



RC: 640303

NOTORE CHEMICAL INDUSTRIES PLC
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

Financial statements

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NOTORE CHEMICAL INDUSTRIES PLC
UNAUDITED CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2022

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

	Notes	Group		Company	
		31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
		N'000	N'000	N'000	N'000
Non-current assets					
Property, plant and equipment	14	150,495,350	151,293,681	150,495,349	151,293,678
Right of use assets	15	8,660	30,429	8,660	30,429
Investment property	16	68,433,863	68,339,210	68,433,863	68,339,210
Investments in subsidiaries	26	-	-	50,255	50,255
Total non-current assets		218,937,873	219,663,320	218,988,127	219,713,572
Current assets					
Inventories	17	7,395,077	9,323,397	7,369,525	9,289,549
Trade and other receivables	18a	7,417,691	3,928,063	7,798,390	4,366,929
EEG Receivable	18b	4,540,129	4,540,129	4,540,129	4,540,129
Cash at bank and in hand	19	4,109,846	1,164,890	4,063,549	1,029,885
Total current assets		23,462,743	18,956,479	23,771,593	19,226,492
Total assets		242,400,616	238,619,799	242,759,720	238,940,064
Equity					
Ordinary shares	20	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		60,124,144	60,124,144	60,124,144	60,124,144
Accumulated losses	21	(33,259,090)	(34,816,713)	(32,825,126)	(34,406,142)
Treasury shares reserve		(1,080,831)	(1,080,831)	(1,080,831)	(1,080,831)
Total equity		54,586,172	53,028,549	55,020,136	53,439,120
Liabilities					
Non-current liabilities					
Borrowings	23a	75,853,201	79,962,615	75,853,201	79,962,615
Employee benefit obligation	22	1,923,593	1,850,646	1,923,593	1,850,646
Grant liability	23b	2,354,053	2,625,073	2,354,053	2,625,073
Total non-current liabilities		80,130,847	84,438,334	80,130,847	84,438,334
Current liabilities					
Borrowings	23a	51,413,566	49,076,352	51,413,566	49,076,352
Trade and other payables	24	55,037,080	50,843,613	54,962,220	50,753,307
Grant liability	23b	1,167,241	1,167,241	1,167,241	1,167,241
Current tax liabilities	12	65,710	65,710	65,710	65,710
Total current liabilities		107,683,597	101,152,916	107,608,737	101,062,610
Total liabilities		187,814,444	185,591,250	187,739,584	185,500,944
Total equity and liabilities		242,400,616	238,619,799	242,759,720	238,940,064

The financial statements on pages were approved and authorised for issue by the board of directors on 29th April 2022 and signed on its behalf by:



Mr. Ohis Ohiwerei
Managing Director/CEO
FRC/2017/CIBN/00000016412



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



Mr. Bolarin Tolujo
Chief Financial Officer
FRC/2018/ICAN/00000018981

The notes on pages 7 to 29 are an integral part of these financial statements.

NOTORE CHEMICAL INDUSTRIES PLC
 UNAUDITED CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

	Notes	Group		Company	
		Three months 31 Mar 2022	Six months 31 March 2021	Three months 31 Mar 2022	Six months 31 March 2021
		N'000	N'000	N'000	N'000
Revenue from contracts with customers	7	16,383,401	5,253,384	16,074,804	4,744,011
Cost of sales	8	(9,978,691)	(9,675,264)	(9,793,303)	(9,404,424)
Gross Profit/(loss)		6,404,710	(4,421,880)	6,281,501	(4,660,413)
Administrative expenses	9	(1,673,953)	(3,012,806)	(1,535,251)	(2,854,804)
Selling and distribution expenses	9b	(97,688)	(64,343)	(89,788)	(60,383)
Other income	10	1,041,864	6,673,410	1,041,864	6,673,390
Operating income/(loss)		5,674,933	(825,619)	5,698,326	(902,210)
Finance income	11a	-	329	-	329
Finance cost	11b	(4,117,310)	(8,447,289)	(4,117,310)	(8,447,289)
Finance costs - (net)	11	(4,117,310)	(8,446,960)	(4,117,310)	(8,446,960)
Profit/(loss) before income tax		1,557,623	(9,272,579)	1,581,016	(9,349,170)
Income tax	12	-	-	-	-
Profit/(loss) for the period		1,557,623	(9,272,579)	1,581,016	(9,349,170)
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Total items that will not be reclassified to profit or loss		-	-	-	-
Items that may be subsequently reclassified to profit or loss					
Currency translation difference		-	37,296	-	-
Total items that may be reclassified to profit or loss		-	37,296	-	-
Other comprehensive income / (loss) for the period- net of tax		-	37,296	-	-
Total comprehensive loss for the year		1,557,623	(9,235,283)	1,581,016	(9,349,170)
Total comprehensive profit /(loss) for the period attributable to:					
Equity holders of the parent company		1,557,623	(9,235,283)	1,581,016	(9,349,170)
Non controlling interest		-	-	-	-
Earnings per share for loss attributable to the equity holders of the company					
Basic EPS (Naira)	13	0.97	(5.75)	0.98	(5.80)

The notes on pages 7 to 29 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 PERIOD ENDED 31 MARCH 2022

