

The logo for Notore, featuring the word "Notore" in a bold, green, sans-serif font. A small green leaf icon is positioned above the letter 'e'.

RC: 640303

NOTORE CHEMICAL INDUSTRIES PLC

**ANNUAL REPORT, CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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Corporate information

| | | |
|------------------|---|--|
| Directors | Mr. Onajite P. Okoloko Mr. Michael Osime Engr. Mike Orugbo, JP Mr. Ike Osakwe Mr. Michael Jansa Mr. Hassan Badrawi Mr. Bashir Lebada Mr. Femi Agbaje Mr. Ohis Ohiwerei Mr. Tseyi Hammond Mr. Ovie Ukiri Mr. Ebiaho Emafo Mr. Yusufu Pam | Group Managing Director/CEO Deputy Managing Director (Appointed on 29th April, 2022) |
|------------------|---|--|

Company Secretary Mrs. Otivbo Saleh
6th Floor, Keystone Bank Building
1, Keystone Bank Crescent
off Adeyemo Alakija Street
Victoria Island
Lagos

Auditors Deloitte & Touche
Chartered Accountants
Civic Towers
Plot GA1, Ozumba Nbadiwe Avenue
Victoria Island
Lagos

Registered Office Notore Industrial Complex
Onne
Rivers State
Nigeria

Registration Number 640303

Principal Bankers African Export-Import Bank
Ecobank Nigeria Plc
First City Monument Bank Plc
Polaris Bank Limited
Union Bank of Nigeria Plc
United Bank for Africa Plc

Directors' report

In accordance with the provisions of the Companies and Allied Matters Act, 2020, the Directors of Notore Chemical Industries Plc hereby present their Report together with the Audited Consolidated and Separate Financial Statements for the year ended 31st December 2022 to the members of the Company.

INCORPORATION AND ADDRESS

Notore Chemical Industries Plc was incorporated in Nigeria on 30th November 2005, as a private limited liability company, and is domiciled in Nigeria. Its registered office address is Notore Industrial Complex, Onne, River State, Nigeria. On 13th June 2014, the Company was re-registered as a public limited liability company and was quoted on the Main Board of The Nigerian Exchange Limited (Formerly known as the Nigerian Stock Exchange) on 2nd August 2018.

PRINCIPAL ACTIVITIES

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 Company has a 500,000 Metric Tonne Urea Plant and a 600,000 Metric Tonne of NPK Blending Plant in Onne, Rivers State, Nigeria. The principal activities of the Company's subsidiaries are as disclosed in Note 8 to the Financial Statements.

RESULTS

The Group's results for the period ended 31 December 2022 are as stated on page 6. The net loss for the year ended 31 December 2022 is N7.2 billion (2021: N9.6 billion) and same has been transferred to Shareholders' equity.

DIRECTORS

The Directors who held office during the period to the date of this report were:

| | |
|------------------------|--|
| Mr. Onajite P. Okoloko | Nigerian |
| Mr. Michael Osime | Nigerian |
| Engr. Mike Orugbo, JP | Nigerian |
| Mr. Ike Osakwe | Nigerian |
| Mr. Michael Jansa | American |
| Mr. Hassan Badrawi | Egyptian |
| Mr. Bashir Lebada | Canadian |
| Mr. Femi Agbaje | Nigerian |
| Mr. Ohis Ohiwerei | Nigerian (Group Managing Director/CEO) |
| Mr. Tseyi Hammond | Nigerian |
| Mr. Ovie Ukiri | Nigerian |
| Mr. Ebiaho Emafo | Nigerian (Deputy Managing Director) |
| Mr. Yusufu Pam | Nigerian |

DIRECTORS' SHAREHOLDING

The shareholding interests of the Directors in the Issued Share Capital of the Company as recorded in the Register of Directors' Shareholdings and/or as notified by the Directors for the purposes of Sections 301 and 302 of the Companies and Allied Matters Act, 2020 are as follows:

Directors' report (cont'd)

Directors

| | Number of shares held at 31st December 2022 | Number of shares held at 31st December 2021 |
|---|---|--|
| Mr. Onajite P. Okoloko (Indirect - Notore Chemical Industries (Mauritius) Ltd and Okmine Global Services Ltd) | 1,238,274,438 | 1,238,274,438 |
| Mr. Michael Osime (Indirect - Notore Chemical Industries (Mauritius) Ltd) | 1,234,055,768 | 1,234,055,768 |
| Engr. Mike Orugbo, JP | 34,333,330 | 34,333,330 |
| Mr. Ike Osakwe | Nil | Nil |
| Mr. Michael Jansa | Nil | Nil |
| Mr. Hassan Badrawi | Nil | Nil |
| Mr. Bashir Lebada | Nil | Nil |
| Mr. Femi Agbaje | Nil | Nil |
| Mr. Ohis Ohiwerei | Nil | Nil |
| Mr. Tseyi Hammond | Nil | Nil |
| Mr. Ovie Ukiri | Nil | Nil |
| Mr. Ebiaho Emafo | Nil | Nil |

During the year under review, in addition to Mr. Onajite P. Okoloko, Mr. Michael Osime and Mr. Ike Osakwe, the other Directors representing Notore Chemical Industries (Mauritius) Limited on the Board are Mr. Mike Jansa and Mr. Hassan Badrawi. Mr. Tseyi Hammond and Mr. Yusufu Pam represents TY Holdings Limited on the Board of Notore Chemical Industries Plc.

OUR EQUITY

The shares of Notore Chemical Industries Plc were admitted to trading on the Main Board of The Nigerian Exchange Limited on 2nd August, 2018. Given its market capitalization, Notore Chemical Industries Plc. currently ranks amongst the topmost companies on The Nigerian Exchange Limited with a share price of N62.50kobo per share. The Authorised Share Capital of the Company is N2,000,000,000, divided into four billion Ordinary Shares of 50kobo each with about 705 Shareholders as at 31 December 2021.

The Issued Share Capital as at 31 December 2022, stood at N806,033,100 divided into 1,612,066,200 Ordinary Shares of 50kobo each. As at 31 December, 2022, Notore Chemical Industries (Mauritius) Limited had a majority shareholding of approximately 76.55% with about 23.45% being held by other Nigerians and Foreign Investors.

SHAREHOLDING

According to the Register of Members, as at 31 December 2022, the spread of shareholding in the Company is as follows:

| | Share Range | Number Of Shareholders | % of Shareholder | Number Of Holdings | % Shareholding |
|-----------------|--------------------|-----------------------------------|-----------------------------|-------------------------------|-----------------------|
| 1 | 10,000 | 689 | 97.7305 | 121,205 | 0.01 |
| 10,001 | 50,000 | 4 | 0.5674 | 73,894 | 0.00 |
| 100,001 | 500,000 | 1 | 0.1418 | 123,778 | 0.01 |
| 500,001 | 1,000,000 | 2 | 0.2837 | 1,577,800 | 0.10 |
| 1,000,001 | 5,000,000 | 3 | 0.4255 | 12,101,170 | 0.75 |
| 10,000,001 | 50,000,000 | 2 | 0.2837 | 82,691,750 | 5.13 |
| 50,000,001 | 100,000,000 | 2 | 0.2837 | 151,691,205 | 9.41 |
| 100,000,001 | 500,000,000 | 1 | 0.1418 | 129,629,630 | 8.04 |
| 1,000,000,001 | 2,000,000,000 | 1 | 0.1418 | 1,234,055,768 | 76.55 |
| TOTAL :- | | 705 | 100.00 | 1,612,066,200 | 100.00 |

Directors' report (cont'd)

According to the Register of Members as at 31st December 2022, the following are the Shareholders of the Company holding one million shares and above:

| Shareholder | Number of shares | Percentage holding (%) |
|--|-------------------------|-------------------------------|
| Notore Chemical Industries [Mauritius] Limited | 1,234,055,768 | 76.55 |
| TY Holdings Limited | 129,629,630 | 8.04 |
| Africa Finance Corporation | 77,265,575 | 4.79 |
| FBN Capital Limited | 74,425,630 | 4.62 |
| Employee Stock Option [ESOP] Stanbic IBTC | 48,358,420 | 3.00 |
| Engr. Mike Orugbo, JP | 34,333,330 | 2.13 |
| Al-Yuma Ventures & Investment Ltd | 4,730,000 | 0.29 |
| Okmine Global Services Limited | 4,218,670 | 0.26 |
| R and Partners Ventures Nigerian Limited | 3,152,500 | 0.20 |
| *Other corporate and individual investors | 1,896,677 | 0.12 |
| | 1,612,066,200 | 100.00 |

* Other corporate and individuals represents shareholders holding below one million shares

The Company's entire Issued Ordinary Shares are on the Main Board of the Nigerian Exchange Group to promote better liquidity of its Shares in the secondary market and have access to long term capital from a wide range of local and international investors when required.

DIRECTORS' INTERESTS IN CONTRACTS

Save for Mr. Onajite Okoloko who is also the Chairman of Eroton Exploration and Production Company Limited ("Eroton"), for the purpose of Section 303 of the Companies and Allied Matters Act, 2020 and Rule 20 of the The Nigerian Stock Exchange RuleBook, none of the Directors notified the Company of any direct or indirect interest in Contracts or proposed Contracts with the Company during the period under review. In 2016, the Company entered into a 20 year contract with Eroton for the supply of gas.

SUBSIDIARY COMPANIES

The Company currently has eight subsidiaries in line with its long term plans and strategic goals. As of 31st December 2022, only one of the subsidiaries (Notore Power and Infrastructure Limited) was active. The shareholding of Notore Chemical Industries Plc in these subsidiaries are as follows:

| Subsidiary Company | Authorised Share Capital Units | Issued Share capital Units | Number of shares allotted to holding company Units | Value of shares allotted to holding company Naira |
|--|---------------------------------------|-----------------------------------|---|--|
| Notore Power & Infrastructure Limited (active) | 10,000,000 | 10,000,000 | 9,999,999 | 9,999,999 |
| Notore Seeds Limited (Inactive) | 10,000,000 | 10,000,000 | 9,999,999 | 9,999,999 |
| Notore Foods Limited (Inactive) | 10,000,000 | 10,000,000 | 9,999,999 | 9,999,999 |
| | 50,000 no par | | | |
| Notore Supply and Trading Limited BVI (Inactive) | single class | 100 single | 100 single | - |
| Notore Supply and Trading Mauritius Limited (Inactive) | 1 | 1 | 1 | 255,000 |
| Notore Industrial City Limited (Inactive) | 10,000,000 | 10,000,000 | 9,999,999 | 9,999,999 |
| Notore Train II Limited (Inactive) | 10,000,000 | 10,000,000 | 9,999,999 | 9,999,999 |
| Notore NPK Fertiliser Limited (Inactive) | 100,000,000 | 100,000,000 | 99,999,999 | 99,999,999 |

Directors' report (cont'd)

KEY DISTRIBUTORS

The Company transacted business with the following key distributors during the year:

| | |
|---|--|
| A. A Rano | Kabsus Nigeria Limited |
| A.G. Hassan Jada | Kasaha Investment |
| A.M Fugu Nigerai Limited | Kwani Global Concept Limited |
| A.S Kumo Daneji Global Limited 120 | Labake Stores/Green Gate Agro & bar |
| Aikas Nigeria Limited | Landfield Global Energy Limited |
| Aisouwa & Sons International | Ma'aji Empire |
| Albabello Nigeria Limited | MB Fertilizer and Chemicals |
| Alh. Sadiku Shehu | Murkthar Doguwa |
| Anaruwalsah | Musale Uwawu Limited |
| Anasiyya & Sons | MZ & Sons Nigeria Limited |
| Austinobest Nigeria Limited | Nairajike Ventures Limited |
| Babban Gona | Nameer Fertilizer |
| Baladini Global Resources Limited | Ndam Global Nigeria Limited |
| Bashir Maccido | North Star Chemicals & Allied Products Limited |
| Chiaha Bartholomew | Obumneme |
| Chika Consultium | Ogbalikpa & Sons Nigeria Limited |
| Chris Ubah Nigeria Limited | Oko Global |
| Cornel Agro Ventures | Oma Nima Agro |
| Crusola Ventures | R & Partners |
| Demmy Global Ventures | Rabami Global Concept Limited |
| E.I.G Adufu | Reliant Overseas |
| Elisco | S.A Golden |
| Ellatami Integrated Service Nigeria Limited | Salisu and Sons Nigeria Limited |
| Ezeakunne | Samason |
| Farmcare and Environmental Services | Samseed Global |
| Fastmaster International | San Afrah |
| Fonave | Sollte Nigeria Limited |
| Garu Multipurpose | Tomram Nigeria Limited |
| Haskamu Nigeria Limited | Tuareg Logistics Limited |
| Henkoff | Umar Maitaki integrated Concept |
| His Grace Benefit | Usmaniyya Nigeria Limited |
| Huetha Global Services Limited | VD&S Farm Center |
| Hulhulde In'tl | Vickyvans Nigeria Limited |
| Ibrahim Achida | WAWU Investment |
| Ijede Great Heights Limited | Yasabjojo Nigeria Limited |
| Ironagbe Farm Booster Ventures | Yus-Dauda Green Global Resources |
| Jolene and Leshwok | Zam Agro Chemical Fertilizer & Company Ltd |
| K2Y2 Farms Limited | Zion Agro Company |

ACHIEVEMENTS AT THE PLANT

The following were the major achievements recorded at the Plant during the year under review:

Successfully commissioned the supplemental Gas Turbine Generator (GTG) - LM2500 Unit "A" on 18th November 2022. The LM2500 was accordingly synchronized with the existing GTG 2006-J and this has significantly improved the reliability of Power supply in the Complex.

Directors' report (cont'd)**ACHIEVEMENTS AT THE PLANT (cont'd)**

Intervened and fast tracked the ordering and delivery of critical equipment limiting the Plant output. The list includes the Primary Waste Heat Boilers (101-CA/CB) tube bundles, the Ammonia Synthesis Gas Converter (105-D) Catalysts and associated Heat Exchangers as well as the specialized equipment for the replacement of the Ammonia Converter Catalyst.

Deployed a stage-wise approach for the implementation of the Repair and Maintenance program – 2023 and fast tracked the aspects relating to the Ammonia Converter and the Primary Waste Heat Boilers in the Ammonia Plant. The Shutdown for the maintenance program commenced on 19th November 2022.

The Company achieved a new milestone in Loss Time Injury (LTI) free operation; crossing 16 million Manhours on 21st July, 2022. This is a manifestation of the commitment of the business to safety in its operations.

Notore retained the ISO9001:2015 certification following the successful Quality Management System surveillance audit conducted by Bureau Veritas in May 2022. Zero nonconformity was recorded during the exercise.

Achieved 100% Compliance with all QHSE statutory regulations by the prompt renewal of licenses and permits.

Notore was awarded the first position in the Chemicals & Pharmaceutical Sectors of the 2022 National Environmental Compliance Award by NESREA following the achievement of zero reportable environmental pollution within the period.

Executed a supplemental Interruptible gas supply and transportation agreements to augment gas supply to the complex. The implementation of the receipt commenced on 16th August 2022

NATURAL GAS SUPPLY UPDATE

The Natural Gas requirement for Plant operations is 55mmscf/day. The Gas supply from OML 18 was sufficient and stable from 31st March 2016 when the 20-year Gas Sale and Purchase Agreement (GSPA) was executed up until April 2021 when it became evident that a decline had set in.

The Gas supply dropped significantly in August 2022, below the requirement needed to run the Plant processes as well as its Utilities Support. In order to address the shortfall in the interim, a one (1) year Interruptible Gas Sales Agreement was executed with Accugas Limited in August 2022 for the supply of 10mmscf/day to supplement the supply deficit from OML 18. Additionally, the OML 18 operators recently carried out a maintenance work from late December 2022 to January 2023 with a view to improve the availability of Gas.

They are currently working on various options for the improvement of Gas supply that will return the Plant to full operation. These options range from the resuscitation of some existing Wells, Drilling of new Wells, as well as the restoration of the Associated Gas compression facility at the Cawthorne Channel Gas Plant (CCGP).

ISO 9001: 2015 (QUALITY MANAGEMENT SYSTEM) CERTIFICATION

Notore in its commitment to continually improve product/service quality delivery, processes and customer satisfaction, underwent the 2nd Audit Cycle of ISO 9001:2015 (Quality Management System) certification process. The Surveillance Audit was conducted successfully by Bureau Veritas and the United Kingdom Accreditation Service (UKAS) (ISO External Certification body) from 26th - 27th May 2022 without any non-conformity recorded. The ISO External Auditors affirmed a higher conformity performance in our processes companywide. This demonstrated the Company's commitment to quality products and services, total customer satisfaction and continuous performance improvement in its business operations. The ISO External Auditors adjudged the Company's QMS compliant with current QMS requirements and recommended that the certification be retained.

Directors' report (cont'd)**ISO 14001:2015 & 45001:2018 (ENVIRONMENTAL AND OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEM) CERTIFICATION PROJECT**

Notore in its commitment to continual improvement commenced the process of certification to Occupational Health Safety management system ISO 45001:2018 and Environmental management system 14001:2015, these two management systems integrated as Health Safety and Environmental (HSE) management system, shall further improve Health Safety and Environmental Management in Notore's operations. So far Notore has concluded the gap analysis, training of Internal Auditors, and documentation required by the management systems. In Addition, Notore has completed the first Internal Audit of the Health Safety and Environmental management system conducted by its trained Internal Auditors from 31st October 2022 – 3rd November 2022. All Audit findings are presently being addressed after which the management review and certification audit will take place.

