 2018 | 13,867,952 | 93,152,486 | 254,701 | 52,425 | 80,956 | 5,334,343 | 112,742,864 |
| Cost | | | | | | | |
| At 1 October 2018 | 14,338,731 | 108,501,246 | 744,473 | 267,876 | 441,263 | 5,334,343 | 129,627,933 |
| Additions | - | - | 41,139 | 16,249 | 20,537 | 1,455,307 | 1,533,232 |
| At 31 December 2018 | 14,338,731 | 108,501,246 | 785,612 | 284,125 | 461,800 | 6,789,650 | 131,161,165 |
| Accumulated depreciation | | | | | | | |
| At 1 October 2018 | 470,779 | 15,348,760 | 489,772 | 215,451 | 360,307 | - | 16,885,069 |
| Charge for the year | 65,902 | 1,367,556 | 15,704 | 7,111 | 8,422 | - | 1,464,695 |
| At 31 December 2018 | 536,681 | 16,716,316 | 505,476 | 222,562 | 368,729 | - | 18,349,764 |
| Net Book Value | | | | | | | |
| At 31 December 2018 | 13,802,050 | 91,784,930 | 280,136 | 61,563 | 93,071 | 6,789,650 | 112,811,401 |

On 30 September 2016, the Group adopted a policy of recognizing Land & Building and Plant & Machinery at revalued amount in accordance with the provisions of IAS 16 'Property, Plant and Equipment'. This is a change from the previous policy, under which all property, plant and equipment were stated at historic cost less accumulated depreciation and impairment losses. The revaluation of Land & Building and Plant & Machinery provides shareholders with a more representative value than the historic cost basis.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

15 Investment property

| | Group | | Company | |
|---------------------------------|--------------------|---------------------|--------------------|---------------------|
| | 31 Dec 2018 | 30 Sept 2018 | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 | N'000 | N'000 |
| Cost | | | | |
| Opening balance | 27,468,052 | 21,966,286 | 27,468,052 | 21,966,286 |
| Transfer (from PPE Note 14) | - | - | - | - |
| Fair value adjustment (Note 10) | 2,096,377 | 5,501,766 | 2,096,377 | 5,501,766 |
| | <u>29,564,429</u> | <u>27,468,052</u> | <u>29,564,429</u> | <u>27,468,052</u> |

Investment property is made up of an undeveloped land and a commercial property that is leased out to third parties. The commercial property leased to third parties contains an initial non-cancellable lease period of 3 years. Subsequent renewals are negotiated with the lessee and on average, the renewal periods are not less than 2 years. No contingent rents are charged. These properties were transferred from property, plant & equipment to investment property on transition date at its fair value as deemed cost.

16 Inventories

| Group | Group | | Company | |
|-------------------------|--------------------|---------------------|--------------------|---------------------|
| | 31 Dec 2018 | 30 Sept 2018 | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 | N'000 | N'000 |
| Raw materials | 1,326,094 | 1,337,421 | 1,326,094 | 1,337,421 |
| Finished goods | 388,625 | 429,496 | 388,625 | 429,496 |
| Goods in transit | 543,322 | 382,383 | 543,322 | 382,383 |
| Spare parts inventories | 3,507,917 | 1,076,805 | 3,507,917 | 1,076,805 |
| | <u>5,765,958</u> | <u>3,226,105</u> | <u>5,765,958</u> | <u>3,226,105</u> |

17 Trade and other receivables

| | Group | | Company | |
|--|--------------------|---------------------|--------------------|---------------------|
| | 31 Dec 2018 | 30 Sept 2018 | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 | N'000 | N'000 |
| Trade receivables | 635,075 | 645,091 | 635,075 | 645,091 |
| Less: Impairment of trade receivables | (635,075) | (645,091) | (635,075) | (645,091) |
| Net trade receivables | - | - | - | - |
| Prepayments | 365,289 | 139,979 | 365,289 | 139,979 |
| Employee receivables | 42,633 | 60,205 | 42,633 | 60,205 |
| Export Expansion Grant Receivables and Negotiable Duty Credit Certificates | 4,485,051 | 4,485,051 | 4,485,051 | 4,485,051 |
| Advances to prepaid suppliers | 211,302 | 780,005 | 211,302 | 780,005 |
| Other receivables | 3,389,652 | 1,524,737 | 3,389,602 | 1,524,536 |
| Total | <u>8,493,927</u> | <u>6,989,977</u> | <u>8,493,877</u> | <u>6,989,776</u> |

The trade receivable is not interest bearing. For receivables that are classified as 'current' due to their short-term maturities, the fair value approximates their carrying values.