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

Group

	Share capital N'000	Share premium N'000	Foreign currency translation reserve N'000	Asset revaluation reserve N'000	Accumulated losses N'000	Treasury shares reserve N'000	Total equity N'000
Balance at 1 October 2020	806,033	27,995,916	544,995	63,961,570	(29,164,393)	(1,080,831)	63,063,290
Loss for the period	-	-	-	-	(9,272,579)	-	(9,272,579)
Other comprehensive income:							-
Currency translation difference	-	-	37,296	-	-	-	37,296
Total comprehensive loss for the period	-	-	37,296	-	(9,272,579)	-	(9,235,284)
Balance at 31 March 2021	806,033	27,995,916	582,291	63,961,570	(38,436,972)	(1,080,831)	53,828,007

Group

	Share capital N'000	Share premium N'000	Foreign currency translation reserve N'000	Asset revaluation reserve N'000	Accumulated losses N'000	Treasury shares reserve N'000	Total equity N'000
Balance at 1 January 2022	806,033	27,995,916	-	60,124,144	(34,816,713)	(1,080,831)	53,028,548
Profits for the period	-	-	-	-	1,557,623	-	1,557,623
Other comprehensive income:							-
Total comprehensive Profit for the period	-	-	-	-	1,557,623	-	1,557,623
Balance at 31 March 2022	806,033	27,995,916	-	60,124,144	(33,259,090)	(1,080,831)	54,586,173

Foreign currency translation reserve refers to foreign currency exchange difference arising on translation of Notore Supply & Trading, a wholly owned subsidiary of the Company, from its functional and reporting currency of US dollars to Naira.

Treasury shares reserve relates to receivables from Employee share ownership plan (ESOP) reclassified to equity

NOTORE CHEMICAL INDUSTRIES PLC
 UNAUDITED CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
 FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

Company

	Share capital N'000	Share premium N'000	Asset revaluation reserve N'000	Accumulated losses N'000	Treasury shares reserve N'000	Total equity N'000
Balance at 1 October 2020	806,033	27,995,916	63,961,570	(29,255,882)	(1,080,831)	62,426,806
Loss for the period	-	-	-	(9,349,170)	-	(9,349,170)
Other comprehensive income:						-
Total comprehensive loss for the period	-	-	-	(9,349,170)	-	(9,349,170)
Balance at 31 March 2021	806,033	27,995,916	63,961,570	(38,605,052)	(1,080,831)	53,077,636

Company

	Share capital N'000	Share premium N'000	Asset revaluation reserve N'000	Retained earnings N'000	Treasury shares reserve N'000	Total equity N'000
Balance at 1 January 2022	806,033	27,995,916	60,124,144	(34,681,330)	(1,080,831)	53,163,932
Profit for the period	-	-	-	1,581,016	-	1,581,016
Other comprehensive income:						-
Total comprehensive Profit for the period	-	-	-	1,581,016	-	1,581,016
Balance at 31 March 2022	806,033	27,995,916	60,124,144	(33,100,314)	(1,080,831)	54,744,949

Treasury shares reserve relates to receivables from Employee share ownership plan (ESOP) reclassified to equity

NOTORE CHEMICAL INDUSTRIES PLC
 UNAUDITED CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
 FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

Notes	Group		Company	
	Three months 31 Mar 2022	Six months 31 March 2021	Three months 31 Mar 2022	Six months 31 March 2021
	N'000	N'000	N'000	N'000
Cash flows from operating activities:				
Profit/(loss) on ordinary activities before taxation	1,557,623	(9,272,579)	1,581,016	(9,349,170)
Adjustments for :				
Depreciation	14	1,774,881	3,297,590	1,774,881
Depreciation of right of use assets	15	21,769	48,887	21,769
Interest expense on leases	17(b)	-	8,118	-
Amortisation of intangible asset	17	-	6,376	-
Current service cost and interest on gratuity	22	113,737	225,889	113,737
Fair value adjustment on investment property	16	-	(6,013,342)	-
Grant income	10	(271,019)	(589,573)	(589,573)
Interest accrued	23a	1,507,460	1,578,943	1,507,460
Decrease of gratuity plan assets		-	189,123	-
Currency translation difference		-	37,296	-
Loss on disposal of fixed assets		-	107	-
Net adjustments for non-cash items		3,146,828	(1,210,586)	3,146,828
Adjustments for non-operating cash flow items:				
Interest received	11	-	(329)	-
Interest expense	11	4,117,310	6,860,228	4,117,310
Net adjustments for non-operating cash flow items		4,117,310	6,859,898	4,117,310
Changes in working capital:				
(Increase)/decrease in inventories		1,928,320	(235,786)	1,920,024
decrease/(increase) in trade and other receivables		(3,489,628)	(2,365,763)	(3,431,461)
Increase in trade and other payables		4,193,467	11,062,133	4,208,913
Cash generated from operating activities		11,453,924	4,837,318	11,542,630
Gratuity paid	22	(40,790)	(181,541)	(40,790)
Income taxes paid	12	-	(38,956)	-
Net cash generated from operating activities		11,413,134	4,616,822	11,501,840
Cash flows from investing activities:				
Purchases of property, plant and equipment	14	(976,553)	(2,407,211)	(976,553)
Proceeds from disposal of fixed assets		-	40	-
Addition to investment property	16	(94,653)	-	(94,653)
Interest received	11	-	329	-
Net cash used in investing activities		(1,071,206)	(2,406,842)	(1,071,206)
Cash flows from financing activities:				
Proceeds from borrowings	23a	-	1,716,414	-
Repayments of borrowings	23a	(4,609,012)	(2,992,223)	(4,609,012)
Principal elements of lease payments		-	(106,105)	-
Loan refinancing received for past due obligation	23a	2,708,532	8,224,089	2,708,532
Interest paid on lease		-	(11,195)	-
Interest paid	11	(4,117,310)	(6,860,228)	(4,117,310)
Net cash (used in)/generated from financing activities		(6,017,790)	(29,248)	(6,017,790)
Net increase/ (decrease)in cash and cash equivalents		4,324,136	2,180,733	4,412,844
Cash and cash equivalents at beginning of period		(2,264,577)	(2,927,630)	(2,399,581)
Cash and cash equivalents at end of period	19	2,059,559	(746,897)	2,013,263

The notes on pages 7 to 29 are an integral part of these financial statements.

**NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE ANNUAL, CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022**

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

1.0 General information

Notore Chemical Industries Plc ("the Company") was incorporated in Nigeria 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 (Mauritius) Limited.

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 have 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, Notore Industrial City Limited, Notore Supply and Trading Limited BVI and Notore Train II Limited. Except Notore Power and Infrastructure Limited, all the subsidiaries are non-operating as at the reporting date.

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 indicated.

2.0 Basis of preparation and adoption of IFRSs

a) Statement of compliance

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 and in the manner required by the Companies and Allied Matters Act (CAMA) and Financial Reporting Council of Nigeria (FRC) Act.

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 and separate financial statements are disclosed in Note 5.

b) Basis of measurement

The consolidated and separate financial statements have been prepared under the historical cost basis except for the under mentioned areas which are measured as indicated:

- Investment properties measured at fair value;
- Defined benefit asset measured at fair value;
- Financial instruments (borrowings) measured at fair value;
- Inventory is measured at lower of cost and net realisable value;
- Land and building and plant and machinery are carried at revalued amount;
- Gratuity valuation based on independent actuarial valuation performed by independent actuaries using the projected unit credit method

These financial statements were authorised for issue by the board of directors on 29th April 2022.

3.0 Changes in accounting policy and disclosures

3.1 New accounting standards adopted by the group

There was no new standard adopted in the current period.

3.0 Changes in accounting policy and disclosures (cont'd)

3.2 *New accounting standards issued but not yet adopted*

A number of new standards, amendments to standards and interpretations in issue but not yet effective ;Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use,IFRS 9 Financial Instruments, Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021, have not been applied in preparing these financial statements. None of these is expected to have significant effect on the financial statement of the Group.

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 for goods or services, in the ordinary course of the Group's activities and it is stated net of value added tax (VAT), discounts, rebates and returns. A valid contract is recognised as revenue after;

- The contract is approved by the parties.
- Rights and obligations are recognised.
- Collectability is probable.
- The contract has commercial substance.
- The payment terms and consideration are identifiable.

The probability that a customer would make payment is ascertained based on the credit evaluation done on the customer at the inception of the contract.

Revenue is recognised when the control of the goods is transferred to the customer. This occurs where goods are delivered to the customer's location or picked up from the Company's site.

Revenue from sale of fertiliser is recognised based on the price specified in the contract (sales order), net of the estimated discounts, rebates and returns. Discounts are applied immediately on sale and are all utilized within period ascertained by the Group. Rebates and returns on goods are estimated at the inception of the contract and deducted from transaction price.

The delivery service provided by the Group is a sales fulfillment activity and the income earned is recognised at the point in time when control passes to the customer.

4.0 **Summary of significant accounting policies (cont'd)**

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 **Non-current assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

4.7 **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.

4.8 **Provisions and contingent liabilities**

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.

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.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognized as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

4.9 **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. Cost also includes expenditures for dismantling and removing items and restoring the site on which they were located. Obligations for dismantling, removal or site restoration are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. 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 carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use.

4.0 Summary of significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

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, Knight Frank (FRC/2013/000000000584), 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. For Buildings and Plant & Machinery, depreciation is calculated as follows:

Asset category	Useful lives
Buildings	50 years
Plant and machinery	10-30 years

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.

4.10 Intangible assets

Computer software licences are acquired and recognised 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 recognised as expenses in the profit and loss as they are incurred. Amortisation is recognised 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. Amortisation methods, useful lives, and residual values are reviewed at each reporting date and adjusted, if appropriate. An intangible asset is derecognised where it is certain that there would be no future flow of economic benefit to the Group as a result of holding such asset.

4.11 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.

4.0 Summary of significant accounting policies (cont'd)

4.12 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) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(b) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

(c) Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(d) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

(e) FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(f) Recognition and derecognition

Financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. 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.

(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.

(a) Derecognition

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

4.0 **Summary of significant accounting policies (cont'd)**

4.13 **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.

4.14 **Impairment of financial assets**

Assets carried at amortised cost

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach to determine impairment of trade receivables. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the historical default rates observed over the expected life of the receivable and adjusted with forward-looking information. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

4.15 **Share capital**

The Company has only one class of shares: ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue over the par value is recorded in the share premium reserve.

4.16 **Income taxation**

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 2.5% 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 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.

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.

4.0 Summary of significant accounting policies (cont'd)

4.17 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. The Company contributes 10% for employees while employees contribute 8% of their total emoluments respectively.

(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 of profit or loss.

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses, 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.

(iv) Short-term employee benefits

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 if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.18 Leases

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

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

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

The Group primarily leases vehicle and building (used as office space and guest house). The lease terms are typically for fixed periods ranging from 1 year to 3 years but may have extension options as described below. On renewal of a lease, the terms may be renegotiated.

Contracts may contain both lease and non-lease components. The Group has elected to separate lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. The lease agreements do not impose any covenants, however, leased assets may not be used as security for borrowing purposes.

Until the period ending 30 September 2019, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group with the exception of low value and short-term leases.