NOTORE'S PARTICIPATION IN THE IITA'S AFRICAN CASSAVA AGRONOMY INITIATIVE (ACAI) PROJECT

Notore is part of the African Cassava Agronomy Initiative (ACAI), a 5-year project funded by the Bill & Melinda Gates Foundation in 5 countries in Africa (Nigeria, Tanzania, DRC, Ghana and Kenya) with the aim of increasing the availability of appropriate and affordable technologies to sustainably improve short- and long-term Cassava Agricultural productivity in the target countries. In Nigeria, Notore is the primary partner and has worked on the ACAI project for Fertilizer Recommendation (FR) and Fertilizer Blending (FB) Use-Cases, aimed at developing appropriate site-specific fertilizer recommendations for cassava across Nigerian agro-ecologies.

Funding of Research on the specific blend of fertilizer for Cassava

The Initiative has contributed to the funding of research on specific blends of fertilizer for Cassava (NPK 20:12:26+2Mg Roots & Tuber Blend) and commenced the formulation for field experimentation demos in 2021. The development of Decision Support Tools (DSTs) to guide farmers on Good Agricultural Practice (GAP) & site-specific fertilizer recommendation for cassava and deployment of educational materials (Video, maps, paper-based DST, Power-point presentations) for farmer education.

Market Development

There has been significant improvement in the value chain analysis for cassava production as well as listing and linkage of the key partners in the cassava value chain with a view to identifying ready markets to scale output for cassava blend sales in 2022 and beyond. The Company also activated the Bundling services (Inputs + Knowledge + Output Markets) partnerships built to pilot the sales of Roots and Tubes blend (RTB) Fertilizer to farmer groups through processor companies from 2022.

Capacity Development

Capacity development includes the training of Notore Team Members (One Assistant Regional Manager and Three Agricultural Executives) on different aspects of cassava agronomy & production of field experimentation & data capture/analysis; the training and re-training of a total of 40 Notore Supervisory Village Promoters (SVPs) (in Oyo, Osun, Edo, Anambra, and Benue States) on Good Agricultural Practices (GAP) between Cassava & data collection; the training of over 380 farmers on GAP for (cassava production during validation trials).

Activities towards Project Close-Out

TPart of the winding down aspect of the Project in 2022 was the approval sough from the Project Management Team to execute a series of field activities with the unspent funds totaling US\$13,699 (Thirteen Thousand, Six Hundred and Ninety-Nine UD Dollars) from 2018 – 2020, paid to Notore for the project activities that were not executed due to the 2020 COVID-19 outbreak and the attendant restriction of movement. The approval granted led to the signing of a Sub-Grant Agreement that enabled the utilisation of the funds in the promotion of the Company's Roots & Tuber Fertilizer Blend through the Village Promoters Loyalty Program.

Directors' report (cont'd)**NOTORE RICE PROJECT- PILOT PHASE I, II AND III**

The ultimate goal and objective of setting up the Notore Seeds as a subsidiary was to impact positively on farmers' income and contribute to the cashflow of the business. This led to provision of the required raw materials for the takeoff of the Notore Rice Project.

The objective of the Notore Rice Project was to produce rice paddy of a high-yielding and quality variety, supplied from Notore rice seeds, to produce Notore Premium Quality Parboiled Rice that will meet both National and International Rice Quality Standards.

Beginning in the year 2020, the trial program of the Notore Rice Project was carried out in Kano (NRP I-2020), Adamawa (NRP II-2021), and Gombe (NRP II-2022) with lessons learned for further improvement to meet the required standard for the future. This was in addition to taking advantage of the great opportunity to increase Notore's product profile and source of additional revenue.

The Company is in discussion with Mercycorps to commence the NRP III project for the 2022–2023 planting season in the Adamawa, Gombe and Borno axis. This phase is projected to generate 1,500 metric tons of paddy Rice in the farmer's out-growers' scheme and commercialization is expected to commence once paddy production and an automated mill are in place.

GRANT OF LICENSE AS OIL AND GAS FREE ZONE DEVELOPER

The Company's Oil and Gas Free Zone Developer License and Enterprise License granted in December 2017 were further renewed in the course of the period. By virtue of this license, the Company's entire land area (558.623 Hectares) remains designated as an Oil and Gas Free Zone area in Onne, Rivers State, Nigeria.

GRANT OF ELECTRICITY EMBEDDED AND DISTRIBUTION LICENSES

In March 2022, Notore Power and Infrastructure Limited, a subsidiary of the Company obtained the following Embedded Power Generation License and Independent Electricity Distribution Network License for the Company's 2x25Megawatts Gas-Powered Plant from the Nigerian Electricity Regulatory Commission.

The 2x25Megawatts Gas-Powered Plant is part of the assets acquired from the defunct National Fertiliser Company of Nigeria. The Company was able to fully rehabilitate one of the 25Megawatts Gas-Powered Plant which has been used to power the Notore Industrial Complex facilities (mainly the fertilizer Plant and associated facilities). Given that only a total consumption of 9Megawatts is required in the Industrial Complex, it became imperative for the Company to commercialise the excess power to generate more cashflows for the business. In this regard, a Captive Power License which gave the right to generate and utilise power for only Notore owned facilities was granted in 2008. There was need for the Captive Power License to be upgraded to achieve the objective of commercialising the excess power as well as expand generation capacity.

Following the expiration of the 10-year Captive Power License granted in 2008, the Company applied for the Embedded Power Generation license that would grant the right to not only generate and utilise power, but also sell to third parties via the Independent Electricity Distribution Network license. Both licenses were obtained in March 2022 and are valid for 10 years. With generation capacity being expanded to about 60Megawatts, following the acquisition and installation of the 2x17Megawatts GE LM2500 Gas Turbines, these Licenses will ease the achievement of the Company's power commercialisation objectives which includes its Corporate Social Responsibility of supplying power to the host communities.

EMPLOYMENT AND EMPLOYEES**EMPLOYEE HEALTH, SAFETY AND WELFARE**

Notore has demonstrated commitment to the Health, Safety, Environment and well-being of its employees, contractors, visitors, and host communities at all its business locations in the 2022 financial year. This was attributed to the stringent health, safety, environmental rules and standard practices within the work environment and enforcement of compliance for continual improvement actions. It was on the basis of this strict health and environmental practices that the Company was nominated by NESREA (National Environmental Standards and Regulations Enforcement Agency) as one of the winners of the 2022 National Environmental Compliance Award (NECA).

Directors' report (cont'd)**EMPLOYEE HEALTH, SAFETY AND WELFARE (cont'd)**

The Company achieved a remarkable milestone of 16 million LTI-free manhours through implementation of strict and robust HSE processes and practices across the Company and all its subsidiaries, leading to an improved safety culture. This feat was achieved by enhancing sustainable, eco-friendly, and safe work environment, through effective identification of all hazards and environmental aspects, effective HSE supervision, work flexibilities, training and awareness sessions including provision of required PPEs, while ensuring compliance with all relevant Health, Safety and Environmental regulations, standards, and other requirements.

During the year under review, HSE statistics results were: Zero Fatality; Zero LTI (>16million LTI-free Manhours and still counting); Insignificant Total Recordable Incident Frequency (TRIF=0.44) and zero regulatory sanctions. Due to the effective monitoring and control of all associated environmental aspects, zero reportable Environmental pollution was recorded in the financial year. The average free ammonia concentration (a major environmental aspect) in the discharged effluent was 3.03ppm as against IFC guideline of 5ppm free ammonia. Scheduled air quality monitoring was carried out at various parts of the Plant and in the Communities with recorded values being within the exposure limits when benchmarked with the Occupational Safety and Health Administration (OSHA) standard. Noise levels within the Plant area and outside were monitored during the period and recorded values showed compliance with regulatory guidelines. Also, remarkable cost savings due to proactive management of process effluent treatment which resulted in the Company achieving Zero regulatory sanction, compensation, and litigation.

EMPLOYMENT OF DISABLED PERSONS AND GENDER DIVERSITY

The Group has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Group's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees. Although there are no specific legal requirements for gender diversity in Nigeria, the Financial Reporting Council's Nigerian Code of Corporate Governance recommends that quoted companies should consider gender inclusivity when selecting Board Members. Notore progressively aims at being a gender-balanced Company. This is achieved by creating enabling working conditions to attain annual increases in the percentage of women managers and senior leaders.

Operationally, our 24-hour production cycle and policy limits the involvement of women on night shifts, thus a challenge with reaching desirable gender balance. To enhance inclusion, we have a deliberate practice of placing female operatives on 12 hour dayshifts, so they are not excluded in the championing of the African Green Revolution.

EMPLOYEE TRAINING AND INVOLVEMENT

The Company operates a robust training and developmental strategy with the overall objective of equipping employees with the right competencies to participate directly as the organization strives to fulfill its mission and meet its objectives by applying their ideas, expertise, and efforts towards problem solving and decision making. Principles of equality of opportunity and treatment, and non-discrimination in employment are integrated in the management of our human resources. Employees are also involved in the affairs of the Group through common stockholding opportunities.

COMMUNICABLE DISEASES MANAGEMENT

The beginning of the 2022 financial year witnessed subsiding effect of COVID-19 pandemic at National level and Notore successfully waded through with zero record of Covid 19 case in all her operating locations. Toward the mid-year, there was emergence of Marburg and Monkey Pox Virus at the international level and Notore swung into action with a review of the COVID-19 Policy to an upgraded Communicable Disease Policy. Necessary Protocols to match the new development were put in place and the dividend is quite visible to date, as there is no record of any case of these communicable diseases at our operating locations that could have affected the business. The effective controls in place and management support proved to be a key success factor.

Notore operates a Group Life Insurance and Employee Compensation Scheme for the benefit of its Employees. It also operates a Contributory Pension Scheme based on the provisions of the Pension Reform Act, 2014.

Directors' report (cont'd)**MANAGING THE RISK TO OUR BUSINESS****Risk Management Framework and Policy**

Notore employs an effective risk management system to support the delivery of the Company's strategic objectives and the sustainable growth of our business. Recognised as a producer of nitrogenous fertilizer and agro-allied products, Notore regularly faces uncertainties, and it is through a structured approach to risk management that the Company is able to proactively respond to, mitigate and manage these risks and explore opportunities as they arise within our external environment. This approach places focus on risks to our key strategic objectives to ensure value for all our stakeholder groups.

The Board of Directors is ultimately responsible for management of risks and this oversight role is performed through the Board Business Risk Committee. The Committee assesses key and emerging risks to Notore's business on an annual basis and this enables prioritization of these risks for effective management. Notore's risk management framework has been designed using the three lines of defense model which ensures that there is a clear ownership and delegation of responsibility for risk management throughout the business.

Enterprise Risk Management Process

A risk and opportunity management policy exists as the foundation for the practice of enterprise risk management in Notore. The policy provides appropriate guidelines, principles, and procedures for managing risks across the organization. This is supported by a robust risk assessment process and documented action plans for mitigating identified risks. It is against this backdrop that the Company successfully integrated risk management into its strategy formulation and considers risk and its impact in the daily discharge of its operations. The outcome of a risk assessment exercise provides insight that enables management decision making for value creation in the business.

Through awareness sessions, brainstorming sessions and deployment of initiatives such as designation of risk champions at the departmental level, quarterly risk assessment and reporting, utilization of key risk indicators, Notore has heightened risk consciousness across the Organisation towards entrenchment of a strong risk culture considered pivotal to driving productivity. The Company's risk management system has been effective in monitoring the key risks to our business towards proactive action in cash flow management, stakeholder relationship management and renegotiation of terms of agreement towards business sustainability. Similarly, Notore has expanded its brand and customer base by shipping into the West African market through deliberate efforts to manage risks that will reduce market share.

During the year under review, our risk landscape remained stable. There was no significant change in the trend of the top ten (10) risks to the business. However, the established controls to mitigate the identified critical risks require funding and dependence on sustained production levels. Nevertheless, we remain confident that with stable production run and improved funding of the mitigants, the top risks to our business will be reduced to a more tolerable levels towards additional positive results.

IMPACT OF THE COVID-19 PANDEMIC

Like the rest of the world, Notore has endured the persistence of the COVID-19 Pandemic over the past years. While the controls implemented have enabled the Company to record no adverse effect on staff, it affected its supply chain activities and access to foreign exchange thereby increasing costs. The Delta and Omicron variants of COVID-19 left the organization with no choice but to increase its budget to implement effective controls to reduce the likelihood of staff, particularly within the Plant complex, contracting the virus, which could lead to the closure of operations for weeks. In addition, Notore's robust Business Continuity plans also enabled staff to work from home utilizing secure IT infrastructure.

Overall, in 2022, the Business Risk Committee analyzed and evaluated the various key risk exposures of the Company. In doing so, the top 10 risks were identified, reviewed, and the risk reports were presented by Management. These reports detail the key risks, the potential impact of these risks, and the likelihood of occurrence. Mitigating strategies were comprehensively considered. The status and effectiveness of mitigation actions were reviewed, and residual gaps or follow-up actions were identified. In addition, key risk indicators are being monitored. The Committee reviewed the Risk Management Systems including the risk dashboard and assessment tables. A Risk workshop was organized for the risk champions and a general workshop for all staff on Enterprise Risk Management with a view to unifying risk management approaches and embedding a strong risk culture across the organization.

Directors' report (cont'd)

AUDITORS

In accordance with Principle 20 of the Nigerian Code of Corporate Governance 2018, the Audit Firm of Messrs. Deloitte & Touche was re-appointed at the Annual General Meeting held on 27th May 2022.

By Order of the Board



Mrs. Otivbo Saleh
Group Company Secretary
FRC/2018/NBA/00000018956

Corporate governance report

As a limited liability company listed on The Nigerian Exchange Limited (formerly known as the Nigerian Stock Exchange), Notore continues to imbibe the highest standards of corporate governance and best practices and conducts its business and operations in an open and transparent manner in line with international best practices. The Company is dedicated to the promotion of the interests of its Shareholders and recognizes the importance of compliance with the principles of good corporate governance under the Security and Exchange Commission's (SEC) Code and the Financial Reporting Council's Nigerian Code of Corporate Governance 2018 (NCCG 2018). Notore, in line with its status as a public limited liability company, fully complies with the Rules of the Exchange, SEC Code and NCCG 2018, and aligns its operations with international best practices as the Company recognizes the importance of its adoption as a valuable contribution to long term business prosperity and accountability to Shareholders.

The Board of Directors

The Board of Directors recognizes the importance of transparency, accountability and good corporate governance and ensures that the Company achieves its objectives. The Company's governance system meets the requirements of Nigerian and international corporate governance regulations including the SEC Code of Corporate Governance for public companies in Nigeria, the Rules Book of The Exchange and the Nigerian Code of Corporate Governance (NCCG), 2018. The Board endeavors that the Company is in compliance with the provisions of the SEC Code, the Rules Book of The Exchange and NCCG 2018 at all times. Accordingly, the Board has adopted charters, policies and codes and established committees through which it discharges its duties. The Company recognizes that it has responsibilities to its shareholders, customers, employees as well as to the communities in which it operates.

The Board of Directors is made up of Ten (11) Non-Executive Directors and two (2) Executive Directors. Four (4) of the Non-Executive Directors qualify as Independent Directors. They are Mr. Ike Osakwe, Mr. Mike Jansa, Mr. Femi Agbaje and Mr. Ovie Ukiri. The Board has a formal guideline and process for appointment of persons as Directors and is responsible for: supervising the conduct of business by Management as well as the general course of affairs in the Company; assessing the Company's corporate strategy and general policies; the development of the Company's financial position; the Company's risk management; its organizational structure; its compliance portfolio; social policy and other systems.