Employee receivables are staff loans granted to staff members at below market rates. The fair value of the employee loans is based on cashflows discounted based on market borrowing rate .

Included in other receivables for the two periods are receivable from Stanbic IBTC Trustees Limited with respect to the Employee Stock Option (ESOP) of N1.08 billion and Withholding Tax receivable of N321.36 million.

All trade and other receivables are current.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

18 Cash and cash equivalents

| | Group | | Company | |
|--|-------------|--------------|-------------|--------------|
| | 31 Dec 2018 | 30 Sept 2018 | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 | N'000 | N'000 |
| Cash at bank and in hand (excluding overdrafts) | 1,064,855 | 2,410,224 | 1,062,841 | 2,408,389 |
| Cash and cash equivalents (excluding overdrafts) | 1,064,855 | 2,410,224 | 1,062,841 | 2,408,389 |

Short term deposits with banks represents placements with commercial banks for period between 0 - 90 days.

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

| | Group | | Company | |
|--|-------------|--------------|-------------|--------------|
| | 31 Dec 2018 | 30 Sept 2018 | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 | N'000 | N'000 |
| Cash and cash equivalents (excluding overdrafts) | 1,064,855 | 2,410,224 | 1,062,841 | 2,408,389 |
| Bank overdrafts (Note 22) | (1,932,782) | (1,813,456) | (1,932,782) | (1,813,456) |
| Cash and cash equivalents (including overdrafts) | (867,927) | 596,768 | (869,941) | 594,933 |

19 Share capital

Authorised:

2 billion ordinary shares of 50 Kobo each

Issued and fully paid:

1.61 billion ordinary shares of 50 Kobo each

| | Group | | Company | |
|--|-------------|--------------|-------------|--------------|
| | 31 Dec 2018 | 30 Sept 2018 | 31 Dec 2018 | 30 Sept 2018 |
| | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| | 806,033 | 806,033 | 806,033 | 806,033 |

20 Retained earnings

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 31 Dec 2018 | 30 Sept 2018 | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 | N'000 | N'000 |
| Balance at the beginning | (17,197,528) | (19,883,179) | (17,373,822) | (20,165,417) |
| (Loss)/profit for the year | (93,352) | (2,013,224) | (70,643) | (1,907,281) |
| Remeasurements of post employment benefit liabilities net of tax | - | (31,015) | - | (31,015) |
| Revaluation reserve released on depreciation of revalued PPE | | 4,729,891 | | 4,729,891 |
| Balance at the end | (17,290,880) | (17,197,528) | (17,444,465) | (17,373,822) |

21 Employee benefit obligations

(a) Defined benefit scheme

The table below outlines where the Group and Company's post-employment amounts and activity are included in the financial statements:

| | Group & Company | |
|---|-----------------|--------------|
| | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 |
| Statement of financial position obligations for: | | |
| Post-employment benefit | 797,928 | 762,145 |
| Liability in the statement of financial position | 797,928 | 762,145 |
| Statement of profit or loss charge included in employee benefits expense for: | | |
| Post-employment benefit | 83,069 | 369,104 |
| | 83,069 | 369,104 |
| Remeasurements for: | | |
| Change in financial assumption and experience adjustment | - | 44,307 |
| | - | 44,307 |

The Group operates a gratuity scheme whereby at the time of leaving the service or retirement from the Group, an employee is paid gratuity. The plan provides a retirement benefit of 15% of gross annual salary for each year of service for staff with 5 and above years of service. Responsibility for governance of the plans including investment decisions and contribution schedules lies with the Group.

The provision for gratuity was based on independent actuarial valuation performed by independent actuaries using the projected unit credit method. The Group maintains an asset account with a fund manager for funding of the obligations as they fall due. As at 31 December 2018, fair value of the plan asset stood at N768.3 million (30 September 2018: N721.0).

The amounts recognised in the statement of financial position are determined as follows:

| | Group & Company | |
|---------------------------------------|-----------------|--------------|
| | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 |
| Present value of obligations (funded) | 1,566,259 | 1,483,190 |
| Fair value of plan assets | (768,331) | (721,045) |
| Deficit of funded plan | 797,928 | 762,145 |