(j) The Group is a lessee

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

(a) Lease liabilities

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

4.0 Summary of significant accounting policies (cont'd)

4.18 Leases - (cont'd)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the Group's incremental borrowing rate (IBR) as the rate implicit in the lease cannot be readily determined. The IBR represents the rate that would have to be paid to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company has considered observable inputs (FGN bonds and prime lending rate) and has used a build-up approach to adjust the reference rate for leases of different duration.

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

The Group presents lease liabilities separately from other liabilities in the statement of financial position.

(b) Right of use assets

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

The Group presents right-of-use assets as a separate line item in the statement of financial position (note 7.2b(i)).

(c) Short-term leases and leases of low-value assets

Short-term leases are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets are assets that have values less than N1,930,000 when new e.g., small IT equipment and small items of office furniture, and depends on the nature of the asset. Lease payments on short-term leases and leases of low-value assets would be recognised as expenses in profit or loss on a straight-line basis over the lease term.

(d) Extension and termination options

Extension and termination options are included in the Group's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Most of the extension options are subject to mutual agreement by the lessee and lessor and some of the termination options held are exercisable only by the Group.

(ii) Leases in which the Group is a Lessor

The Group leases out its own property to third-party for residential purposes. The Group has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income arising from this is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

4.0 **Summary of significant accounting policies (cont'd)**

4.19 **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. The Group's government grant relates to benefit of borrowing at below-market rate of interest.

Government grants related to assets, including non-monetary grants at fair value, is presented in the statement in the statement of financial position as deferred income and subsequently amortised to profit or loss on a systematic basis over the useful life of the asset.

4.20 **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 labour, 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. Cost of sales is recognised in the period for which products are sold and matched with the appropriate revenue.

4.21 **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.

4.22 **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.

4.23 **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. 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.

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.

Valuation of investment property is performed annually.

4.24 **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 equity.

4.0 Summary of significant accounting policies (cont'd)

(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.

4.25 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 Board"). The Group's reportable segment has been identified on a product basis as Fertilizer and the Group is a one segment business.

4.26 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 cost of sales in the consolidated statement of profit or loss.

4.27 Related parties

Related parties include the holding company and other group entities. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Group are also considered to be 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) of that entity.

4.28 Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

If an event provide evidence of conditions that existed at the end of the reporting period, then an adjustment is made to the financial statement. If an event is indicative of conditions that arose after the reporting period, then no adjustment is required. However, if its material a disclosure to that effect is made.

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.

The Group assesses impairment of trade and other receivables using the expected credit loss (ECL) model. The simplified approach is applied for trade receivables while the general approach is applied for other receivables.

The simplified approach requires lifetime expected credit losses to be recognised on initial recognition of the receivables. This involves determining the expected loss rate using provision matrix that is based on the Group's historical default rates observed over the expected life of the receivable and adjusted for forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage (general) approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL (12 months ECL) that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the cash recovery ratio of the counterparties. The EAD is the total amount outstanding at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the gross domestic product (GDP) in Nigeria, unemployment rate and inflation, to arrive at an ECL which is then discounted to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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 Note 24.

5 Critical accounting estimates and judgements (cont'd)

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.

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

Critical accounting estimates and judgements made on fair value of investment property are disclosed in Note 18 to the financial statements.

5.7 Going concern

Critical accounting estimates and judgements are made on use of going concern for preparation of the financial statements .

5.8 Foreign exchange rates

The Group uses foreign exchange rates to translate foreign currency denominated balances based on specific characteristics of the balance. The rate used to translate specific foreign currency denominated balance is the rate at which the future cash flows represented by the balance would have been settled if those cash flows had occurred at the measurement date.

5.9 Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the lessee. During the financial year, there were no revised lease terms.

6.0 Financial risk management

Introduction and overview of company and group risk management

6.1 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
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FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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

7 Revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

	Group		Company	
	Three months 31 Mar 2022	Six months 31 Mar 2021	Three months 31 Mar 2022	Six months 31 Mar 2021
	N'000	N'000	N'000	N'000
7a Revenue by product line				
NPK	431,400	1,161,300	431,400	1,161,300
Urea and other chemicals	15,643,404	3,393,438	15,643,404	3,393,438
Ammonia	-	189,273	-	189,273
Infrastructure services	308,597	509,374	-	-
Total	16,383,401	5,253,384	16,074,804	4,744,011
7b Analysis by geographical location:				
Analysis by geographical location:				
Within Nigeria	6,355,637	5,253,384	6,047,040	4,744,011
Outside Nigeria	10,027,764	-	10,027,764	-
	16,383,401	5,253,384	16,074,804	4,744,011

The Group's reportable segment has been identified on a product basis as fertilizer because all the company's sales comprise mainly fertilizer products with similar risks and rewards. The Group is a one segment business and revenue is generated from local and export sales. An analysis based on customers' locations is set out above.

8 Cost of sales

	Group		Company	
	Three months 31 Mar 2022	Six months 31 Mar 2021	Three months 31 Mar 2022	Six months 31 Mar 2021
	N'000	N'000	N'000	N'000
Raw materials and other chemicals cost	4,447,093	2,315,510	4,447,093	2,315,510
Overheads	3,151,570	2,940,198	3,151,570	2,940,198
Depreciation	1,641,817	3,110,704	1,641,817	3,110,704
Staff cost (Note 9d)	552,823	1,018,863	552,823	1,018,863
Haulage cost	-	19,150	-	19,150
Infrastructure services cost	185,388	270,839	-	-
Total	9,978,691	9,675,264	9,793,303	9,404,424