Despite the COVID-19 Pandemic, the Marburg and the Monkey Pox viruses with its attendant restrictions, the Company was able to deploy state of the art technology that enabled the Board to meet three (3) times in the course of the year under review. The Company, in line with the directive of the NSE and the approval of the Shareholders has put in place adequate facilities that enables it to hold virtual Meetings of the Board and Committees. The record of attendance of the Directors at the Meetings are set out below:

| Name | 29/04/2022 | 28/07/2022 | 28/10/2022 | No. Attended |
|------------------------|-------------------|-------------------|-------------------|---------------------|
| Mr. Onajite P. Okoloko | P | P | A | 2 |
| Mr. Michael Osime | P | P | P | 3 |
| Engr. Mike Orugbo, JP | P | P | P | 3 |
| Mr. Ike Osakwe | P | P | P | 3 |
| Mr. Michael Jansa | P | P | P | 3 |
| Mr. Hassan Badrawi | A | A | A | 0 |
| Mr. Bashir Lebada | A | A | A | 0 |
| Mr. Femi Agbaje | P | A | P | 2 |
| Mr. Ohis Ohiwerei | P | P | P | 3 |
| Mr. Tseyi Hammond | P | P | P | 3 |
| Mr. Ovie Ukiri | P | P | P | 3 |
| Mr. Ebiaho Emafo | P | P | P | 3 |
| Mr. Yusufu Pam | NA | P | P | 2 |

P - Present

A - Absent with Apology

NA - Not a member of the Board of Directors as at that date

Corporate governance report (cont'd)

Finance Committee

The Finance Committee is responsible for the approval of the Company's strategic financial plans and budget; Integrity of financial controls and reports; the determination of accounting and financial control principles; as well as principles of financial planning. The Committee has six (6) members and it is chaired by Mr. Michael Osime. The Committee met on 27th April 2022, 26th July 2022 and 26th October 2022 in the course of the period and the record of the Committee's meeting is set out below:

| Name | 27/04/2022 | 26/07/2022 | 26/10/2022 | No. Attended |
|-------------------|-------------------|-------------------|-------------------|---------------------|
| Mr. Michael Osime | P | P | P | 3 |
| Mr. Michael Jansa | P | P | P | 3 |
| Mr. Bashir Lebada | A | A | A | 0 |
| Mr. Femi Agbaje | A | P | P | 2 |
| Mr. Tseyi Hammond | P | P | A | 2 |
| Mr. Ebiaho Emafo | P | P | P | 3 |

Statutory Audit Committee

The Statutory Audit Committee is established to perform the functions stated in Section 404 (7) of the Companies and Allied Matters Act, 2020 and the Audit Charter approved by the Board. Part of these functions include: ascertaining whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices; evaluation of the scope and planning of audit requirements; review the findings on Management matters in conjunction with the External Auditor and Departmental responses thereon; discuss and approve the Interim or Annual Audited Financial Statements as well as significant financial reporting findings. Providing recommendations to Management and External Auditors prior to recommending same to the Board for their consideration and appropriate action and maintaining oversight of financial and non-financial reporting are also part of the Committee's Statutory functions. The Committee met on 27th April 2022, 27th July 2022 and 25th October 2022 and the record of the Meetings are as set out below:

| Name | 27/04/2022 | 27/07/2022 | 25/10/2022 | No. Attended |
|------------------------|-------------------|-------------------|-------------------|---------------------|
| Mr. Ike Osakwe | P | P | P | 3 |
| Engr. Mike Orugbo, JP | P | P | P | 3 |
| Alhaji Ali Yusuf Ali | P | P | P | 3 |
| Mr. Mubasiru Abdulaziz | A | P | P | 2 |
| Alhaji Kamilu Haske | P | A | A | 1 |

Technical Committee

The Technical Committee's function was to assist the Board in fulfilling its oversight responsibilities on specific technical matters. The Committee oversees and advises the Board in relation to the development and advancement of the Company's Plant and other assets. The Committee's responsibilities include: conducting investigations, analysis and due diligence to validate and test the core technical aspects of the Company's fertilizer Plant, project development and opportunities. The Committee may also consider project economic analysis, appraisal of technical risk factors, appropriate longer-range (as well as early stage) preparations for project development, construction and installations, as well as such other matters as may be requested by the Board. The Committee has five (5) members, chaired by Engr. Mike Orugbo, JP. It met during the period under review and the records of its meeting attendance is provided hereunder:

| Name | 19/04/2022 | 26/07/2022 | 26/10/2022 | No. Attended |
|-----------------------|-------------------|-------------------|-------------------|---------------------|
| Engr. Mike Orugbo, JP | P | P | P | 3 |
| Mr. Michael Jansa | P | P | P | 3 |
| Mr. Bashir Lebada | A | A | A | 0 |
| Mr. Ebiaho Emafo | P | P | P | 3 |
| Mr. Yusufu Pam | NA | P | P | 2 |

Corporate governance report (cont'd)

Business Risk Committee

The Business Risk Committee has as its function, the oversight of the design and implementation of the Enterprise Risk Management Framework for the Company. This responsibility includes the evaluation of the adequacy of the Risk Charter, Policies, Operating Procedures, and related practices leveraged by the risk function to dimension, assess, and respond adequately to identified risks. Overall, the Business Risk Committee has visibility of the key risks that could impact the achievement of strategic corporate objectives and the insight to decide appropriate response strategies and required resources which when applied to address the downside of risk is at the same time exploiting the upside of risk for value creation. There are five (5) members of the Committee, and the Committee is chaired by Mr. Ike Osakwe. The Committee met during the year under review and appraised the Company’s Risk Framework, adherence to the Risk Policies, mitigants and the adequacy of the risk controls in place. The table below shows the Directors who served on the Committee in the 2022 fiscal year and their attendance at meetings.

| Name | 27/04/2022 | 27/07/2022 | 25/10/2022 | No. Attended |
|-----------------------|-------------------|-------------------|-------------------|---------------------|
| Mr. Ike Osakwe | P | P | P | 3 |
| Engr. Mike Orugbo, JP | P | P | P | 3 |
| Mr. Michael Jansa | p | P | P | 3 |
| Mr. Hassan Badrawi | a | A | A | 0 |
| Mr. Ovie Ukiri | P | P | A | 3 |

Nomination, Remuneration & Governance Committee

The Nomination, Remuneration & Governance Committee (“NR&G Committee”) is responsible for, amongst others, making recommendations to the Board on the appointment of candidates as Directors and top Executive Management based on the guideline set by the Board. The Committee also reviews and determines for the Board’s approval, the remuneration packages of Directors and salaries of Executive Management. There are five (5) members of the Committee which is chaired by Mr. Ike Osakwe. The records of Committee's meeting attended during the year under review is hereunder:

| Names | 26/04/2022 | 27/07/2022 | 25/10/2022 | No. Attended |
|-------------------|-------------------|-------------------|-------------------|---------------------|
| Mr. Ike Osakwe | P | P | P | 3 |
| Mr. Mike Osime | P | P | P | 3 |
| Mr. Mike Jansa | P | P | P | 3 |
| Mr. Bashir Lebada | A | A | A | 0 |
| Mr. Ovie Ukiri | P | P | P | 3 |

Conflict of Interest

Notore Chemical Industries Plc. recognises and respects the right of its employees to engage in external activities so long as these activities do not impair, interfere or conflict with the conscientious performance of their duties and do not involve damage to or misuse of the Company's name, trademarks, products, property, reputation, goodwill, confidential information or other resources. When an employee is engaged in carrying out a task on behalf of the Company and that employee has a factual or potential private interest in the outcome of the task, which is contrary to the best interests of the Company or is substantial enough to affect the employee's unbiased judgment, the Company expects the employee to disclose this as appropriate. Failure to comply with this policy will have grave consequences for the employee.

Related Party Transaction Policy

The Company recognizes that related party transactions present a heightened risk of conflict of interest and/or improper valuation (or the perception or appearance thereof) and therefore has adopted a Policy to be followed in connection with all related party transactions involving the Company. This Policy therefore aims to provide clear guidelines and procedures on related party transactions within Notore and its subsidiaries, associates and affiliates and to ensure that all Employees and Directors of Notore Chemical Industries Plc fully understand their responsibilities and obligations in respect of related party transactions. The policy outlines the disclosure and approval requirements for related party transactions and applies to any transaction where the Company is a participant and there is a transfer of resources, services, or obligations such that a related party has or will have a direct or indirect interest regardless of whether a price is charged.

Corporate governance report (cont'd)**Whistle Blowing Policy**

Notore has in place a Whistle Blowing Policy in line with the Company's culture of open communication and commitment to good business practice, as well as global best practice. The purpose of the policy is to create a channel whereby any stakeholder who has a bona-fide concern about any misconduct or unethical business practice in the can report same. The policy established a broad framework that seeks to encourage stakeholders to safeguard the Company's interest by voicing concerns that may adversely affect the Company. It consequently, provides a secure medium for any stakeholder to raise concerns about practice that breach company policy and values; informs the Company of any unethical business practice; serves as a deterrent to employees who may otherwise consider an act that is illegal, improper or unethical; helps to maintain a culture of openness integrity and accountability. To further guaranty transparency, confidence and anonymity of the structure, the Company has outsourced the Whistle Blowing Process to an Independent External Consultant.

Anti-Bribery and Anti-Corruption Policy**Bribes and Kickbacks**

The Company abhors and does not take part in any act of corruption or pay bribes or receive kickbacks either directly or indirectly. The Company prohibits its employees from engaging in acts of corruption, and from paying bribes or kickbacks to, or accepting bribes or kickbacks from, public officials and private individuals such as the personnel of companies with which the Company engages in business relationship. Notore's Anti-Bribery and Anti-Corruption Policy is on the Company's website and a clause to this effect is in most Agreements entered with the Company. It is the responsibility of all employees who are involved at any time in engaging the services of external consultants, suppliers or advisers to ensure that such individuals are made aware of the content of the Company's Anti-Bribery and Anti-Corruption policy at the outset of the relationship and on a regular basis thereafter.

Facilitation Payments

The Company and its employees do not make facilitation payments even if such payments are local practice or custom. The Company accepts that refusal to make illicit payments may lead to commercial delays, for example, the processing of government papers, and that there may be a commercial cost to the Company attributable to this policy. The Company recognizes that demands for facilitation payments are often backed by a form of extortion and that in exceptional circumstances, resistance may not be feasible. In such circumstances, the Company accepts that staff will need to use their best judgment. Staff must report any incident where they feel forced to make a facilitation payment to their line manager at the earliest opportunity. The Company will stand by employees who find themselves placed in exceptional situations provided that the employee has provided absolute transparency as to the circumstances surrounding a payment shortly after the incident has occurred.

Public Officials

Bribing or corrupting a public official is a serious offence that carries severe penalties and can cause significant reputational damage. The Anti-Bribery and Anti-Corruption Policy provides detailed guidelines on gifts and hospitality. Approval must be secured in advance in relation to gifts or benefits received from or offered to public officials, particularly the giving of anything of value to a public official. Offers of internships to government officials or employees of state-owned enterprises must be approved in advance by the Group Head, Human Resources.

Political Activities

The Company has a policy of strict political neutrality; it does not make donations to any political parties, organisations, or individuals engaged in politics. The Company will co-operate with governments and other official bodies in the development of policy and legislation that may affect its legitimate business interests, or where it has specialist expertise. Employees are entitled to their own political views and activities, but they shall not use Company premises or equipment to promote those views or associate their views with those of the Company.

Corporate governance report (cont'd)**Insider Trading**

The Directors of the Company, Senior Management and other employees who are in possession of price sensitive information are prohibited from dealing with the shares of the Company in accordance with the provisions of the Investments & Securities Act 2007 and the Listing Rules of the Nigerian Exchange Limited. As required by law, the shares held by Directors are disclosed in the Annual Report. Notore has adopted a code of conduct regarding securities transaction by the Directors and all employees on terms no less exacting than the required standard set out in the Listing Rules of the Nigerian Exchange Limited. The Company as is required prior to release of the quarterly accounts and Financial Statements, specifically requests that Directors confirm compliance with the required standard set out in the listing rules and the Company's code of conduct regarding securities transactions by Directors and to date, the Company is not aware of any non-compliance.

Human Resources Policies and other Related Matters

The Company recognizes that its human resources are very valuable assets. Consequently, the human resources policies of the Company are to ensure that the aptitude, knowledge and skills of staff are put to the best possible use. The training of staff to perform their duties effectively is a major preoccupation of Management. The Management holds periodic town hall meetings with employees in order to brief them on business related issues and exchange ideas that are beneficial. In addition, there is a Management' Executive Committee ("Exco") and Group Leadership Council ("GLC") that holds respective weekly and monthly meeting to direct the affairs of the Company and staff. There is also the existence of a staff union that fosters greater understanding and bonding amongst staff. Management also communicates corporate issues to employees regularly through e-mail circulation.

Induction and Training Program

Notore has in place a formal induction program for newly engaged Employees. As part of this induction, each new Employee is provided with core materials and asked to complete a series of introductory meetings to become knowledgeable about the Company's business and acquaint with the Senior Management Team. The newly appointed Directors/Employees are also conducted round the production facilities of the Company to gain first-hand knowledge of the production process and the emphasis placed on health and safety by the Company. The Company Secretary is in charge of evolving a continuing education programme to ensure existing Directors stay current with the Company's business and objectives as well as relevant industry information and other external factors.

Health Safety and Environmental Policy

The Company is committed to ensuring that the health, safety, and well-being of its employees, contractors and visitors are catered for at all its business locations. In doing so, it continuously strives to create a work environment that is safe, healthy and friendly, which complies with all relevant national and international health and safety regulations, standards, and best practices. To achieve this goal, the Company creates and maintains an incident-free work environment that emphasizes zero tolerance for accidents and a proactive safety culture that encourages the support of all employees and belief that all injuries and illness are preventable.

This policy promotes a culture of conscious health and safety awareness amongst all its employees and business partners; the systematic and proactive management of health and safety risks, the setting of targets for continual performance improvement, appraising emergencies and responding to them should they occur; the recognition and reward for good safety performance; and the communication of occupational health and safety matters to all employees and stakeholders. The adoption of this culture led the Company to achieve a milestone record of 16 million Loss Time Injury (LTI) Free Man-hours on 21st July 2022.

Corporate governance report (cont'd)**Environmental Policy**

Notore by its policy, has adopted a precautionary approach to environmental stewardship which enables the Company to maintain a clear vision with regard to environmental objectives. The Company is committed to running its business in a manner that is environmentally and socially sustainable and in full compliance with all relevant regulatory and contractual obligations. In its daily activities, the Company endeavors to prevent the release of pollutions, conserve material resources and use energy efficiently in order to protect the ecosystem. The Company achieves these goals through: systematic assessment of environmental risks and mitigation of their negative impacts during reduction of wastes, discharges and emissions detrimental to the environment; taking measures to prevent any environmental incidents and plans to recover from such emergencies should they occur; conservation of materials, water and energy resources and the protection of its biodiversity; continually reviewing and improving on its environmental performance; provision of necessary resources and organisation for the attainment of these objectives; and informing all stakeholders of our environmental performance. Following the strict adherence to the Environmental Policy, the Company achieved zero reportable environmental pollution within the period and received the second-best price award on National Environmental Compliance from the National Environmental Standards and Regulations Enforcement Agency (NESREA).

Complaint Management Policy

Notore Chemical Industries Plc. is committed to maintaining the highest standards in the provision of services to its Customers, Shareholders and other Stakeholders. The Company recognizes that complaints are a common occurrence in all Stakeholders and business engagements. The Company further recognizes the right of any person covered under this Policy to raise an issue or make a complaint in the course of their dealings with the Company and shall ensure that such complaints are resolved or dealt with in an efficient, responsive, dispassionate and courteous manner.

Corporate social responsibility report

In accordance with the provisions of the Companies and Allied Matters Act, 2020, the Directors of Notore Chemical Industries Plc hereby present their Report together with the Audited Consolidated and Separate Financial Statements for the period ended 31st December 2022 to the members of the Company.

Donations, Sponsorship and Gifts Given Out in 2022

Notore remains committed to its mission of enhancing the quality of life of its Stakeholders. The goal is to make a positive impact in the communities in which it operates. The Company demonstrated this commitment through various initiatives throughout the course of the year and some of the activities in this respect include:

Notore Green Schools Initiative

The Notore Green Schools Initiative (NGSI) is one with the primary objective of helping Nigeria become self-reliant in food production, which was launched by Nigeria's First Lady, Hajija Aisha Buhari in 2019.

In 2022 the initiative has been successfully implemented across 19 States in 39 Secondary Schools, most of which are Federal Unity Schools reaching over 1,485 students to provide knowledge on good agricultural practices. The goal of the program is noble, timely and highly beneficial for the students considering the contribution of agriculture in addressing the challenge of food security and providing required raw materials to support industries and the economy at large.

The effectiveness of NGSI's approach and delivery in inculcating farming skills as a pre-vocation is evident in the growing interest of participating students and increasing appreciation for farming as a business at a younger age compared to their peers who have limited exposure to agricultural education and practical training. Students have demonstrated more enthusiasm and zeal to learn modern farming methods to maximize profits. These acquired skills will encourage the students to engage in agriculture upon graduation.

Furthermore, the program has availed target schools the opportunity to hold practical field work to complement the agricultural curriculum and aid learning. Some have re-activated school farms and Young Farmers' Clubs which was hitherto not vibrant.

The NGSI curriculum is flexible and runs with normal school academic program where students are available to attend farm learning sessions to carry out critical activities at various growth stages from land preparation to harvest. On-going farm activities will culminate with harvest, emphasizing economic analysis of using premium Notore products to promote the adoption of good agricultural practices. This is imperative to entrench knowledge and use of quality farm inputs to obtain high yields.

Notore Power & Infrastructure Limited - Co-Sponsorship of the 30th Anniversary of the Free Zones Scheme in Nigeria

The Company through one of its subsidiaries, Notore Power & Infrastructure (NPI) Limited, participated in the exhibition and conference organized by Nigerian Export Processing Zone Authority (NEPZA), Oil and Gas Free Zone Authority (OGFZA) and NEZ Association to celebrate the 30th Anniversary and the 7th Annual General Meeting of the Free Zones Scheme in Nigeria and Africa Economic Zones Organization. The event which held from 30th November to 2nd December in Abuja was an opportunity to discuss and create a way forward for Nigeria's economic zones. NPI committed N2,500,000 to support the event.

An essential goal of this event was for OGFZA to realize its enormous potential and assume its place as one of the key strategic drivers of economic growth in years to come. This is on the basis of the current domestic, regional and continental economic realities.

Notore's Support of the Nigerian Association of Technologists in Engineering

Notore supported the Nigerian Association of Technologists in Engineering (NATE) with the publication of their Annual Calendar and Quarterly Magazine. The Company's support in this project was aimed at creating an organic opportunity for employees to build new relationships and gain access to information and sector related resources to further develop themselves professionally. This emphasizes Notore's commitment to prioritizing employee growth and development.

Corporate governance report (cont'd)

Notore's Sponsorship of the Made of Africa Award by the Nigerian Exchange Limited

The Company was one of the sponsors of the 2022 Nigerian Exchange Limited (NGX) Made of Africa Award which held in December 2022. The event which was organized by the NGX and was themed "Innovation in Capital Markets: The Panacea for Exponential Growth" is designed to recognize companies and individuals within the capital market ecosystem that demonstrate exceptional performance in value delivery and sustainable impact, and act as key drivers in strengthening the Nigerian and African capital markets. Notore's donation to this event was N5,000,000 and this clearly evidenced the Company's ongoing commitment to the growth and development of Nigeria's capital market.

Notore Cares Initiatives

Notore Cares initiatives addresses social welfare issues by providing solutions to enhance the quality of life of Stakeholders in its Host Communities. Initiatives are focused on but not limited to education, infrastructure, and economic development.

Notore Donates Fertiliser to Smallholder Farmers in Partnership with the Emir of Gombe

To increase farm productivity and strengthen agriculture in the Country, Notore provides a combination of premium agricultural products and education to small holder farmers. The recent rapid increase in fertiliser prices triggered by the Russia/Ukraine war has given room for uncertainty amongst farmers globally. To assuage the uncertainty in the minds of local smallholder farmers, Notore partnered with the Emir of Gombe to donate 1,200 bags of NPK fertiliser during the planting season.