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

23 Trade and other payables

| | Group | | Company | |
|---|--------------------|---------------------|--------------------|---------------------|
| | 31 Dec 2018 | 30 Sept 2018 | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 | N'000 | N'000 |
| Non-current | | | | |
| Trade creditors | - | 1,582,861 | - | 1,582,861 |
| Amounts due to related parties (Note 24) | - | 1,581,146 | - | 1,581,146 |
| | - | 3,164,007 | - | 3,164,007 |
| | | | | |
| | Group | | Company | |
| | 31 Dec 2018 | 30 Sept 2018 | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 | N'000 | N'000 |
| Current | | | | |
| Trade payables | 5,584,578 | 4,177,507 | 5,584,578 | 4,177,507 |
| Interest and fees payable | - | 135,497 | - | 135,497 |
| Accrued expenses | 1,920,560 | 1,863,447 | 1,919,055 | 1,846,318 |
| Deposit from customers | 8,409,874 | 5,629,529 | 8,409,874 | 5,629,529 |
| Amounts due to related parties (Note 24) | 3,617,303 | 1,203,929 | 4,218,645 | 1,843,502 |
| | 19,532,315 | 13,009,909 | 20,132,152 | 13,632,353 |
| Total Trade and other payables (non-current & current) | 19,532,315 | 16,173,916 | 20,132,152 | 16,796,360 |

24 Related party transactions

Parent and ultimate controlling entity

Notore Chemical Industries (Mauritius) Limited is the ultimate parent of Notore Chemical Industries Plc. Notore Chemical Industries (Mauritius) Limited, the subsidiaries, Directors, close family members of the Directors and any employee who is able to exert significant influence on the operating policies of the Group are considered as related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise).

As at 31 December 2018, Notore Chemical Industries (Mauritius) Limited owned 77.07% of the issued share capital of the company.

The company entered into a 20 years gas supply agreement with Eroton Exploration and Production Company Limited ("Eroton"). The agreement became fully operational effective from 01 March 2016 with the commencement of offtake of gas from Eroton on that date. By this agreement, Eroton became a major supplier of gas to the company. The Managing Director and Chief Executive Officer of the company is also the Chairman of the Board of Eroton Exploration and Production Company Limited.

(b) Amount due to related parties:

Particulars:

| | Group | | Company | |
|---|--------------------|---------------------|--------------------|---------------------|
| | 31 Dec 2018 | 30 Sept 2018 | 31 Dec 2018 | 30 Sept 2018 |
| | N'000 | N'000 | N'000 | N'000 |
| Notore Supply and Trading Mauritius Limited | - | - | 561,342 | 599,573 |
| Notore Power Limited | - | - | 10,000 | 10,000 |
| Notore Foods Limited | - | - | 10,000 | 10,000 |
| Notore Seeds Limited | - | - | 10,000 | 10,000 |
| Notore Industrial City Limited | - | - | 10,000 | 10,000 |
| Eroton Exploration and Production Company Limited | 3,617,303 | 2,785,075 | 3,617,303 | 2,785,075 |
| | 3,617,303 | 2,785,075 | 4,218,645 | 3,424,648 |

The payables to related parties arise mainly from supply of services and are due two months after the date of purchase. The payables bear no interest.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2018

(All amounts are in thousands of Naira, unless otherwise stated)

25 Investments in subsidiaries

Principal subsidiaries

The group had the following subsidiaries as at 31 December 2018

| Name | Investment Amount | Country of incorporation and place of business | Nature of business | Proportion of ordinary shares held by parent | Proportion of ordinary shares held by group | Proportion of ordinary shares held by non-controlling interests |
|---|-------------------|--|---|--|---|---|
| | N'000 | | | % | % | % |
| Notore Supply and Trading Mauritius Limited | 255 | Mauritius | | 100.00 | 100.00 | - |
| Notore Supply and Trading Limited BVI | | - British Virgin Islands | Sale of fertilisers and other chemical products | 100.00 | 100.00 | - |
| Notore Power Limited | 10,000 | Nigeria | Power generation, distribution and sale | 99.99 | 99.99 | 0.01 |
| Notore Foods Limited | 10,000 | Nigeria | Marketing of farm produce | 99.99 | 99.99 | 0.01 |
| Notore Seeds Limited | 10,000 | Nigeria | Development and marketing of high yield seeds | 99.99 | 99.99 | 0.01 |
| Notore Industrial City Limited | 10,000 | Nigeria | Development and operating of industrial parks | 99.99 | 99.99 | 0.01 |
| | <u>40,255</u> | | | | | |

Movement in investment in subsidiaries

| | Company | |
|--------------------------|---------------|---------------|
| | 31 Dec 2018 | 30 Sept 2018 |
| Opening balance | N'000 | N'000 |
| Increase during the year | 40,255 | 40,255 |
| | - | - |
| Closing balance | <u>40,255</u> | <u>40,255</u> |