Analysis of depreciation charged by nature

	Group		Company	
	Three months 31 Mar 2022	Six months 31 Mar 2021	Three months 31 Mar 2022	Six months 31 Mar 2021
	N'000	N'000	N'000	N'000
Depreciation on PPE charged to cost of sales	1,641,817	3,110,704	1,641,817	3,110,704
Depreciation on PPE charged to admin expenses	133,065	186,886	133,065	186,886
Total depreciation charged on PPE (Note 14)	1,774,882	3,297,590	1,774,882	3,297,590

9 Administrative expenses

The following balances are included as part of administrative expenses by nature:

	Group		Company	
	Three months 31 Mar 2022	Six months 31 Mar 2021	Three months 31 Mar 2022	Six months 31 Mar 2021
	N'000	N'000	N'000	N'000
Employee benefit expense (Note 9d)	795,331	1,360,759	730,845	1,268,900
Repair and maintenance	47,039	24,741	47,039	24,741
Consultancy	123,161	170,337	71,961	121,837
Transportation & Travel	68,353	135,076	67,219	132,342
Depreciation	133,065	186,886	133,065	186,886
Depreciation of right of use asset (Note 15)	21,769	48,887	21,769	48,887
Amortisation of intangible assets	-	6,376	-	6,376
Corporate promotion expenses	14,422	14,220	14,422	10,040
Directors fees	131,912	301,319	131,912	301,319
Board expenses	4,460	243	4,460	243
Foreign currency exchange loss/(gain)	-	257,149	-	259,308
Bank charges	32,404	26,035	31,792	25,023
Other admin and general expenses	290,537	459,791	270,767	448,902
Auditor's remuneration provision	11,500	20,988	10,000	20,000
	1,673,953	3,012,806	1,535,251	2,854,804

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9b Selling and distribution expenses

	Group		Company	
	Three months 31 Mar 2022	Six months 31 Mar 2021	Three months 31 Mar 2022	Six months 31 Mar 2021
	N'000	N'000	N'000	N'000
Marketing expenses	97,688	64,343	89,788	60,383

9c Employee benefits expense

	Group		Company	
	Three months 31 Mar 2022	Six months 31 Mar 2021	Three months 31 Mar 2022	Six months 31 Mar 2021
	N'000	N'000	N'000	N'000
Salaries and wages	1,039,830	1,431,972	800,290	1,340,113
Other employee benefits	298,808	569,558	298,808	569,558
Termination benefits	6,582	49,162	6,582	49,162
Employer's pension contribution - defined contributions	70,482	119,995	70,482	119,995
Gratuity charge (Note 22a)	107,506	208,935	107,506	208,935
	1,523,208	2,379,622	1,283,668	2,287,763

9d Analysis of employee benefits expense charged to:

	Group		Company	
	Three months 31 Mar 2022	Six months 31 Mar 2021	Three months 31 Mar 2022	Six months 31 Mar 2021
	N'000	N'000	N'000	N'000
Cost of sales	552,823	1,018,863	552,823	1,018,863
Administrative expenses	795,331	1,360,759	730,845	1,268,900
	1,348,154	2,379,622	1,283,668	2,287,763

10 Other income

	Group		Company	
	Three months 31 Mar 2022	Six months 31 Mar 2021	Three months 31 Mar 2022	Six months 31 Mar 2021
	N'000	N'000	N'000	N'000
Fair value adjustment on investment property (Note 16)	-	6,013,342	-	6,013,342
Others*	770,845	70,495	770,845	70,475
Grant Income (Note 23b)	271,019	589,573	271,019	589,573
	1,041,864	6,673,410	1,041,864	6,673,390

11 Finance income and costs

	Group		Company	
	Three months 31 Mar 2022	Six months 31 Mar 2021	Three months 31 Mar 2022	Six months 31 Mar 2021
	N'000	N'000	N'000	N'000

11a Finance income

Interest income on short-term bank deposits	-	329	-	329
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11b Finance cost

Interest expense:				
- Interest and fees on borrowings	4,117,310	8,439,171	4,117,310	8,439,171
- Interest expense on lease liability	-	8,118	-	8,118
	4,117,310	8,447,289	4,117,310	8,447,289

Net finance costs	4,117,310	8,446,959	4,117,310	8,446,959
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12 Income tax expense (cont'd)

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

	Group and Company	
	31 Mar 2022	31 Dec 2021
	N'000	N'000
At start of the period	65,710	-
Charge for the period - Income tax	-	104,667
Charge for the period - Education tax	-	-
Payment during the period	-	(38,957)
Total current income tax liabilities	65,710	65,710

13 Profit/(Loss) per share (LPS)

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted loss per share is the same as Basic loss per share as there are no potential securities convertible to ordinary shares at both period ends.

	Group		Company	
	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021
	N'000	N'000	N'000	N'000
Profit/(Loss) for the period attributable to shareholders	1,557,623	(9,272,579)	1,581,016	(9,349,170)
Weighted average number of ordinary shares in issue	1,612,066	1,612,066	1,612,066	1,612,066
Basic loss per share (Naira)	0.97	(5.75)	0.98	(5.80)

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14 Property, plant and equipment