Notore Scholarship Programme

The Company awarded scholarships to eligible and high-performing school students from nursery, primary, and secondary school levels within the Onne community. Notore awarded 10 students with scholarships that covers their tuition fees for one term during the 2021/2022 School Year.

Notore Power Supply Solutions

The Company completed the installation and commissioned a 500KVA Electricity transformer and accessories for the host community in Onne, Rivers State.

Notore Business Skills and Training

To support the economic development of the Host Communities in which the Company operates, employees volunteer to educate citizens on skills needed to create community business plans. This helps to further develop citizens in the community.

Notore Safety Skills and Training Program

Notore recognizes the importance of promoting health and safety in the workplace and the integral part it plays in CSR. Health and safety remain a priority in Notore. Through the Notore Safety Skills and Training program, the Company conducts training sessions in its facilities for stakeholders, thereby raising awareness and providing the knowledge and skills required to practice safety daily. The Company hosts an annual Quality, Safety, Health, and Environment walk to further build awareness around the benefits of fostering a safety culture and practicing a healthy and safety conscious lifestyle.

By Order of the Board



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

Statement of Directors' responsibilities

The Companies and Allied Matters Act requires the Directors to prepare Financial Statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include:

- a) ensuring that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act;
- b) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- c) preparing the Company's Financial Statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, that are consistently applied.

The Directors accept responsibility for the Annual Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

The Directors are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of Financial Statements, as well as adequate systems of internal financial control.

Other than as disclosed in note 30 to the financial statement, nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



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



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

Certification of financial statements

In accordance with section 405 of the Companies and Allied Act of Nigeria, the Chief Executive Officer and the Chief Financial Officer certify that the financial statements have been reviewed and based on our knowledge, the

- (i) audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and
- (ii) audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the company as of and for, the periods covered by the audited financial statements;

We state that management and directors:

- (i) are responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the Company [and its subsidiaries] is made known to the officer by other officers of the [group/] company, particularly during the period in which the audited financial statement report is being prepared
- (ii) have evaluated the effectiveness of the [group's/] company's internal controls within 90 days prior to the date of its audited financial statements, and
- (iii) certify that the group's/company's internal controls are effective as of that date;

We have disclosed:

- (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the group/company's ability to record, process, summarise and report financial data, and has identified for the group's /company's auditors any material weaknesses in internal controls, and
- (ii) whether or not, there is any fraud that involves management or other employees who have a significant role in the group's/company's internal control; and
- (iii) as indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The financial statements of the [Group]/Company for the year ended 31 December 2022 were approved by the directors on 3 April, 2023.



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



Ms. Chekwubechukwu Onianwa
Chief Financial Officer
FRC/2022/PRO/ICAN/001/704370

Report of audit committee

In accordance with the provisions of Section 404(7) of the Companies and Allied Matters Act, 2020 the members of the Audit Committee of Notore Chemical Industries Plc hereby report as follows:

We have exercised our functions under Section 404(7) of the Companies and Allied Act, 2020 and we acknowledge the cooperation of management and staff in the conduct of these responsibilities.

We confirm that:

The accounting and reporting policies of the Group are consistent with legal requirements and ethical practices.

The internal audit programmes are extensive and provide a satisfactory evaluation of the efficiency of the internal controls systems.

We have considered the independent auditors' post-audit report and Management responses thereon, and are satisfied thereto.

The members of the Audit Committee are:

| | | |
|-------------------------|---|-----------------------------|
| Mr. Ike Osakwe | - | Chairman |
| Engr. Mike Orugbo JP | - | Non-executive Director |
| Alhaji Ali Yusuf Ali | - | Shareholders Representative |
| Mr. Mubashiru Abdulaziz | - | Shareholders Representative |
| Alhaji Kamilu Haske | - | Shareholders Representative |



Mr. Ike Osakwe
Chairman
FRC/2017/ICAN/00000016455

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NOTORE CHEMICAL INDUSTRIES PLC

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of **Notore Chemical Industries Plc** and its subsidiaries (the Group and Company) set out on pages 6 to 77, which comprise the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of **Notore Chemical Industries Plc** as at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act and Financial Reporting Council Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and Company in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of the consolidated and separate financial Statements in Nigeria.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 30 to the financial statements, which indicates that the Group and Company incurred a net loss of N7.2b/6.8b (2021: N9.6b/N9.1b) and accumulated loss of N38.9b/N38.2b (2021: N34.8b/N34.4b). The Group and Company also had net current liabilities of N72.1b/N71.4b (2021: N82.2b/N81.8b). As stated in Note 30, these events or conditions, along with other matters as set forth in Note 30, indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.



1. Valuation of Investment Property

As stated in note 17 to the financial statements, the Group and Company have investment property valued at N75.2b. The property comprises undeveloped land and commercial property. Based on the Group and Company's accounting policy, investment property is carried at fair value. On an annual basis, the Group and the Company perform a valuation of the Investment property and changes in fair values are presented in profit or loss as part of other income. The fair value adjustment recognised in other income in the current year is N8b as disclosed in note 11 to the financial statements. We have assessed investment property to be a key audit matter because fair valuation requires high degree of management judgment and assumptions in arriving at the fair value hence subject to bias. This is considered a key audit matter in consolidated and separate financial statements.

In order to ensure that investment property is not materially misstated, we involved the services of our Valuation Specialists. The following procedures were performed:

- Obtained and reviewed management assessment of the investment property.
- Physically verified the investment property to confirm its existence and condition.
- Reviewed the investment property valuation report prepared by the management expert and challenged the assumptions/methodology used.
- As part of our robust challenge of the valuation, we engaged Deloitte & Touche property specialist to review and evaluate the reasonableness of assumptions made for the valuation of the investment properties of the company.
- Reviewed the calculation of fair value gain and the appropriateness of the accounting treatment.
- Confirmed the adequacy of the disclosures in the financial statements.

Based on the procedures performed, we found management's valuation of the investment property and the disclosures thereon to be reasonable.

2. Going concern assessment

We have noted that the going concern status of the Group is threatened based on the current and prior financial performances. In the current year, the group made a loss of N7.2billion (2021: 9.6billion); accumulated loss of N38.9 billion (2021: N34.8 billion) and in a net current liability position of N72.1 billion (2021: N82.2 billion).

The Group is heavily indebted and currently restructured its loan; hence increased finance cost. Also, the group is experiencing overhaul of its plants to increase capacity and expansion. These events have exacerbated the losses from operations of the group. The trend of recurring losses and net current liabilities are indication of a material uncertainty in relation to the going concern of the Group. We required management to provide their plans for the continued existence and a turnaround of the Group's performance.

- We reviewed the Group's going concern assessment in order to ensure the Group does not have significant going concern threats.
- We reviewed the Group's cash flow projections for the next 12 months in detail. We analysed and discussed cash flow and other relevant forecasts with management. We reviewed assumptions used by management in their cashflow forecast for reasonability.
- We obtained and reviewed the Group's latest available interim financial statements and compared to forecast.
- Read the terms of loan agreements and determining whether any have been breached. We reviewed correspondence with banks on debt restructuring which serves as their support to extend the timing of their loan as well as ease in repayment and also reviewed the debt covenant with various banks.
- Read minutes of the meetings of board of directors on their plans to raise equity and bonds to address financial difficulties of the company.

As a result, Going concern assessment is considered a key audit matter due to judgement around the considerations relating to the assessment and the materiality of the loss as disclosed in note 30 to the financial statements.

- Inquired of the Group's legal counsel regarding the existence of litigation and claims and reviewed the reasonableness of management's assessments of their outcome and the estimate of their financial implications.
- Confirmed the existence, legality and enforceability of arrangements with banks to maintain financial support through debt restructuring and extension of repayment of principal.
- Performed audit procedures regarding subsequent events to identify those that either mitigate or otherwise affect the Group's ability to continue as a going concern.
- Confirmed the existence, terms and adequacy of borrowing facilities.
- The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue to adopt the going concern basis of accounting in preparing these financial statements.

Based on the work performed, we found the Directors judgements and assumptions to be reasonable. We are satisfied that the related disclosures in Note 30 to the financial statement are appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Corporate governance report, Statement of directors' responsibilities, Corporate social responsibility report, Report of the Audit Committee, Financial statements certification and other national disclosures, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the Fifth Schedule of Companies and Allied Matters Act 2020, we expressly state that:

- i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) The Group and the Company have kept proper books of account, so far as appears from our examination of those books.
- iii) The Group and the Company's financial position and their statements of profit or loss and other comprehensive income are in agreement with the books of account and returns.

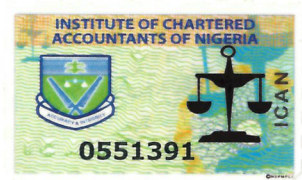


Abraham Udenani, FCA - FRC/2013/ICAN/0000000853

For: Deloitte & Touche
Chartered Accountants

Lagos, Nigeria

05 April 2023



Consolidated and separate statements of profit or loss and other comprehensive income

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

| | Notes | Group | | Company | |
|--|-------|------------------------------|-------------------------------|------------------------------|-------------------------------|
| | | Twelve months 31 Dec 2022 | Fifteen months 31 Dec 2021 | Twelve months 31 Dec 2022 | Fifteen months 31 Dec 2021 |
| | | N'000 | N'000 | N'000 | N'000 |
| Revenue from contracts with customers | 8 | 32,304,988 | 25,706,264 | 32,226,698 | 25,484,427 |
| Cost of sales | 9 | (29,403,190) | (28,975,786) | (29,401,606) | (28,783,081) |
| Gross profit/(loss) | | 2,901,798 | (3,269,522) | 2,825,092 | (3,298,654) |
| Administrative expenses | 10 | (9,080,169) | (6,936,887) | (8,704,720) | (6,491,437) |
| Impairment (loss)/gain on financial assets | 10a | (505) | 40,185 | (505) | 40,185 |
| Selling and distribution expenses | 10b | (189,678) | (272,047) | (173,862) | (266,707) |
| Other income | 11 | 13,591,933 | 17,126,229 | 13,591,933 | 17,206,631 |
| Operating income | | 7,223,379 | 6,687,958 | 7,537,938 | 7,190,018 |
| Finance income | 12a | 151 | 388 | 151 | 388 |
| Finance cost | 12b | (23,258,702) | (26,427,010) | (23,258,702) | (26,427,010) |
| Finance costs - (net) | 12b | (23,258,551) | (26,426,622) | (23,258,551) | (26,426,622) |
| Loss before income tax | | (16,035,172) | (19,738,664) | (15,720,613) | (19,236,604) |
| Income tax | 13 | 8,872,222 | 10,162,622 | 8,872,222 | 10,162,622 |
| Loss for the year | | (7,162,950) | (9,576,042) | (6,848,391) | (9,073,982) |
| Other comprehensive income: | | | | | |
| Items that will not be reclassified to profit or loss | | | | | |
| Remeasurement of employee benefit obligations | 24a | (198,732) | 67,628 | (198,732) | 67,628 |
| Deferred tax credit/(charge) on actuarial loss/gain | 13a | 59,620 | (20,288) | 59,620 | (20,288) |
| Revaluation surplus on property, plant and equipment | | 41,146,064 | - | 41,146,064 | - |
| Deferred tax charge on revaluation surplus | 13a | (11,494,514) | - | (11,494,514) | - |
| Total items that will not be reclassified to profit or loss | | 29,512,437 | 47,340 | 29,512,437 | 47,340 |
| Items that may be subsequently reclassified to profit or loss | | | | | |
| Currency translation difference | | - | - | - | - |
| Total items that may be reclassified to profit or loss | | - | - | - | - |
| Other comprehensive income for the year- net of tax | | 29,512,437 | 47,340 | 29,512,437 | 47,340 |
| Total comprehensive profit/(loss) for the year | | 22,349,487 | (9,528,703) | 22,664,046 | (9,026,643) |
| Total comprehensive profit /(loss) for the year attributable to: | | | | | |
| Equity holders of the parent company | | 22,349,487 | (9,528,703) | 22,664,046 | (9,026,643) |
| Non controlling interest | | - | - | - | - |
| Earnings per share for loss attributable to the equity holders of the company | | | | | |
| Loss per share (Naira) | 14 | (4.44) | (5.94) | (4.25) | (5.63) |

The notes on pages 11 to 77 are an integral part of these financial statements.

Consolidated and separate statements of financial position
As at 31 December 2022


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

| | Notes | Group | | Company | |
|--------------------------------------|-------|--------------------|--------------------|--------------------|--------------------|
| | | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | | N'000 | N'000 | N'000 | N'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 15 | 187,632,461 | 151,293,681 | 187,632,460 | 151,293,678 |
| Right of use assets | 16(a) | 227,001 | 30,429 | 227,001 | 30,429 |
| Investment property | 17 | 75,161,244 | 68,339,210 | 75,161,244 | 68,339,210 |
| Intangible asset | 18 | - | - | - | - |
| Investments in subsidiaries | 29 | - | - | 50,255 | 50,255 |
| Total non-current assets | | 263,020,706 | 219,663,320 | 263,070,960 | 219,713,572 |
| Current assets | | | | | |
| Inventories | 19 | 9,732,537 | 9,323,397 | 9,688,013 | 9,289,549 |
| Trade and other receivables | 20a | 1,851,217 | 3,928,063 | 2,865,035 | 4,366,929 |
| EEG Receivable | 20b | 4,036,546 | 4,540,129 | 4,036,546 | 4,540,129 |
| Cash at bank and in hand | 21 | 570,161 | 1,164,890 | 462,672 | 1,029,885 |
| Total current assets | | 16,190,461 | 18,956,479 | 17,052,266 | 19,226,492 |
| Total assets | | 279,211,167 | 238,619,799 | 280,123,226 | 238,940,064 |
| Equity | | | | | |
| Ordinary shares | 22 | 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 | | 86,584,932 | 60,124,144 | 86,584,932 | 60,124,144 |
| Foreign currency translation reserve | | - | - | - | - |
| Accumulated losses | 23 | (38,928,014) | (34,816,713) | (38,202,884) | (34,406,142) |
| Treasury shares reserve | | (1,080,831) | (1,080,831) | (1,080,831) | (1,080,831) |
| Total equity | | 75,378,036 | 53,028,549 | 76,103,166 | 53,439,120 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Borrowings | 25a | 109,760,326 | 79,962,615 | 109,760,326 | 79,962,615 |
| Lease liability | 16(b) | 100,138 | - | 100,138 | - |
| Employee benefit obligation | 24 | 2,048,125 | 1,850,646 | 2,048,125 | 1,850,646 |
| Grant liability | 25b | 1,270,430 | 2,625,073 | 1,270,430 | 2,625,073 |
| Deferred tax liability | 13a | 2,373,579 | - | 2,373,579 | - |
| Total non-current liabilities | | 115,552,598 | 84,438,334 | 115,552,598 | 84,438,334 |
| Current liabilities | | | | | |
| Borrowings | 25a | 32,619,809 | 49,076,352 | 32,619,809 | 49,076,352 |
| Lease liability | 16(b) | 102,584 | - | 102,584 | - |
| Trade and other payables | 26 | 35,309,583 | 37,538,525 | 35,496,512 | 37,721,334 |
| Contract liabilities | 26 | 19,317,994 | 13,305,088 | 19,317,994 | 13,031,973 |
| Grant liability | 25b | 717,508 | 1,167,241 | 717,508 | 1,167,241 |
| Current tax liabilities | 13 | 213,055 | 65,710 | 213,055 | 65,710 |
| Total current liabilities | | 88,280,533 | 101,152,916 | 88,467,462 | 101,062,610 |
| Total liabilities | | 203,833,131 | 185,591,250 | 204,020,060 | 185,500,944 |
| Total equity and liabilities | | 279,211,167 | 238,619,799 | 280,123,226 | 238,940,064 |


The financial statements on pages 6 to 77 were approved and authorised for issue by the board of directors on 3 April 2023 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



Ms. Chekwubechukwu Onianwa
Chief Financial Officer
FRC/2022/PRO/ICAN/001/704370

The notes on pages 11 to 77 are an integral part of these financial statements.

Consolidated and separate statements of changes in equity

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

Group

| | Share capital | Share premium | Foreign currency translation reserve | Asset revaluation reserve | Accumulated losses | Treasury shares reserve | Total equity |
|---|---------------|---------------|--------------------------------------|---------------------------|--------------------|-------------------------|--------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Balance at 1 October 2020 | 806,033 | 27,995,916 | 544,995 | 63,961,570 | (29,125,437) | (1,080,831) | 63,102,246 |
| Loss for the year | - | - | - | - | (9,576,042) | - | (9,576,042) |
| Other comprehensive income: | | | | | | | |
| PPE revaluation surplus, net of tax | - | - | - | - | - | - | - |
| Revaluation surplus released to retained earnings | - | - | - | - | - | - | - |
| Remeasurements of post-employment benefit obligations, net of tax | - | - | - | - | 47,340 | - | 47,340 |
| Currency translation difference | - | - | (544,995) | - | - | - | (544,995) |
| Total comprehensive loss for the period | - | - | (544,995) | - | (9,528,702) | - | (10,073,697) |
| Depreciation released to retained earnings | - | - | - | (3,837,426) | 3,837,426 | - | - |
| Transaction with owners | - | - | - | - | - | - | - |
| Balance at 31 December 2021 | 806,033 | 27,995,916 | - | 60,124,144 | (34,816,713) | (1,080,831) | 53,028,549 |

Group

| | Share capital | Share premium | Foreign currency translation reserve | Asset revaluation reserve | Accumulated losses | Treasury shares reserve | Total equity |
|---|---------------|---------------|--------------------------------------|---------------------------|--------------------|-------------------------|--------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Balance at 1 January 2022 | 806,033 | 27,995,916 | - | 60,124,144 | (34,816,713) | (1,080,831) | 53,028,549 |
| Loss for the year | - | - | - | - | (7,162,950) | - | (7,162,950) |
| Other comprehensive income: | | | | | | | |
| PPE revaluation surplus, net of tax | - | - | - | 29,651,550 | - | - | 29,651,550 |
| Remeasurements of post-employment benefit obligations, net of tax | - | - | - | - | (139,113) | - | (139,113) |
| Currency translation difference | - | - | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | - | 29,651,550 | (7,302,063) | - | 22,349,487 |
| Depreciation released to retained earnings | - | - | - | (3,190,762) | 3,190,762 | - | - |
| Transaction with owners | - | - | - | - | - | - | - |
| Balance at 31 December 2022 | 806,033 | 27,995,916 | - | 86,584,932 | (38,928,014) | (1,080,831) | 75,378,036 |

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

Consolidated and separate statements of changes in equity

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

| | Share capital | Share premium | Asset revaluation reserve | Accumulated losses | Treasury shares reserve | Total equity |
|---|---------------|---------------|---------------------------|--------------------|-------------------------|--------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Balance at 1 October 2020 | 806,033 | 27,995,916 | 63,961,570 | (29,216,926) | (1,080,831) | 62,465,762 |
| Loss for the year | - | - | - | (9,073,982) | - | (9,073,982) |
| Other comprehensive income: | | | | | | - |
| PPE revaluation surplus, net of tax | - | - | - | - | - | - |
| Remeasurements of post-employment benefit obligations, net of tax | - | - | - | 47,340 | - | 47,340 |
| Total comprehensive income for the year | - | - | - | (9,026,642) | - | (9,026,642) |
| Depreciation released to retained earnings | - | - | (3,837,426) | 3,837,426 | - | - |
| Transaction with owners | - | - | - | - | - | - |
| Balance at 31 December 2021 | 806,033 | 27,995,916 | 60,124,144 | (34,406,142) | (1,080,831) | 53,439,120 |

Company

| | Share capital | Share premium | Asset revaluation reserve | Accumulated losses | Treasury shares reserve | Total equity |
|---|---------------|---------------|---------------------------|--------------------|-------------------------|--------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Balance at 1 January 2022 | 806,033 | 27,995,916 | 60,124,144 | (34,406,142) | (1,080,831) | 53,439,120 |
| Loss for the year | - | - | - | (6,848,391) | - | (6,848,391) |
| Other comprehensive income: | | | | | | - |
| PPE revaluation surplus, net of tax | - | - | 29,651,550 | - | - | 29,651,550 |
| Remeasurements of post-employment benefit obligations, net of tax | - | - | - | (139,113) | - | (139,113) |
| Total comprehensive loss for the year | - | - | 29,651,550 | (6,987,504) | - | 22,664,046 |
| Depreciation released to retained earnings | - | - | (3,190,762) | 3,190,762 | - | - |
| Transaction with owners | - | - | - | - | - | - |
| Balance at 31 December 2022 | 806,033 | 27,995,916 | 86,584,932 | (38,202,884) | (1,080,831) | 76,103,166 |

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

Consolidated and separate statements of cash flows

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

| Notes | Group | | Company | |
|---|------------------------------|-------------------------------|------------------------------|-------------------------------|
| | Twelve months 31 Dec 2022 | Fifteen months 31 Dec 2021 | Twelve months 31 Dec 2022 | Fifteen months 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| Cash flows from operating activities: | | | | |
| Loss on ordinary activities before taxation | (16,035,172) | (19,738,664) | (15,720,613) | (19,236,604) |
| Adjustments for: | | | | |
| Depreciation | 15 7,251,203 | 8,146,698 | 7,251,202 | 8,146,698 |
| Depreciation of right of use assets | 16(a) 98,318 | 122,218 | 98,318 | 122,218 |
| Finance income | 12(a) (151) | (388) | (151) | (388) |
| Finance cost | 12(b) 23,258,702 | 26,427,010 | 23,258,702 | 26,427,010 |
| Amortisation of intangible asset | 18 - | 12,509 | - | 12,509 |
| Write-off of PPE | 15 4,055 | 32,349 | 4,055 | 32,349 |
| Impairment of EEG Receivables | 20b 503,583 | - | 503,583 | - |
| Impairment of investment property | 17 1,459,854 | 253,611 | 1,459,854 | 253,611 |
| Current service cost and interest on gratuity | 24 454,993 | 566,709 | 454,993 | 566,709 |
| Fair value adjustment on investment property | 17 (8,000,027) | (14,727,733) | (8,000,027) | (14,727,733) |
| Grant income | 11 (977,883) | (1,436,759) | (977,883) | (1,436,759) |
| Modification gain | 11 (826,492) | - | (826,492) | - |
| (Increase)/decrease of gratuity plan assets | 24 (24,312) | 468,031 | (24,312) | 468,031 |
| Currency translation difference | - | (544,995) | - | - |
| Loss on disposal of fixed assets | 15 (9,024) | 107 | (9,024) | 107 |
| Net adjustments for non-cash items | 23,192,819 | 19,319,367 | 23,192,818 | 19,864,362 |
| Changes in working capital: | | | | |
| Increase in inventories | (409,140) | (3,373,176) | (398,464) | (3,339,327) |
| Decrease in trade and other receivables | 2,076,845 | 7,387,655 | 1,501,893 | 6,948,789 |
| Increase in trade and other payables | 3,783,963 | 18,766,930 | 4,061,196 | 17,991,027 |
| Cash generated from operating activities | 12,609,315 | 22,362,112 | 12,636,830 | 22,228,247 |
| Gratuity paid | 24 (431,934) | (736,788) | (431,934) | (736,788) |
| Income taxes paid | 13 (41,748) | (38,957) | (41,748) | (38,957) |
| Net cash generated from operating activities | 12,135,633 | 21,586,367 | 12,163,148 | 21,452,502 |
| Cash flows from investing activities: | | | | |
| Purchases of property, plant and equipment | 15 (2,448,513) | (14,233,970) | (2,448,513) | (14,233,970) |
| Proceeds from disposal of fixed assets | 15 9,563 | 317 | 9,563 | 317 |
| Addition to right of use | 16(a) (294,890) | - | (294,890) | - |
| Addition to investment property | 17 (281,861) | (651,895) | (281,861) | (651,895) |
| Interest received | 12 151 | 388 | 151 | 388 |
| Net cash used in investing activities | (3,015,550) | (14,885,160) | (3,015,550) | (14,885,160) |
| Cash flows from financing activities: | | | | |
| Addition to borrowings | 25a 19,067,476 | 17,845,656 | 19,067,476 | 17,845,656 |
| Addition to lease liability | 16(b) 294,890 | - | 294,890 | - |
| Repayments of borrowings | 25a (11,635,905) | (8,703,398) | (11,635,905) | (8,703,398) |
| Principal elements of lease payments | 16(b) (105,208) | (129,610) | (105,208) | (129,610) |
| Interest paid on lease | 16(b) (8,880) | (15,189) | (8,879) | (15,189) |
| Interest paid | 25(a) (15,574,790) | (15,035,612) | (15,574,790) | (15,035,612) |
| Net cash used in financing activities | (7,962,417) | (6,038,153) | (7,962,416) | (6,038,153) |
| Net increase in cash and cash equivalents | 1,157,666 | 663,054 | 1,185,182 | 529,189 |
| Cash and cash equivalents at beginning of year | (2,264,576) | (2,927,630) | (2,399,581) | (2,928,770) |
| Cash and cash equivalents at end of year | (1,106,910) | (2,264,576) | (1,214,399) | (2,399,581) |

The notes on pages 11 to 77 are an integral part of these financial statements.

Notes to the annual, consolidated and separate financial statements**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 of Naira (NGN'000), except where otherwise indicated.

The Company's financial statements are presented in Nigeria Naira in accordance with the Companies and Allied Matters Act, ("CAMA") and comprise; Consolidated and separate statement of financial position, Consolidated and separate statement of profit or loss and other comprehensive income, Consolidated, separate statement of changes in equity and consolidated and separate statement of cashflows and notes to the financial statement.

Other additional information provided by management in line with the requirements of the Companies and Allied Matters Act (CAMA) includes; Statement of value added and financial summary

These financial statements cover the financial period from 1 January 2022 to 31 December 2022 with comparatives covering financial year 1 October 2020 to 31 December 2021. The 2022 financial statements cover period of 12 months

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.

Notes to the annual, consolidated and separate financial statements**2.0 Basis of preparation and adoption of IFRSs (cont'd)****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 3 April 2023.

3 New and amended IFRS standards**3.1 New and amended IFRS standards that are effective for the current year**

In the current year, the Group has adopted a number of amendments to IFRS Accounting standards that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

i Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

ii Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

iii Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Notes to the annual, consolidated and separate financial statements

3.1 New and amended IFRS standards that are effective for the current year (cont'd)

iv Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.

3.2 New and revised IFRS Standards in issue but not yet effective

The Group has not applied the following new and revised IFRS accounting standards that have been issued but are not yet effective:

| New standards/Amendments | Description | Effective Date |
|---|---|-----------------------|
| IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17) | Insurance Contracts | 1 January 2023 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2023 |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to IAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in the next financial year.

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'.

Notes to the annual, consolidated and separate financial statements**4.1 Foreign currency translation (cont'd)****(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.

Notes to the annual, consolidated and separate financial statements**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.

Notes to the annual, consolidated and separate financial statements**4.8 Provisions and contingent liabilities (cont'd)**

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.

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.

Notes to the annual, consolidated and separate financial statements**4.9 Property, plant and equipment (cont'd)**

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.

4.12 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.

Notes to the annual, consolidated and separate financial statements**4.12 Financial instruments (cont'd)****(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."

(g) Derecognition

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

Notes to the annual, consolidated and separate financial statements**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.

Notes to the annual, consolidated and separate financial statements**4.16 Income taxation (cont'd)****(b) Deferred income tax (cont'd)**

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.

4.17 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.

Notes to the annual, consolidated and separate financial statements

4.17 Employee benefits (cont'd)

(ii) Gratuity Scheme (cont'd)

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.

Notes to the annual, consolidated and separate financial statements**4.18 Leases (cont'd)**

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."

(i) 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.

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.

Notes to the annual, consolidated and separate financial statements**4.18 Leases (cont'd)****(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.

4.19 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.

Notes to the annual, consolidated and separate financial statements**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.

Notes to the annual, consolidated and separate financial statements**4.24 Consolidation (cont'd)****(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.

(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.

Notes to the annual, consolidated and separate financial statements**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.

Notes to the annual, consolidated and separate financial statements**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 consider 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.

5.4 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 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.

5.6 Going concern

Critical accounting estimates and judgements made on use of going concern for preparation of the financial statements are disclosed in Note 30 to the financial statements.

6.0 Financial risk management**6.1 Introduction and overview of company and group risk management**

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

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

Notes to the annual, consolidated and separate financial statements

6.1 Introduction and overview of company and group risk management (cont'd)

(a) Market risk

(i) Foreign exchange risk

The group is exposed to risks resulting from fluctuations in foreign currency exchange rates in relation to its export sales which arises from its exposures primarily to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

Management has set up a policy to manage the group's foreign exchange risk against its functional currency. To manage the foreign exchange risks arising from future commercial transactions and recognised assets and liabilities, the Group uses off-setting approach. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the group's functional currency.

A material change in the value of any such foreign currency could result in a material adverse effect on the group's cash flow and future profits. The group is exposed to exchange rate risk to the extent that balances and transactions denominated in a currency other than the Naira. The group holds the majority of its cash and cash equivalents in Naira. However, the group does maintain deposits in US Dollars in order to fund ongoing commercial activity and other expenditure incurred in these currencies. Currency exposure arising from assets and liabilities denominated in foreign currencies is managed primarily by setting limits on the amounts that that may be invested in such deposits.

The foreign currency risk sensitivity analysis reflects the expected financial impact in Naira equivalent resulting from a 10% change to foreign currency risk exposure.

A 10 percent strengthening/weakening of Nigerian Naira against the following currencies as at 31 December 2022 and 31 December 2021 would have increased/(decreased) group's profit before tax by the amount shown below. This analysis assumes that all other variables remains constant.

| | 31 Dec 2022 | 31 Dec 2021 |
|---|--------------------|--------------------|
| | USD '000 | USD '000 |
| Financial assets | | |
| Trade and other receivables | - | 33 |
| Cash and cash equivalents | 123 | 243 |
| | <u>123</u> | <u>276</u> |
| Financial liabilities | | |
| Borrowings | 134,964 | 123,920 |
| Trade and other payables | 8,690 | 12,592 |
| | <u>143,654</u> | <u>136,513</u> |
| Net exposure in statement of financial position | <u>(143,531)</u> | <u>(136,236)</u> |

Notes to the annual, consolidated and separate financial statements

6.1 Introduction and overview of company and group risk management (cont'd)

(a) Market risk (cont'd)

| | Reporting date exchange rates & translation | Sensitivity of profit to 10% strengthening of Naira | Sensitivity of profit to 10% weakening of Naira |
|-------------------------|---|--|--|
| 31 December 2022 | | | |
| Nigerian Naira ('000) | (66,239,566) | 6,623,957 | (6,623,957) |
| 31 December 2021 | | | |
| Nigerian Naira ('000) | (59,262,858) | 5,926,286 | (5,926,286) |

The foreign exchange risk is mainly from loan, foreign creditors and intercompany balances denominated in foreign currencies.

The Group's balances in foreign currencies other than the US Dollars are insignificant. Therefore, the impact of strengthening and/or weakening in the Naira against the currencies is not material to the financial statements.

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings and the group policy is to maintain its borrowings in fixed rate instruments.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. The Group is not exposed to interest rate risk as it only has fixed rate instruments carried at amortised cost.

(b) Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in financial loss to the group. Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

The group's maximum exposure to credit risk due to default of the counter party is equal to the carrying value of its financial assets. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. There is no collateral on exposure to credit risk.

Notes to the annual, consolidated and separate financial statements

6.1 Introduction and overview of company and group risk management (cont'd)

(b) Credit risk (cont'd)

The group's maximum exposure to credit risk as at the reporting date is:

| | 31 Dec 2022 | 31 Dec 2021 |
|--|--------------------|--------------------|
| | N'000 | N'000 |
| Trade receivables (Note 20a) | - | 729,905 |
| Employee receivable (Note 20a) | 9,457 | 7,293 |
| Other receivables (excluding non-financial instruments) (Note 20a) | 4,000 | 455,256 |
| Cash and cash equivalents (excluding overdraft) (Note 21) | <u>570,161</u> | <u>1,164,890</u> |
| | <u>583,618</u> | <u>2,357,344</u> |

The Company's maximum exposure to credit risk as at the reporting date is:

| | | |
|--|----------------|------------------|
| Trade receivables (Note 20a) | - | 729,905 |
| Employee receivable (Note 20a) | 9,457 | 7,293 |
| Other receivables (excluding non-financial instruments) (Note 20a) | 4,000 | 455,256 |
| Cash and cash equivalents (excluding overdraft) (Note 21) | <u>462,672</u> | <u>1,029,885</u> |
| | <u>476,129</u> | <u>2,222,339</u> |

The table below analyses the group's financial assets less impairment of trade receivables into relevant maturity groupings at the reporting date

| | Neither past due nor impaired | Past due but not impaired | | | Total |
|---|-------------------------------|---------------------------|----------------------|--------------------|----------------|
| | | Up to 3 months | 3 months to 6 months | 6 months and above | |
| 31 December 2022 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Trade receivables | - | - | - | - | - |
| Employee receivable | 9,457 | - | - | - | 9,457 |
| Other receivables | - | - | - | 4,000 | 4,000 |
| Cash and cash equivalents (excluding overdraft) | <u>570,161</u> | - | - | - | <u>570,161</u> |

| | Neither past due nor impaired | Past due but not impaired | | | Total |
|---|-------------------------------|---------------------------|----------------------|--------------------|------------------|
| | | Up to 3 months | 3 months to 6 months | 6 months and above | |
| 31 December 2021 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Trade receivables | 43,419 | - | - | - | 43,419 |
| Employee receivable | 7,293 | - | - | - | 7,293 |
| Other receivables | - | 455,256 | - | - | 455,256 |
| Cash and cash equivalents (excluding overdraft) | <u>1,164,890</u> | - | - | - | <u>1,164,890</u> |

Notes to the annual, consolidated and separate financial statements

6.1 Introduction and overview of company and group risk management (cont'd)

(b) Credit risk (cont'd)

The table below analyses the company's financial assets less impairment of trade receivables into relevant maturity groupings at the reporting date

| 31 December 2022 | Neither past due nor impaired | Past due but not impaired | | | Total |
|---|-------------------------------|---------------------------|----------------------|--------------------|---------|
| | | Up to 3 months | 3 months to 6 months | 6 months and above | |
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| Trade receivables | - | - | - | - | - |
| Employee receivable | 9,457 | - | - | - | 9,457 |
| Other receivables (excluding non-financial instruments) | - | - | - | 4,000 | 4,000 |
| Cash and cash equivalents (excluding overdraft) | 462,672 | - | - | - | 462,672 |

| 31 December 2021 | Neither past due nor impaired | Past due but not impaired | | | Total |
|---|-------------------------------|---------------------------|----------------------|--------------------|-----------|
| | | Up to 3 months | 3 months to 6 months | 6 months and above | |
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| Trade receivables | 43,419 | - | - | - | 43,419 |
| Employee receivable | 7,293 | - | - | - | 7,293 |
| Other receivables (excluding non-financial instruments) | - | 455,256 | - | - | 455,256 |
| Cash and cash equivalents (excluding overdraft) | 1,029,885 | - | - | - | 1,029,885 |

Movements in the impaired trade receivables and the related provision for impairment are as follows:

| | Group & Company | |
|--|--------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 |
| Impaired trade receivable: | | |
| At the beginning of the period | 686,486 | 635,506 |
| Increase during the year (Note 11a) | - | 50,980 |
| Decrease during the year (Note 11a) | (686,486) | - |
| At end of the year | - | 686,486 |
| Provision for impairment | - | (686,486) |
| Net impaired trade receivables with no provision | - | - |
| | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 |
| Provisions for impairment of trade receivables: | | |
| Balance at the beginning of the year | 686,486 | 635,506 |
| Charged for the period (Note 10a) | - | 50,980 |
| Reversed during the year | (686,486) | - |
| Balance at the end of the year (Note 21a) | - | 686,486 |

Notes to the annual, consolidated and separate financial statements

6.1 Introduction and overview of company and group risk management (cont'd)

(b) Credit risk (cont'd)

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the statement of profit or loss. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group's gross trade receivables are denominated in the following currencies:

| | 31 Dec 2022 | 31 Dec 2021 |
|---------------------------|-----------------------------|-----------------------------|
| | N'000 | N'000 |
| Nigerian Naira (in '000s) | - | 709,460 |
| US Dollars (in '000s) | - | 47 |
| | <u> </u> | <u> </u> |

The carrying amounts of the Company's gross trade receivables are denominated in the following currencies:

| | 31 Dec 2022 | 31 Dec 2021 |
|---------------------------|-----------------------------|-----------------------------|
| | N'000 | N'000 |
| Nigerian Naira (in '000s) | - | 709,460 |
| US Dollars (in '000s) | - | 47 |
| | <u> </u> | <u> </u> |

Credit quality of financial assets

The credit quality of trade receivables are assessed by reference to historical information about counterparty default rates and the credit policy of the Group.