Group

	Land	Building	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	N'000
Cost/valuation								
At 1 October 2020	2,041,333	8,880,670	130,373,035	682,669	353,088	439,870	10,118,111	152,888,776
Additions	-	-	3,566,923	-	12,404	33,328	10,621,315	14,233,970
Disposal	-	-	-	-	(21,307)	(143)	-	(21,450)
Reclass	-	27,870	11,484,920	-	-	10,690	(11,523,480)	-
Transfer to Investment property (Note 18)	-	-	-	-	-	-	(39,075)	(39,075)
Write-off	-	-	-	-	-	-	(32,349)	(32,349)
At 31 December 2021	2,041,333	8,908,540	145,424,878	682,669	344,185	483,745	9,144,522	167,029,872
Accumulated depreciation								
At 1 October 2020	-	257,278	6,200,195	490,608	288,004	374,438	-	7,610,523
Charge for the year	-	312,184	7,678,610	69,602	47,498	38,805	-	8,146,699
Disposal	-	-	-	-	(20,884)	(144)	-	(21,028)
At 31 December 2021	-	569,462	13,878,805	560,210	314,618	413,099	-	15,736,194
Net Book Value								
At 31 December 2021	2,041,333	8,339,078	131,546,073	122,459	29,567	70,646	9,144,522	151,293,681
Cost/valuation								
At 1 January 2021	2,041,333	8,908,540	145,424,878	682,669	344,185	483,745	9,144,522	167,029,872
Additions	-	-	50,669,27	-	32,530,02	1,317,89	892,035,54	976,553
At 31 March 2022	2,041,333	8,908,540	145,475,547	682,669	376,715	485,063	10,036,558	168,006,425
Accumulated depreciation								
At 1 January 2021	-	569,462	13,878,805	560,210	314,618	413,099	-	15,736,194
Charge for the year	-	63,917	1,641,817	54,193	7,057	7,897	-	1,774,881
Disposal	-	-	-	-	-	-	-	-
At 31 March 2022	-	633,379	15,520,622	614,403	321,675	420,996	-	17,511,075
Net Book Value								
At 31 March 2022	2,041,333	8,275,161	129,954,926	68,266	55,040	64,067	10,036,558	150,495,350

14 Property, plant and equipment (continued)

Company

	Land	Building	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	N'000
Cost/valuation								
At 1 October 2020	2,041,333	8,880,670	130,373,035	682,669	353,088	439,870	10,118,111	152,888,776
Additions	-	-	3,566,923	-	12,404	33,328	10,621,315	14,233,970
Disposal	-	-	-	-	(21,307)	(143)	-	(21,450)
Reclass	-	27,870	11,484,920	-	-	10,690	(11,523,480)	-
Transfer to Investment property (Note 16)	-	-	-	-	-	-	(39,075)	(39,075)
Write-off	-	-	-	-	-	-	(32,349)	(32,349)
At 31 December 2021	2,041,333	8,908,540	145,424,878	682,669	344,185	483,745	9,144,522	167,029,872
Accumulated depreciation								
At 1 October 2020	-	257,278	6,200,195	490,608	288,004	374,438	-	7,610,523
Charge for the year	-	312,184	7,678,610	69,602	47,498	38,805	-	8,146,699
Disposal	-	-	-	-	(20,884)	(144)	-	(21,028)
At 30 September 2020	-	569,462	13,878,805	560,210	314,618	413,099	-	15,736,194
Net Book Value								
At 31 December 2021	2,041,333	8,339,078	131,546,073	122,459	29,567	70,646	9,144,522	151,293,678
Cost/valuation								
At 1 January 2021	2,041,333	8,908,540	145,424,878	682,669	344,185	483,745	9,144,522	167,029,872
Additions	-	-	50,669	-	32,530	1,318	892,036	976,553
At 31 March 2022	2,041,333	8,908,540	145,475,547	682,669	376,715	485,063	10,036,558	168,006,425
Accumulated depreciation								
At 1 January 2021	-	569,462	13,878,805	560,210	314,618	413,099	-	15,736,194
Charge for the year	-	63,917	1,641,817	54,193	7,057	7,897	-	1,774,881
At 31 March 2022	-	633,379	15,520,622	614,403	321,675	420,996	-	17,511,075
Net Book Value								
At 31 March 2022	2,041,333	8,275,161	129,954,926	68,266	55,040	64,067	10,036,558	150,495,349

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15 **Right of use assets**

	GROUP & COMPANY	
	31 Mar 2022	31 Dec 2021
	Building N'000	Building N'000
Asset		
Opening balance	250,421	250,421
Additions during the year	-	-
Closing balance	250,421	250,421
Depreciation		
Opening balance	219,992	97,774
Charge for the year (Note 9)	21,769	122,218
Closing balance	241,761	219,992
Net book value	8,660	30,429

16 **Investment property**

	Group		Company	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	N'000	N'000	N'000	N'000
Cost				
Opening balance	68,339,210	68,339,210	68,339,210	53,174,118
Addition	94,653	651,895	94,653	651,895
Impairment	-	(253,611)	-	(253,611)
Transfer from PPE (Note 14)	-	39,075	-	39,075
Fair value adjustment (Note 10)	-	(437,359)	-	14,727,733
	68,433,863	68,339,210	68,433,863	68,339,210

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.

The corresponding amounts of the fair value adjustment have been recognised in other income.

17 **Inventories**

	Group		Company	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	N'000	N'000	N'000	N'000
Raw materials	2,008,364	2,175,953	2,008,364	2,175,953
Finished goods	325,837	2,092,728	325,837	2,092,728
Spare parts inventories	5,060,876	5,054,716	5,035,324	5,020,868
	7,395,077	9,323,397	7,369,525	9,289,549

18a **Trade and other receivables**

	Group		Company	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	N'000	N'000	N'000	N'000
Financial instruments				
Trade receivables	3,263,455	729,905	3,263,455	729,905
Less: Impairment of trade receivables	(686,486)	(686,486)	(686,486)	(686,486)
Net trade receivables	2,576,969	43,419	2,576,969	43,419
Employee receivables	6,956	7,293	6,956	7,293
Other receivables	508,906	455,256	455,256	455,256
	3,092,831	505,968	3,039,181	505,968
Non-financial instruments				
Advances to prepaid suppliers	3,218,329	2,840,885	3,214,765	2,837,321
Prepayments	317,496	32,518	314,554	27,871
Withholding tax receivables	358,367	358,367	358,367	358,367
Other receivables	238,156	190,325	238,156	190,325
Amount due from related party	192,512	-	633,367	447,077
Total	4,324,860	3,422,095	4,759,209	3,860,961
Total trade and other receivables	7,417,691	3,928,063	7,798,390	4,366,929

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.

All trade and other receivables are current.

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18b EEG Receivable

	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	N'000	N'000	N'000	N'000
Export Expansion Grant Receivables and Negotiable Duty Credit Certificates	4,540,129	4,540,129	4,540,129	4,540,129

Export Expansion Grant Receivables and Negotiable Duty Credit Certificates will be settled through the issuance of Promissory Notes by the Debt Management Office of the Federal Government of Nigeria. The outstanding export claim is currently undergoing processing for payment.

19 Cash and cash equivalents

	Group		Company	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	N'000	N'000	N'000	N'000
Cash at bank and in hand (excluding overdrafts)	4,109,846	1,164,890	4,063,549	1,029,885
Cash and cash equivalents (excluding overdrafts)	4,109,846	1,164,890	4,063,549	1,029,885

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

	Group		Company	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	N'000	N'000	N'000	N'000
Cash and cash equivalents (excluding overdrafts)	4,109,846	1,164,890	4,063,549	1,029,885
Bank overdrafts (Note 23)	(2,050,286)	(3,429,466)	(2,050,286)	(3,429,466)
Cash and cash equivalents (including overdrafts)	2,059,560	(2,264,576)	2,013,263	(2,399,581)

20 Share capital

	Group		Company	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	N'000	N'000	N'000	N'000
Authorised:				
2021: 4 billion (2020: 4 billion) ordinary shares of 50 Kobo each	2,000,000	2,000,000	2,000,000	2,000,000
Issued and fully paid:				
1.61 billion ordinary shares of 50 Kobo each	806,033	806,033	806,033	806,033

21 Accumulated losses

	Group		Company	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	N'000	N'000	N'000	N'000
Balance at the beginning	(34,816,713)	(29,125,437)	(34,406,142)	(29,216,926)
Profit/(Loss) for the period	1,557,623	(9,576,042)	1,581,016	(9,073,982)
Remeasurements of post employment benefit liabilities net of tax	-	47,340	-	47,340
Revaluation reserve released on depreciation of revalued PPE	-	3,837,426	-	3,837,426
Balance at the end	(33,259,090)	(34,816,713)	(32,825,126)	(34,406,142)

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22 **Employee benefit obligations**

(a) **Defined benefit scheme**

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

	Group & Company	
	31 Mar 2022	31 Dec 2021
	N000	N000
Balance sheet obligations for:		
Post-employment benefit	1,923,592	1,850,646
Liability in the balance sheet	<u>1,923,592</u>	<u>1,850,646</u>
Income statement charge included in employee benefits expense for:		
Key management compensation	6,230	35,645
Employee cost (9c)	107,506	531,064
	<u>113,737</u>	<u>566,709</u>
Remeasurements for:		
Change in financial assumption and experience adjustment	-	(67,628)
	<u>-</u>	<u>(67,628)</u>

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 March 2022, fair value of the plan asset stood at N10 million (31 December 2021: N10 million).

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

	Group & Company	
	31 Mar 2022	31 Dec 2021
	N000	N000
Present value of obligations (funded)	1,933,596	1,860,650
Fair value of plan assets	(10,004)	(10,004)
Deficit of funded plan	<u>1,923,592</u>	<u>1,850,646</u>

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

	Group & Company	
	31 Mar 2022	31 Dec 2021
	N000	N000
Balance at the beginning of the period	1,860,650	2,098,357
Charge during the period:		
Current service cost	60,892	319,585
Interest cost	52,845	247,124
	<u>113,737</u>	<u>566,709</u>
	<u>1,974,387</u>	<u>2,665,066</u>
Remeasurements:		
Actuarial losses/(gains) - change in financial assumption	-	(214,951)
Actuarial losses/(gains) - experience adjustment	-	147,323
Total	<u>-</u>	<u>(67,628)</u>
Payments from plans:		
Benefits paid by the employer	(40,790)	(736,788)
Total	<u>(40,790)</u>	<u>(736,788)</u>
Balance at the end of the period	<u>1,933,596</u>	<u>1,860,650</u>

22'(b) **Defined contribution scheme**

The Group also makes provision in respect of defined contribution scheme as stipulated by Nigerian Pension Reform Act. The employer contribution expensed for the period ended 31 March 2022 was N75 million (31 December 2021: N306 million) while the employee contribution is included in salaries and wages amount - Note 11c

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23a Borrowings

	Group	
	31 Mar 2022	31 Dec 2021
	N000	N000
Non-current		
Bank borrowings	75,853,201	79,962,615
Total non-current borrowings	75,853,201	79,962,615
Current		
Bank overdrafts (Note 19)	2,050,286	3,429,466
Bank borrowings	49,363,280	45,646,886
Total current borrowings	51,413,566	49,076,352
Total borrowings (non-current & current)	127,266,767	129,038,967