An analysis of the credit rating of counterparties where cash and cash equivalents are held is presented as follows:

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| B | <u>570,161</u> | <u>1,164,890</u> | <u>462,672</u> | <u>1,029,885</u> |

B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

Impairment assessment of bank balances in the period indicate that the fair values of the balances equal the carrying amount at the financial position date.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the group and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Notes to the annual, consolidated and separate financial statements

6.1 Introduction and overview of company and group risk management (cont'd)

(b) Credit risk (cont'd)

The table below analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| At 31 December 2022 | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|--|-----------------------------|-----------------------|-----------------------|--------------|-------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| Borrowings | 49,918,102 | 29,369,262 | 88,501,620 | 67,272,084 | 235,061,068 |
| Trade payables (Note 26) | 9,505,856 | - | - | - | 9,505,856 |
| Interest and fees payable (Note 26) | - | - | - | - | - |
| Accrued expenses (excluding non-financial instruments) (Note 26) | 2,993,860 | - | - | - | 2,993,860 |
| Amount due to related parties (Note 27) | 20,701,644 | - | - | - | 20,701,644 |

| At 31 December 2021 | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|--|-----------------------------|-----------------------|-----------------------|--------------|-------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| Borrowings | 61,834,717 | 29,259,752 | 65,185,157 | 9,263,030 | 165,542,655 |
| Trade payables (Note 26) | 10,841,537 | - | - | - | 10,841,537 |
| Interest and fees payable (Note 26) | 3,720,794 | - | - | - | 3,720,794 |
| Accrued expenses (excluding non-financial instruments) (Note 26) | 3,569,301 | - | - | - | 3,569,301 |
| Amount due to related parties (Note 27) | 17,768,977 | - | - | - | 17,768,977 |

The table below analysis the maturity analysis of financial assets it holds for managing liquidity risk

| | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|-----------------------------|-----------------------------|-----------------------|-----------------------|-------------------|--------------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| Inventories | 9,688,013 | - | - | - | 9,688,013 |
| Net Operational Cash Flow | 34,976,555 | 32,953,078 | 117,331,699 | 37,990,014 | 223,251,345 |
| Equity Funding | 30,000,000 | 20,000,000 | - | - | 50,000,000 |
| Trade and other receivables | 2,865,035 | - | - | - | 2,865,035 |
| EEG Receivable | 4,036,546 | - | - | - | 4,036,546 |
| Cash at bank and in hand | 462,672 | - | - | - | 462,672 |
| | 82,028,821 | 52,953,078 | 117,331,699 | 37,990,014 | 290,303,611 |

The table below analyses the company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the annual, consolidated and separate financial statements

6.1 Introduction and overview of company and group risk management (cont'd)

(b) Credit risk (cont'd)

| | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|--|-----------------------------------|--------------------------|--------------------------|-----------------|--------------|
| At 31 December 2022 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Borrowings | 49,918,102 | 29,369,262 | 88,501,620 | 67,272,084 | 235,061,068 |
| Trade payables (Note 26) | 9,466,995 | - | - | - | 9,466,995 |
| Interest and fees payable (Note 26) | - | - | - | - | - |
| Accrued expenses (excluding non-financial instruments) (Note 26) | 2,993,860 | - | - | - | 2,993,860 |
| Amount due to related parties (Note 27) | 21,068,834 | - | - | - | 21,068,834 |
| At 31 December 2021 | | | | | |
| Borrowings | 61,834,717 | 29,259,752 | 65,185,157 | 9,263,030 | 165,542,655 |
| Trade payables (Note 26) | 10,835,626 | - | - | - | 10,835,626 |
| Interest and fees payable (Note 26) | 3,720,794 | - | - | - | 3,720,794 |
| Accrued expenses (excluding non-financial instruments) (Note 26) | 3,569,301 | - | - | - | 3,569,301 |
| Amount due to related parties (Note 27) | 17,818,977 | - | - | - | 17,818,977 |

The Company has disclosed in note 30 to the financial statement the measures to be taken in improving its liquidity position of the business in the coming period

6.2 Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

Notes to the annual, consolidated and separate financial statements

6.2 Capital risk management (cont'd)

The gearing ratios at 31 December 2022 and 31 December 2021 for the group were as follows:

| | Group | |
|--|--------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 |
| Total borrowings (Note 25) | 142,380,135 | 129,038,967 |
| Less: Cash in hand and at bank (Note 21) | <u>(570,161)</u> | <u>(1,164,890)</u> |
| Net debt | 141,809,974 | 127,874,077 |
| Total equity | <u>75,405,996</u> | <u>53,028,549</u> |
| Total capital employed | <u>217,215,970</u> | <u>180,902,626</u> |
| Gearing ratio | <u>65%</u> | <u>71%</u> |

The gearing ratios at 31 December 2022 and 31 December 2021 for the company were as follows:

| | Company | |
|--|--------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 |
| Total borrowings (Note 25) | 142,380,135 | 129,038,967 |
| Less: Cash in hand and at bank (Note 21) | <u>(462,672)</u> | <u>(1,029,885)</u> |
| Net debt | 141,917,463 | 128,009,082 |
| Total equity | <u>76,131,126</u> | <u>53,439,120</u> |
| Total capital employed | <u>218,048,589</u> | <u>181,448,202</u> |
| Gearing ratio | <u>65%</u> | <u>71%</u> |

6.3 Financial instruments by category

The Group's financial instruments are categorised as follows:

| | Group | |
|---|--------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 |
| Financial assets at amortised cost | | |
| Trade and other receivables (excluding non-financial instruments) | 13,457 | 505,968 |
| Cash in hand and at bank | <u>570,161</u> | <u>1,164,890</u> |
| | <u>583,618</u> | <u>1,670,858</u> |
| Liabilities at amortised cost | | |
| Borrowings | 142,380,135 | 129,038,967 |
| Trade and other payables (excluding non-financial instruments) | <u>33,201,360</u> | <u>35,900,609</u> |
| | <u>175,581,495</u> | <u>164,939,576</u> |

Notes to the annual, consolidated and separate financial statements

6.3 Financial instruments by category (cont'd)

The Company's financial instruments are categorised as follows:

| | Company | |
|---|--------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 |
| Financial assets at amortised cost | | |
| Trade and other receivables (excluding non-financial instruments) | 13,457 | 505,968 |
| Cash in hand and at bank | 462,672 | 1,029,885 |
| | <u>476,129</u> | <u>1,535,853</u> |
| Liabilities at amortized cost | | |
| Borrowings | 142,380,135 | 129,038,967 |
| Trade and other payables (excluding non-financial instruments) | 33,529,689 | 35,944,698 |
| | <u>175,909,824</u> | <u>164,983,665</u> |

The carrying values of cash and cash equivalents, trade receivables, trade payables and current borrowings approximate their fair value.

| | Group | | | |
|----------------------------------|--------------------|-------------------|--------------------|-------------------|
| | Carrying amount | | Fair value | |
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| Non-current borrowings (Note 25) | <u>109,760,326</u> | <u>79,962,615</u> | <u>109,760,326</u> | <u>79,962,615</u> |

Fair value of non-current borrowings is determined using observable market interest rate. It is classified under level 2 of the fair value hierarchy.

| | Company | | | |
|----------------------------------|--------------------|-------------------|--------------------|-------------------|
| | Carrying amount | | Fair value | |
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| Non-current borrowings (Note 25) | <u>109,760,326</u> | <u>79,962,615</u> | <u>109,760,326</u> | <u>79,962,615</u> |

Fair value of non-current borrowings is determined using observable market interest rate. It is classified under level 2 of the fair value hierarchy.

6.4 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Notes to the annual, consolidated and separate financial statements

6.4 Fair value hierarchy (cont'd)

| | Group | | | |
|--|---------|-----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| | N'000 | N'000 | N'000 | N'000 |
| 31 December 2022 | | | | |
| Trade receivables (Note 20a) | - | - | - | - |
| Employee receivable (Note 20a) | - | 9,457 | - | 9,457 |
| Other receivables (excluding non-financial instruments) (Note 20a) | - | 4,000 | - | 4,000 |
| Cash and cash equivalents (excluding overdraft) (Note 21) | - | 570,161 | - | 570,161 |
| | - | 583,618 | - | 583,618 |
| 31 December 2021 | N'000 | N'000 | N'000 | N'000 |
| Trade receivables (Note 20a) | - | 43,419 | - | 43,419 |
| Employee receivable (Note 20a) | - | 7,293 | - | 7,293 |
| Other receivables (excluding non-financial instruments) (Note 20a) | - | 455,256 | - | 455,256 |
| Cash and cash equivalents (excluding overdraft) (Note 21) | - | 1,164,890 | - | 1,164,890 |
| | - | 1,670,858 | - | 1,670,858 |

The carrying amounts of the financial liabilities for both years approximate their fair values.

| | Company | | | |
|--|---------|-----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| | N'000 | N'000 | N'000 | N'000 |
| 31 December 2022 | | | | |
| Trade receivables (Note 20a) | - | - | - | - |
| Employee receivable (Note 20a) | - | 9,457 | - | 9,457 |
| Other receivables (excluding non-financial instruments) (Note 20a) | - | 4,000 | - | 4,000 |
| Cash and cash equivalents (excluding overdraft) (Note 21) | - | 462,672 | - | 462,672 |
| | - | 476,129 | - | 476,129 |
| 31 December 2021 | N'000 | N'000 | N'000 | N'000 |
| Trade receivables (Note 20a) | - | 43,419 | - | 43,419 |
| Employee receivable (Note 20a) | - | 7,293 | - | 7,293 |
| Other receivables (excluding non-financial instruments) (Note 20a) | - | 455,256 | - | 455,256 |
| Cash and cash equivalents (excluding overdraft) (Note 21) | - | 1,029,885 | - | 1,029,885 |
| | - | 1,535,853 | - | 1,535,853 |

The carrying amounts of the financial liabilities for both years approximate their fair values.

7.0 Impairment of financial assets IFRS 9

(a) Trade receivables

The Group applies the simplified approach in measuring the expected credit losses (ECL) which calculates a lifetime expected loss allowance for all trade receivables using the provision matrix approach. Trade receivables represent the amount receivable from customers for the sale of goods in the ordinary course of business.

Notes to the annual, consolidated and separate financial statements

7.0 Impairment of financial assets IFRS 9 (cont'd)

(a) Trade receivables (cont'd)

The provision matrix approach is based on the historical credit loss experience observed based on the settlement pattern of customers over the expected life of the receivable and adjusted for forward-looking estimates of relevant macroeconomic variables. The macroeconomic variables considered are inflation and gross domestic product (GDP).

The expected loss rates as at 31 December 2022 are as follows:

| Group & Company | | | | | | |
|----------------------------|-----------|------------|-------------|--------------|----------------|-------|
| Age of trade receivables | 0-30 days | 31-90 days | 91-180 days | 181-365 days | After 365 days | Total |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Gross carrying amount | - | - | - | - | - | - |
| Default rate | 16.92% | 53.57% | 64.68% | 87.27% | 100.00% | |
| Lifetime ECL | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |

The reconciliation of the gross carrying amount for trade receivables is as follows:

| | |
|---|--------------|
| | ₦'000 |
| Gross carrying amount as at 1 January | 729,905 |
| Additions during the period | - |
| Receipts for the period | (43,419) |
| Writeoff of trade receivables | (686,486) |
| Gross carrying amount as at 31 December | - |

The expected loss rates as at 31 December 2021 are as follows:

| Group & Company | | | | | | |
|----------------------------|-----------|------------|-------------|--------------|----------------|-----------|
| Age of trade receivables | 0-30 days | 31-90 days | 91-180 days | 181-365 days | After 365 days | Total |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Gross carrying amount | - | 92,334 | - | 4,305 | 633,266 | 729,905 |
| Default rate | 16.92% | 53.57% | 64.68% | 87.27% | 100.00% | |
| Lifetime ECL | - | (49,463) | - | (3,757) | (633,266) | (686,486) |
| Total | - | 42,871 | - | 548 | - | 43,419 |

The reconciliation of the gross carrying amount for trade receivables is as follows:

| | |
|---|--------------|
| | ₦'000 |
| Gross carrying amount as at 1 October | 640,311 |
| Additions during the period | 3,879,910 |
| Receipts for the period | (3,790,316) |
| Gross carrying amount as at 31 December | 729,905 |

Notes to the annual, consolidated and separate financial statements**7.0 Impairment of financial assets IFRS 9 (cont'd)****(b) Other receivables**

At the reporting date, other receivables include rent receivables and employee receivables (existing and exited staff). The Group applied the IFRS 9 general model for measuring ECL on these financial assets. This requires a three-stage approach in recognising the expected loss allowance. A day one provision is required on these instruments. The three-stage model will require monitoring of credit risk to determine when there has been a significant increase. The ECL has been calculated using the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The three (3) stage model also incorporate forward looking estimates.

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

The Group considers quantitative, qualitative and 'backstop' indicators in classifying these financial assets into the relevant stages for impairment calculation. Impairment provision is recognised in three stages based on days past due and after considering other qualitative criteria.

Using the backstop criteria stated, a worst-case staging is assigned to every facility.

- Stage 1: This stage includes financial assets that are less than 30 days past due (Performing).
- Stage 2: This stage includes financial assets that have been assessed to have experienced a significant increase in credit risk using the days past due criteria (i.e. the outstanding receivables amounts are more than 30 days past due but less than 90 days past due) and actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.
- Stage 3: This stage includes financial assets that have been assessed as being in default. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The parameters used to determine impairment for rent receivable and employee receivables are shown below. For all receivables presented in the table, the respective 12-month Probability of Default (PD) equate the Lifetime PD for stage 2 as the maximum contractual period over which the Company is exposed to credit risk arising from the receivables is less than 12 months.

Notes to the annual, consolidated and separate financial statements

7.0 Impairment of financial assets IFRS 9 (cont'd)

(b) Other receivables (cont'd)

| Other receivables | | |
|-----------------------------|---|--|
| | Rent receivables | Employee receivables |
| Probability of Default (PD) | The credit rating of the counterparty determined by external rating agencies was used to reflect the assessment of the probability of default on this receivable. This was supplemented with external data from S&P to arrive at a 12-month PD and life time PD for stage 1 and stage 2. PD of 6.75% was used for B- rated facilities and 26.89% for CCC/C rated facilities . The PD for stage 3 is 100%. | The credit rating of the counterparty determined by external rating agencies was used to reflect the assessment of the probability of default on this receivable. This was supplemented with external data from Fitch to arrive at a 12-month PD and life time PD for stage 1 and stage 2. PD of 25.23% and 100% was used for CCC+ and D rated facilities respectively . The PD for stage 3 and exited staff is 100% |
| Loss Given Default (LGD) | The LGD was determined using the average recovery rate for Moody's senior unsecured bonds. This was adjusted with the federal reserve formulae to reflect downturn LGD. | The LGD was determined using the average recovery rate for Moody's senior unsecured loans . This was adjusted with the federal reserve formulae to reflect downturn LGD. |
| Exposure at Default (EAD) | The EAD is the maximum exposure of the receivable to credit risk without taking account of any collateral. | The EAD is the maximum exposure of the receivable to credit risk without taking account of any collateral. |
| Forward Looking Information | The Nigerian inflation rate and Gross Domestic Product (GDP) were identified as economic variables affecting the credit risk | The Group used the Nigerian inflation rate, Unemployment rate and Gross Domestic Product (GDP) growth rate in prior year. However, due to lack of statistical date for unemployment rate, the Group has used the Nigerian inflation rate and Gross Domestic Product (GDP) growth rate as the macro-economic variable affecting the credit risk. |
| Probability weightings | The Z score was used to calculate the probability of having a best, downturn and optimistic scenarios by comparing Nigeria GDP and inflation rate historical experience from 2000 - 2020. 42.5% weight was assigned to best case, 27.5% for optimistic and 30% for downturn. | The Z score was used to calculate the probability of having a best, downturn and optimistic scenarios by comparing Nigeria GDP and inflation rate historical experience from 2000 – 2020 42.5% weight was assigned to best case, 27.5% for optimistic and 30% for downturn. |

Notes to the annual, consolidated and separate financial statements

7.0 Impairment of financial assets IFRS 9 (cont'd)

(b) Other receivables (cont'd)

The IFRS 9 general approach has been used to determine the ECL on other financial assets as shown below:

Group & Company

(i) Rent receivables

| | 31-Dec-22 | | | |
|----------------|--------------|--------------|--------------|----------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | 12-month ECL | Lifetime ECL | Lifetime ECL | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Gross EAD | - | - | - | - |
| Loss allowance | - | - | - | - |
| Net EAD | - | - | - | - |

| | 31-Dec-21 | | | |
|----------------|--------------|--------------|--------------|----------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | 12-month ECL | Lifetime ECL | Lifetime ECL | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Gross EAD | - | - | - | - |
| Loss allowance | - | - | - | - |
| Net EAD | - | - | - | - |

Note: Loss allowance on rent receivable has been captured in Note 10a. The net rent receivable is included as part of other receivable in Note 20.