	Company	
	31 Mar 2022	31 Dec 2021
	N000	N000
Non-current		
Bank borrowings	75,853,201	79,962,615
Total non-current borrowings	75,853,201	79,962,615
Current		
Bank overdrafts (Note 19)	2,050,286	3,429,466
Bank borrowings	49,363,280	45,646,886
Total current borrowings	51,413,566	49,076,352
Total borrowings (non-current & current)	127,266,767	129,038,967

Movement in borrowings (excluding overdraft) is represented as follows:

	Group		Company	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	N000	N000	N000	N000
Opening balance	125,609,501	105,085,525	125,609,501	105,085,525
Additions	-	1,716,414	-	1,716,414
Interest accrued	1,507,460	1,654,675	1,507,460	1,654,675
Refinancing of past due obligation	2,708,532	25,856,285	2,708,532	25,856,285
Repayments	(4,609,012)	(8,703,398)	(4,609,012)	(8,703,398)
Closing balance	125,216,480	125,609,501	125,216,480	125,609,501

Bank borrowings are categorised as follows

	Group		Company	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	N000	N000	N000	N000
Bank of Industry (BoI) borrowings	12,410,954	13,209,779	12,410,954	13,209,779
Other bank borrowings	112,805,526	112,399,722	112,805,526	112,399,722
	125,216,480	125,609,501	125,216,480	125,609,501

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23b **Grant liability**

	Group		Company	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	N'000	N'000	N'000	N'000
Non-current	2,354,053	2,625,073	2,354,053	2,625,073
Current	1,167,241	1,167,241	1,167,241	1,167,241
Total grant liability	3,521,294	3,792,314	3,521,293	3,792,313
Movement in grant liability is presented as follows:				
At 1 January	3,792,313	5,229,072	3,792,313	5,229,072
Grant income recognised in profit or loss (Note 10)	(271,019)	(1,436,759)	(271,019)	(1,436,759)
Closing balance	3,521,294	3,792,313	3,521,294	3,792,313

The grant liability arose from benefits from Bank of Industry (BoI) borrowing at below market rate of interest.

24 **Trade and other payables**

	Group		Company	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	N'000	N'000	N'000	N'000
Current				
Financial Instrument				
Trade payables	9,649,130	10,841,537	9,648,139	10,835,626
Interest and fees payable	3,027,636	3,720,794	3,027,636	3,720,794
Accrued expenses	2,421,040	3,569,301	2,421,040	3,569,301
Amounts due to related parties (Note 25b)	18,873,366	17,768,977	19,146,196	17,818,977
	33,971,172	35,900,609	34,243,011	35,944,698
Non-financial instruments				
Accrued expenses	1,797,564	1,637,916	1,733,590	1,776,636
Contract liabilities	19,268,344	13,305,088	18,985,619	13,031,973
	21,065,908	14,943,004	20,719,209	14,808,609
Total trade and other payables	55,037,080	50,843,613	54,962,220	50,753,307

25 **Related party transactions**

Notore Chemical Industries (Mauritius) Limited

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 March 2022, Notore Chemical Industries (Mauritius) Limited owned 76.55% of the issued share capital of the company. Notore Chemical Industries (Mauritius) Limited, its 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).

Eroton Exploration and Production Company Limited

The Company entered into a 20 year 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 immediate past Managing Director and Chief Executive officer of the Company, who is presently a Non-Executive Director, is also the Chairman of the Board of Eroton.

Transactions with related parties

Transactions with related parties are mainly in relation to supply of services, the exchange of goods, the provision and utilisation of financial resources, with other Notore subsidiaries or associated companies. These transactions are an integral part of the ordinary course of its business. All transactions were carried out for the mutual benefit of the parties involved. The transactions during the year and year end balances with related parties are shown below:

(b) **Amount due to related parties:**
Particulars:

	Group		Company	
	31 Mar 2022	31 Dec 2021	31 Mar 2022	31 Dec 2021
	N'000	N'000	N'000	N'000
Notore Supply and Trading Mauritius Limited	-	-	(10,000)	(638,105)
Notore Power & Infrastructure Limited	-	-	(222,830)	(10,000)
Notore Foods Limited	-	-	(10,000)	(10,000)
Notore Seeds Limited	-	-	(10,000)	(10,000)
Notore Industrial City Limited	-	-	(10,000)	(10,000)
Notore Train II Limited	-	-	(10,000)	(10,000)
Notore NPK Fertiliser Limited	-	-	-	-
Eroton Exploration and Production Company Limited	(18,873,366)	(10,828,520)	(18,873,366)	(10,828,520)
	(18,873,366)	(10,828,520)	(19,146,196)	(11,516,625)

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.

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

26 **Investments in subsidiaries**

Principal subsidiaries

The group had the following subsidiaries as at 31 March 2022

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	Sale of fertilisers and other	100.00	100.00	-
Notore Supply and Trading Limited BVI*	-	British Virgin Islands	chemical products	100.00	100.00	-
Notore Power and Infrastructure 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
Notore Train II Limited	10,000	Nigeria	Fertiliser and petrochemical production through investment in other fertiliser and petrochemical companies	99.99	99.99	0.01
	<u>50,255</u>					

Movement in investment in subsidiaries

	Company	
	31 Mar 2022	31 Dec 2021
	N'000	N'000
Opening balance	50,255	50,255
Increase during the period	-	-
Closing balance	<u>50,255</u>	<u>50,255</u>

27 **Securities Trading Policy**

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of The Exchange 2015 (Issuers' Rule), Notore Chemical Industries Plc has in place the necessary policy to guide its Directors, Audit Committee members, employees and all individuals categorized as insiders in relation to their dealings in the Company's shares. The Company has also made specific inquiries of all its Directors and other insiders and is not aware of any infringement of the Policy during the period under review.