(ii) Employee Receivables

| | 31-Dec-22 | | | |
|----------------|--------------|--------------|--------------|--------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | 12-month ECL | Lifetime ECL | Lifetime ECL | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Gross EAD | 9,534 | - | 2,037 | 11,571 |
| Loss allowance | (953) | - | (1,161) | (2,114) |
| Net EAD | 8,581 | - | 876 | 9,457 |

| | 31-Dec-21 | | | |
|----------------|--------------|--------------|--------------|--------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | 12-month ECL | Lifetime ECL | Lifetime ECL | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Gross EAD | 7,335 | - | 1,567 | 8,902 |
| Loss allowance | (713) | - | (896) | (1,609) |
| Net EAD | 6,622 | - | 671 | 7,293 |

Note: Loss allowance on employee receivable has been captured in Note 10ai. The net employee receivable is included as part of trade and other receivables in Note 20.

Notes to the annual, consolidated and separate financial statements

7.0 Impairment of financial assets IFRS 9 (cont'd)

(b) Other receivables (cont'd)

(iii) Ex-staff Receivables

| | 31-Dec-22 | | | |
|----------------|-----------|--------------|--------------|-------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | 12-month | | | |
| | ECL | Lifetime ECL | Lifetime ECL | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Gross EAD | - | - | - | - |
| Loss allowance | - | - | - | - |
| Net EAD | - | - | - | - |

| | 31-Dec-21 | | | |
|----------------|-----------|--------------|--------------|-------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | 12-month | | | |
| | ECL | Lifetime ECL | Lifetime ECL | |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Gross EAD | - | - | - | - |
| Loss allowance | - | - | - | - |
| Net EAD | - | - | - | - |

(c) Cash and cash equivalents

The Group also assessed the cash and cash equivalents to determine their expected credit losses. Based on this assessment, they identified the expected losses on cash as at 31 December 2022 to be insignificant, as the loss rate is deemed immaterial. Cash and cash equivalents are assessed to be in stage 1.

7.1 Reconciliation of impairment loss on financial assets

Movements in the provision for impairment of trade and other receivables that are assessed for impairment are as follows:

(a) Trade receivables

| | 31-Dec-22 | 31-Dec-21 |
|---|-----------|-----------|
| | ₦ 000 | ₦ 000 |
| At beginning of the year | 686,486 | 635,506 |
| Movement in ECL in profit or loss due to: | | |
| New trade receivables recognised | - | 50,980 |
| Writeoff of trade receivable | (686,486) | |
| At end of the year | - | 686,486 |

Notes to the annual, consolidated and separate financial statements

7.0 Impairment of financial assets IFRS 9 (cont'd)

(b) Other receivables

| (i) Rent receivables | 31-Dec-22 | 31-Dec-21 |
|---|--------------|--------------|
| | ₹ 000 | ₹ 000 |
| At beginning of the year | - | 79,148 |
| Movement in ECL in profit or loss due to: | | |
| New financial assets added | - | - |
| Financial assets recovered | - | (79,148) |
| At end of the year | - | - |
| | | |
| (ii) Employee receivables | 31-Dec-22 | 31-Dec-21 |
| | ₹ 000 | ₹ 000 |
| At beginning of the year | 1,609 | 3,350 |
| Movement in ECL in profit or loss due to: | | |
| New financial assets recognized | 505 | - |
| Financial assets derecognized | - | (1,741) |
| At end of the year | <u>2,114</u> | <u>1,609</u> |
| | | |
| (iii) Ex-staff receivables | 31-Dec-22 | 31-Dec-21 |
| | ₹ 000 | ₹ 000 |
| At beginning of the year | - | - |
| Movement in ECL in profit or loss due to: | | |
| Financial assets recognized | - | 10,277 |
| Financial assets derecognized | - | (10,277) |
| At end of the year | <u>-</u> | <u>-</u> |

7.2 The cumulative impact of impairment allowance on profit are as follows

| | 2022 | 2021 |
|--|----------------|----------------|
| | ₹ 000 | ₹ 000 |
| At beginning of the year | 688,096 | 728,281 |
| Increase in impairment losses on trade receivables | - | 50,980 |
| Increase/(decrease) in impairment losses on rent receivables | 505 | (79,148) |
| Decrease in impairment losses on employee receivables | - | (1,741) |
| Decrease in impairment losses on ex-staff receivables | - | (10,277) |
| At end of the year | <u>688,601</u> | <u>688,096</u> |

Notes to the annual, consolidated and separate financial statements

7.3 Sensitivity of estimates used in IFRS 9 ECL

Estimation uncertainty in measuring impairment loss

In establishing sensitivity to ECL estimates for trade receivables and other receivables, two variables (GDP growth rate and Inflation rate) were considered.

The table below shows information on the sensitivity of the carrying amounts of the Group's financial assets to the methods, assumptions and estimates used in calculating impairment losses on those financial assets at the end of the reporting period. Changes to these methods, assumptions and estimates may result in material adjustments to the carrying amounts of the Group's financial assets.

(a) Trade receivables

Expected cash flow recoverable

The table below demonstrates the sensitivity to a 10% change in the expected cash flows from trade receivables, with all other variables held constant:

| | Effect on profit before tax 2022 (N'000) | Effect on profit before tax 2021 (N'000) |
|---|---|---|
| (Increase)/decrease in estimated cash flows | | |
| 10% | (126,678) | (100,538) |
| -10% | 126,678 | 100,538 |

8 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 | |
|--|--|---|--|---|
| | Twelve months 31 Dec 2022 N'000 | Fifteen months 31 Dec 2021 N'000 | Twelve months 31 Dec 2022 N'000 | Fifteen months 31 Dec 2021 N'000 |
| 8a Revenue by product line | | | | |
| NPK | 2,651,616 | 4,273,196 | 2,651,616 | 4,273,196 |
| Urea and other chemicals | 29,409,375 | 20,816,415 | 29,409,375 | 20,816,415 |
| Ammonia | 165,707 | 394,816 | 165,707 | 394,816 |
| Infrastructure services | 78,290 | 221,837 | - | - |
| Total | <u>32,304,988</u> | <u>25,706,264</u> | <u>32,226,698</u> | <u>25,484,427</u> |
| 8b Analysis by geographical location: | | | | |
| Analysis by geographical location: | | | | |
| Within Nigeria | 14,779,161 | 21,095,889 | 14,700,871 | 20,874,052 |
| Outside Nigeria | 17,525,827 | 4,610,375 | 17,525,827 | 4,610,375 |
| | <u>32,304,988</u> | <u>25,706,264</u> | <u>32,226,698</u> | <u>25,484,427</u> |

Notes to the annual, consolidated and separate financial statements

8c Segment Reporting

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. Infrastructure services does not meet the criteria for a reportable segment.

The fertilizer operating segment operating result is reviewed regularly by the Company's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The fertilizer segment result that is reported to the Company's Board of Directors include items directly attributable to the segment. The Board of Directors is the Chief Operating decision maker.

9 Cost of sales

| | Group | | Company | |
|--|----------------------|-----------------------|----------------------|-----------------------|
| | Twelve months | Fifteen months | Twelve months | Fifteen months |
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| Raw materials and other chemicals cost | 11,465,485 | 8,968,832 | 11,465,485 | 8,968,832 |
| Overheads | 8,874,864 | 9,556,818 | 8,874,864 | 9,556,818 |
| Depreciation | 6,790,524 | 7,678,610 | 6,790,524 | 7,678,610 |
| Staff cost (Note 10d) | 2,262,733 | 2,542,646 | 2,262,733 | 2,542,646 |
| Haulage cost | 8,000 | 36,175 | 8,000 | 36,175 |
| Infrastructure services cost | 1,584 | 192,705 | - | - |
| Total | 29,403,190 | 28,975,786 | 29,401,606 | 28,783,081 |

Included in overheads are repairs and maintenance expenses incurred in the period

Analysis of depreciation charged by nature

| | Group | | Company | |
|---|----------------------|-----------------------|----------------------|-----------------------|
| | Twelve months | Fifteen months | Twelve months | Fifteen months |
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| Depreciation on PPE charged to cost of sales | 6,790,524 | 7,678,610 | 6,790,524 | 7,678,610 |
| Depreciation on PPE charged to admin expenses | 460,675 | 468,088 | 460,675 | 468,088 |
| Total depreciation charged on PPE (Note 15) | 7,251,199 | 8,146,698 | 7,251,199 | 8,146,698 |

Notes to the annual, consolidated and separate financial statements

10 Administrative expenses

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

| | Group | | Company | |
|---|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
| | Twelve months 31 Dec 2022 | Fifteen months 31 Dec 2021 | Twelve months 31 Dec 2022 | Fifteen months 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| Employee benefit expense(Note 10d) | 3,301,634 | 3,491,178 | 3,087,945 | 3,251,638 |
| Repair and maintenance | 183,297 | 137,558 | 183,297 | 137,558 |
| Consultancy | 474,871 | 372,387 | 367,171 | 211,687 |
| Transportation & Travel | 365,358 | 405,621 | 361,334 | 395,645 |
| Depreciation | 460,675 | 468,088 | 460,675 | 468,088 |
| Depreciation of right of use asset (Note 16a) | 98,318 | 122,218 | 98,318 | 122,218.00 |
| Amortisation of intangible assets (Note 18) | - | 12,509 | - | 12,509 |
| Corporate promotion expenses | 91,016 | 107,888 | 86,064 | 103,888 |
| Directors' fees | 771,695 | 827,263 | 771,695 | 827,263 |
| Board expenses | 47,835 | 29,140 | 47,835 | 29,140 |
| Foreign currency exchange loss/(gain) | - | 1,177 | - | 3,370 |
| Bank charges | 104,184 | 67,919 | 102,504 | 65,407 |
| Business development | 3,763 | 19,164 | 3,763 | 19,164 |
| Rent and rates expenses | 43,005 | 14,669 | 43,005 | 14,669 |
| Insurance expenses | 104,332 | 109,879 | 104,332 | 109,879 |
| Outsourced services | 61,676 | 116,331 | 61,676 | 116,331 |
| Licensing fees | 124,475 | - | 124,475 | - |
| Community relations | 256,000 | 120,000 | 256,000 | 120,000 |
| Write down of asset | 1,459,854 | - | 1,459,854 | - |
| Telephone expenses | 24,962 | 36,244 | 24,962 | 36,244 |
| Internet data link | 26,431 | 33,576 | 26,431 | 33,576 |
| Statutory fees* | 244,474 | 220,656 | 244,474 | 220,656 |
| Seminars and workshops | 1,197 | 5,933 | 1,197 | 5,933 |
| Office stationery | 12,042 | 10,329 | 12,042 | 10,329 |
| Other admin and general expenses* | 768,075 | 161,160 | 730,671 | 136,245 |
| Auditor's remuneration provision | 51,000 | 46,000 | 45,000 | 40,000 |
| | <u>9,080,169</u> | <u>6,936,887</u> | <u>8,704,720</u> | <u>6,491,437</u> |

*Included in statutory fees are local government rates and levies, registration fees, licensing fees, legal fees and ground rent.

Notes to the annual, consolidated and separate financial statements

10a Impairment (loss)/gain on financial assets

| | <u>Group</u> | | <u>Company</u> | |
|---|--|---|--|---|
| | Twelve months 31 Dec 2022 N'000 | Fifteen months 31 Dec 2021 N'000 | Twelve months 31 Dec 2022 N'000 | Fifteen months 31 Dec 2021 N'000 |
| Increase in impairment allowance for trade receivables (Note 6.1b) | - | 50,980 | - | 50,980 |
| Net increase/(decrease) in impairment allowance for rent receivables (Note 7.2) | 505 | (79,148) | 505 | (79,148) |
| Net decrease in impairment allowance for employee receivables (Note 7.2) | - | (1,741) | - | (1,741) |
| Decrease in impairment allowance for ex-staff receivables (Note 7.2) | - | (10,277) | - | (10,277) |
| | <u>505</u> | <u>(40,185)</u> | <u>505</u> | <u>(40,185)</u> |

10b Selling and distribution expenses

| | <u>Group</u> | | <u>Company</u> | |
|--------------------|--|---|--|---|
| | Twelve months 31 Dec 2022 N'000 | Fifteen months 31 Dec 2021 N'000 | Twelve months 31 Dec 2022 N'000 | Fifteen months 31 Dec 2021 N'000 |
| Marketing expenses | <u>189,678</u> | <u>272,047</u> | <u>173,862</u> | <u>266,707</u> |

10c Employee benefits expense

| | <u>Group</u> | | <u>Company</u> | |
|---|--|---|--|---|
| | Twelve months 31 Dec 2022 N'000 | Fifteen months 31 Dec 2021 N'000 | Twelve months 31 Dec 2022 N'000 | Fifteen months 31 Dec 2021 N'000 |
| Salaries and wages | 3,570,925 | 3,689,014 | 3,357,237 | 3,449,474 |
| Housing benefit | 440,065 | 478,326 | 440,065 | 478,326 |
| Transport benefit | 221,738 | 239,936 | 221,738 | 239,936 |
| Medical benefit | 288,273 | 360,142 | 288,273 | 360,142 |
| Other employee benefits | 274,414 | 365,566 | 274,414 | 365,566 |
| Termination benefits | 16,953 | 63,509 | 16,953 | 63,509 |
| Employer's pension contribution - defined contributions | 337,719 | 306,267 | 337,719 | 306,267 |
| Gratuity charge (Note 24a) | <u>414,279</u> | <u>531,064</u> | <u>414,279</u> | <u>531,064</u> |
| | <u>5,564,366</u> | <u>6,033,824</u> | <u>5,350,678</u> | <u>5,794,284</u> |

Notes to the annual, consolidated and separate financial statements

10d Analysis of employee benefits expense charged to:

| | Group | | Company | |
|-------------------------|------------------|------------------|------------------|------------------|
| | Twelve months | Fifteen months | Twelve months | Fifteen months |
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| Cost of sales | 2,262,733 | 2,542,646 | 2,262,733 | 2,542,646 |
| Administrative expenses | 3,301,634 | 3,491,178 | 3,087,945 | 3,251,638 |
| | <u>5,564,367</u> | <u>6,033,824</u> | <u>5,350,678</u> | <u>5,794,284</u> |

11 Other income

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Twelve months | Fifteen months | Twelve months | Fifteen months |
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| Fair value adjustment on investment property (Note 17) | 8,000,027 | 14,727,733 | 8,000,027 | 14,727,733 |
| Gain on foreign currency conversion | 3,036,207 | - | 3,036,207 | - |
| Others* | 1,155,455 | 161,741 | 1,155,455 | 242,143 |
| Grant Income (Note 25b) | 977,883 | 1,436,759 | 977,883 | 1,436,759 |
| Housing estate income (Note 17) | 422,361 | 799,996 | 422,361 | 799,996 |
| | <u>13,591,933</u> | <u>17,126,229</u> | <u>13,591,933</u> | <u>17,206,631</u> |

*Included in others (N1.16 billion) is income from scrap sales (N4.2 million) and modification gains on grant from restructuring of borrowing (N826 million).

12 Finance income and costs

| | Group | | Company | |
|---|---------------|----------------|---------------|----------------|
| | Twelve months | Fifteen months | Twelve months | Fifteen months |
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| 12a Finance income | | | | |
| Interest income on short-term bank deposits | 151 | 388 | 151 | 388 |

Notes to the annual, consolidated and separate financial statements

| | | Group | | Company | |
|------------|--|------------------------------|-------------------------------|------------------------------|-------------------------------|
| | | Twelve months 31 Dec 2022 | Fifteen months 31 Dec 2021 | Twelve months 31 Dec 2022 | Fifteen months 31 Dec 2021 |
| | | N'000 | N'000 | N'000 | N'000 |
| 12b | Finance cost | | | | |
| | Interest expense: | | | | |
| | – Interest and fees on borrowings | 19,156,471 | 20,486,500 | 19,156,471 | 20,486,500 |
| | – Interest expense on lease liability (Note 16b) | 21,920 | 9,680 | 21,920 | 9,680 |
| | – Exchange difference on bank borrowings | 4,080,311 | 5,930,830 | 4,080,311 | 5,930,830 |
| | | <u>23,258,702</u> | <u>26,427,010</u> | <u>23,258,702</u> | <u>26,427,010</u> |
| | Net finance costs | <u>23,258,551</u> | <u>26,426,622</u> | <u>23,258,551</u> | <u>26,426,622</u> |

12c The exchange difference relates to exchange loss suffered on restatement of Dollar denominated loan as a result of Naira devaluation by Central Bank of Nigeria from N435/\$ during the year ended December 2021 and restated in December 2022 to N461.5/\$.

13 Income tax expense

| | | Group | | Company | |
|--|---|------------------------------|-------------------------------|------------------------------|-------------------------------|
| | | Twelve months 31 Dec 2022 | Fifteen months 31 Dec 2021 | Twelve months 31 Dec 2022 | Fifteen months 31 Dec 2021 |
| | | N'000 | N'000 | N'000 | N'000 |
| | Profit or loss account: | | | | |
| | Minimum tax charge for the period | 189,093 | 65,711 | 189,093 | 65,711 |
| | Prior year under provision for income tax | - | 38,956 | - | 38,956 |
| | Income tax expense for the period | <u>189,093</u> | <u>104,667</u> | <u>189,093</u> | <u>104,667</u> |
| | Deferred tax charge for the period | - | 143,988 | - | 143,988 |
| | Deferred tax credit for the period | (9,061,315) | (10,411,277) | (9,061,315) | (10,411,277) |
| | Deferred tax credit for the period | <u>(9,061,315)</u> | <u>(10,267,288)</u> | <u>(9,061,315)</u> | <u>(10,267,288)</u> |
| | Total Income tax credit for the period | <u>(8,872,222)</u> | <u>(10,162,622)</u> | <u>(8,872,222)</u> | <u>(10,162,622)</u> |

Notore has a free zone developer status as granted by the Oil and Gas Free Zones Authority. In addition, the Company obtains annual Free Zone Enterprise License. Accordingly, the Company is exempted from all Federal, States and Local Governments taxes, levies and rates. Notwithstanding the exemption, the Company's revenue earned from sales of goods and services into Nigeria territory will be subjected to taxation to the extent that the sales did not pass through the custom control processes.

Notes to the annual, consolidated and separate financial statements

13 Income tax expense (cont'd)

Reconciliation of statutory and effective tax rates

The tax on the Company's profit before tax differs from the theoretical amount as follows:

| | Group | | Company | |
|---|--------------------|---------------------|--------------------|---------------------|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| Loss before income tax | (16,035,172) | (19,738,664) | (15,720,613) | (19,236,604) |
| Tax calculated at the rate of 30% (2021: 30%) | (4,716,184) | (5,770,981) | (4,716,184) | (5,770,981) |
| Effect of: | | | | |
| Capital gains tax | | | - | - |
| Minimum tax charge for the period | 189,093 | 65,711 | 189,093 | 65,711 |
| Education tax | - | - | - | - |
| Tax rate differential | (4,345,131) | (4,496,307) | (4,345,131) | (4,496,307) |
| Prior year under provision for income tax | - | 38,956 | - | 38,956 |
| Prior years unrecognised deferred tax credit | - | - | - | - |
| Non chargeable income | - | - | - | - |
| Non deductible expenses | - | - | - | - |
| Total income tax expense in income statement | (8,872,222) | (10,162,622) | (8,872,222) | (10,162,622) |

The applicable tax rates used for the 2022 and 2021 reconciliations above is the corporate tax rate of 30% payable by taxable entities in Nigeria on taxable profits under tax law in Nigeria.

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

Tax rate differential relates to the portion of deferred tax credit charged to income statement excluding the portion arising from the current year loss.

| | Group and Company | |
|---|-------------------|---------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 |
| At start of the period | 65,710 | - |
| Charge for the year - Income tax | 189,093 | 104,667 |
| Charge for the year - Education tax | - | - |
| Payment during the year | (41,748) | (38,957) |
| Total current income tax liabilities | 213,055 | 65,710 |

Notes to the annual, consolidated and separate financial statements

13a Deferred income tax

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

| | Group and Company | |
|--|--------------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 |
| Deferred tax assets: | | |
| – Deferred tax assets to be recovered after more than 12 months | 58,801,542 | 49,628,330 |
| – Deferred tax assets to be recovered within 12 months | <u>223,795</u> | <u>276,072</u> |
| | <u>59,025,337</u> | <u>49,904,402</u> |
| Deferred tax liabilities: | | |
| – Deferred tax liabilities to be recovered after more than 12 months | 59,898,016 | 46,065,073 |
| – Deferred tax liabilities to be recovered within 12 months | <u>1,500,900</u> | <u>3,839,329</u> |
| | <u>61,398,916</u> | <u>49,904,402</u> |
| Deferred tax (liability)/asset - (net) | <u>(2,373,579)</u> | <u>-</u> |

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

| | Group and Company | |
|---|--------------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 |
| Deferred tax assets: | | |
| Deferred income tax asset: | | |
| Balance at the beginning of the year | 49,904,402 | 39,637,114 |
| Credit to profit or loss for the year | 9,061,315 | 10,267,288 |
| Credit to other comprehensive income for the year | <u>59,620</u> | <u>-</u> |
| Total deferred tax asset | <u>59,025,337</u> | <u>49,904,402</u> |
| Deferred tax liabilities: | | |
| Deferred income tax liabilities: | | |
| Balance at the beginning of the year | 49,904,402 | 49,884,114 |
| Charge to profit or loss for the year | - | - |
| Charge to other comprehensive income for the year | <u>11,494,514</u> | <u>20,288</u> |
| Total deferred tax liabilities | <u>61,398,916</u> | <u>49,904,402</u> |

Notes to the annual, consolidated and separate financial statements

13a Deferred income tax (cont'd)

Recognised deferred tax assets and liabilities are attributable to the following:

| | Property, plant and equipment N'000 | Employee benefit obligation N'000 | Provisions N'000 | Tax losses N'000 | Total N'000 |
|--|--|--|---------------------|---------------------------------|--------------------|
| Deferred tax assets | | | | | |
| At 1 October 2020 | 21,777,710 | 814,388 | 276,072 | 16,768,944 | 39,637,114 |
| Credited to profit or loss for the year | 39,721 | - | - | 10,227,568 | 10,267,288 |
| Credit to other comprehensive income for the year | - | - | - | - | - |
| Income statement charge for the year | - | - | - | - | - |
| At 31 December 2021 | 21,817,431 | 814,388 | 276,072 | 26,996,512 | 49,904,402 |
| At 1 January 2022 | 21,817,431 | 814,388 | 276,072 | 26,996,512 | 49,904,402 |
| Credited to profit or loss for the year | - | - | 2,698,481 | 6,362,834 | 9,061,315 |
| Credit to other comprehensive income for the year | - | 59,620 | - | - | 59,620 |
| At 31 December 2022 | 21,817,431 | 874,008 | 2,974,553 | 33,359,345 | 59,025,337 |
| | Property, plant and equipment N'000 | Employee benefit obligation N'000 | Provisions N'000 | Investment property N'000 | Total N'000 |
| Deferred tax liabilities | | | | | |
| At 1 October 2020 | 45,950,180 | 94,605 | 3,839,329 | - | 49,884,114 |
| Charged to profit or loss for the year | - | - | - | - | - |
| Charged to other comprehensive income for the year | - | 20,288 | - | - | 20,288 |
| At 31 December 2021 | 45,950,180 | 114,893 | 3,839,329 | - | 49,904,402 |
| At 1 January 2022 | 45,950,180 | 114,893 | 3,839,329 | - | 49,904,402 |
| Charged to profit or loss for the year | - | - | - | - | - |
| Charged to other comprehensive income for the year | 11,494,514 | - | - | - | 11,494,514 |
| At 31 December 2022 | 57,444,694 | 114,893 | 3,839,329 | - | 61,398,916 |
| Net deferred tax liability - 31 December 2021 | (24,132,749) | 699,495 | (3,563,257) | 26,996,512 | - |
| Net deferred tax liability - 31 December 2022 | (35,627,263) | 759,114 | (864,776) | 33,359,345 | (2,373,579) |

Deferred tax has been computed in line with IAS 12 resulting to deferred tax liability of N2.4 billion (2021: nil deferred tax) which arose principally from revaluation surplus on property, plant and equipment.

Notes to the annual, consolidated and separate financial statements

14 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 Dec 2022 | 30 Sept 2020 | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| (Loss) for the year attributable to shareholders | <u>(7,162,950)</u> | <u>(9,576,042)</u> | <u>(6,848,391)</u> | <u>(9,073,982)</u> |
| Weighted average number of ordinary shares in issue | <u>1,612,066</u> | <u>1,612,066</u> | <u>1,612,066</u> | <u>1,612,066</u> |
| Basic loss per share (Naira) | <u><u>(4.44)</u></u> | <u><u>(5.94)</u></u> | <u><u>(4.25)</u></u> | <u><u>(5.63)</u></u> |

Notes to the annual, consolidated and separate financial statements

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

15 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 | 357,538 | 439,870 | 10,118,111 | 152,893,226 |
| 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 17) | - | - | - | - | - | - | (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 | 348,635 | 483,745 | 9,144,522 | 167,034,322 |
| Accumulated depreciation | | | | | | | | |
| At 1 October 2020 | - | 257,278 | 6,200,195 | 490,607 | 292,453 | 374,438 | - | 7,614,971 |
| Charge for the year | - | 312,184 | 7,678,610 | 69,602 | 47,498 | 38,805 | - | 8,146,698 |
| Disposal | - | - | - | - | (20,884) | (144) | - | (21,028) |
| At 31 December 2021 | - | 569,462 | 13,878,805 | 560,209 | 319,067 | 413,099 | - | 15,740,641 |
| Net Book Value | | | | | | | | |
| At 31 December 2021 | 2,041,333 | 8,339,078 | 131,546,073 | 122,460 | 29,568 | 70,646 | 9,144,522 | 151,293,681 |
| Cost/valuation | | | | | | | | |
| At 1 January 2022 | 2,041,333 | 8,908,540 | 145,424,878 | 682,669 | 348,635 | 483,745 | 9,144,522 | 167,034,322 |
| Additions | - | 4,387 | 762,335 | - | 65,831 | 7,584 | 1,608,376 | 2,448,513 |
| Revaluation surplus | 4,138,637 | 6,670,667 | 8,839,281 | - | - | - | - | 19,648,585 |
| Disposal | - | - | - | (11,183) | (2,861) | - | - | (14,044) |
| Reclass | - | 1,602,160 | 1,050,849 | - | 69,137.50 | - | (2,722,147) | - |
| Transfer to investment property (Note 17) | - | - | - | - | - | - | - | - |
| Write-off | - | - | - | - | - | - | (4,055) | (4,055) |
| At 31 December 2022 | 6,179,970 | 17,185,754 | 156,077,344 | 671,487 | 480,742 | 491,329 | 8,026,697 | 189,113,323 |
| Accumulated depreciation | | | | | | | | |
| At 1 January 2022 | - | 569,462 | 13,878,805 | 560,209 | 319,067 | 413,099 | - | 15,740,641 |
| Charge for the year | - | 258,686 | 6,790,527 | 122,263 | 48,749 | 30,978 | - | 7,251,203 |
| Revaluation surplus | - | (828,147) | (20,669,331) | - | - | - | - | (21,497,478) |
| Disposal | - | - | - | (11,182) | (2,322) | - | - | (13,505) |
| At 31 December 2022 | - | - | 1 | 671,290 | 365,494 | 444,077 | - | 1,480,861 |
| Net Book Value | | | | | | | | |
| At 31 December 2022 | 6,179,970 | 17,185,754 | 156,077,343 | 197 | 115,248 | 47,252 | 8,026,697 | 187,632,461 |

Notes to the annual, consolidated and separate financial statements

15 Property, plant and equipment (cont'd)

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 |
| Revaluation surplus | - | - | - | - | - | - | - | - |
| Disposal | - | - | - | - | (21,307) | (143) | - | (21,450) |
| Reclass | - | 27,870 | 11,484,920 | - | - | 10,690 | (11,523,480) | - |
| Transfer to Investment property (Note 17) | - | - | - | - | - | - | (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 | - | 10,664,725 | 124,172,840 | 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 | 151,293,678 |
| Cost/valuation | | | | | | | | |
| At 1 January 2022 | 2,041,333 | 8,908,540 | 145,424,878 | 682,669 | 344,185 | 483,745 | 9,144,522 | 167,029,872 |
| Additions | - | 4,387 | 762,335 | - | 65,831 | 7,584 | 1,608,376 | 2,448,513 |
| Revaluation surplus | 4,138,637 | 6,670,667 | 8,839,281 | - | - | - | - | 19,648,585 |
| Disposal | - | - | - | (11,183) | (2,861) | - | - | (14,044) |
| Reclass | - | 1,602,160 | 1,050,849 | - | 69,138 | - | (2,722,147) | - |
| Write-off | - | - | - | - | - | - | (4,055) | (4,055) |
| At 31 December 2022 | 6,179,970 | 17,185,754 | 156,077,344 | 671,486 | 476,292 | 491,329 | 8,026,697 | 189,108,872 |
| Accumulated depreciation | | | | | | | | |
| At 1 January 2022 | - | 569,462 | 13,878,805 | 560,210 | 314,618 | 413,099 | - | 15,736,194 |
| Charge for the year | - | 258,685 | 6,790,526 | 122,263 | 48,749 | 30,978 | - | 7,251,202 |
| Revaluation surplus | - | (828,147) | (20,669,331) | - | - | - | - | (21,497,478) |
| Disposal | - | - | - | (11,182) | (2,322) | - | - | (13,505) |
| At 31 December 2022 | - | - | - | 671,291 | 361,045 | 444,077 | - | 1,476,413 |
| Net Book Value | | | | | | | | |
| At 31 December 2022 | 6,179,970 | 17,185,754 | 156,077,344 | 195 | 115,247 | 47,252 | 8,026,697 | 187,632,460 |

Amount written-off to income statement from Work in Progress represents plant repair and maintenance cost earlier carried as part of Work in Progress.

At the reporting date, the PPE of the business was subjected to impairment test and revaluation exercise and there was no impairment to the PPE of the Company.

The Company's entire syndicated loan from financial institutions is secured on its PPE and investment property.

Notes to the annual, consolidated and separate financial statements

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

| 16(a) Right of use assets | GROUP & COMPANY | | | |
|---------------------------------|-------------------|-------------------|-------------|-------------|
| | 31 Dec 2022 | 31 Dec 2021 | | |
| | Building N'000 | Building N'000 | | |
| Asset | | | | |
| Opening balance | 250,421 | 250,421 | | |
| Additions during the year | 294,890 | - | | |
| Closing balance | 545,311 | 250,421 | | |
| Depreciation | | | | |
| Opening balance | 219,992 | 97,774 | | |
| Charge for the year (Note 10) | 98,318 | 122,218 | | |
| Closing balance | 318,310 | 219,992 | | |
| Net book value | 227,001 | 30,429 | | |
| 16(b) Lease liabilities | | | | |
| Opening balance | - | 135,120 | | |
| Additions | 294,890 | - | | |
| Interest expense (Note 12b) | 21,920 | 9,680 | | |
| Principal repayment | (105,208) | (129,611) | | |
| Interest paid | (8,880) | (15,189) | | |
| Net book value | 202,722 | - | | |
| Current | 102,584 | - | | |
| Non-current | 100,138 | - | | |
| 17 Investment property | Group | | Company | |
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| Cost | | | | |
| Opening balance | 68,339,210 | 53,174,118 | 68,339,210 | 53,174,118 |
| Addition | 281,861 | 651,895 | 281,861 | 651,895 |
| Impairment | (1,459,854) | (253,611) | (1,459,854) | (253,611) |
| Transfer from PPE (Note 15) | - | 39,075 | - | 39,075 |
| Fair value adjustment (Note 11) | 8,000,027 | 14,727,733 | 8,000,027 | 14,727,733 |
| | 75,161,244 | 68,339,210 | 75,161,244 | 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.

The Company's entire syndicated loan from financial institutions is secured on its PPE and investment property.

Notes to the annual, consolidated and separate financial statements

17 Investment property (cont'd)

Recognised fair value measurement

Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its non-financial assets into the three levels prescribed under the accounting standards. Explanation of each level is also provided below:

| | | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|--------------|----------------|----------------|----------------|--------------|
| | Notes | N'000 | N'000 | N'000 | N'000 |
| At 31 December 2022 | | | | | |
| Investment property | 17 | - | 75,161,244 | - | 75,161,244 |
| Total non-financial assets | | - | 75,161,244 | - | 75,161,244 |
| At 31 December 2021 | | | | | |
| Investment property | 17 | - | 68,339,210 | - | 68,339,210 |
| Total non-financial assets | | - | 68,339,210 | - | 68,339,210 |

There were no transfers in and out of fair value hierarchy levels as at the end of the reporting periods.

An analysis of the hierarchy levels has been presented below:

Level 1: The fair value of identical assets traded in active markets (such as publicly traded assets) is based on quoted market prices at the end of the reporting period. The quoted market price used for I assets held by the group is the current bid price. These assets are included in level 1.

Level 2: The fair value of identical assets that are not traded in active markets and determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an asset are observable, the instrument is included in level 2. (for example,

Level 3: If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for unlisted equity securities.

Valuation techniques used to determine level 2 fair value

The Group obtains independent valuations for its investment properties at least annually and for its land & buildings and plant & machinery (classified as property, plant and equipment) at least every three years. The valuation is based on market value using the depreciated replacement cost method (DRC) of valuation. DRC is the current cost of replacing an asset with its modern equivalent asset, taking into account the deductions for physical deterioration and all relevant forms of obsolescence and optimization

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

Notes to the annual, consolidated and separate financial statements

17 Investment property (cont'd)

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the directors consider information from a variety of sources including:

- * current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- * discounted cash flow projections based on reliable estimates of future cash flows
- * capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 2.

Fair value measurements using significant observable inputs (level 2)

The following table presents the changes in level 2 items for the periods ended 31 December 2021 and 31 December 2022 for recurring fair value measurements:

| | Land & buildings N'000 | Plant & machinery N'000 | Investment property N'000 | Total N'000 |
|---|---|--|--|------------------------|
| Opening balance 1 October 2020 | 10,664,725 | 124,172,840 | 53,174,118 | 194,548,865 |
| Additions | - | 3,566,923 | 651,895 | 4,218,818 |
| Amounts recognised in profit or loss: | | | | |
| Depreciation and impairment | (312,184) | (7,678,610) | (253,611) | (8,244,405) |
| Gains recognised in other income | - | - | - | (437,359) |
| Reclassification | 27,870 | 11,484,920 | - | 11,512,790 |
| Revaluation surplus | - | - | 14,727,733 | - |
| Transfer to Investment Property | - | - | 39,075 | 39,075 |
| Closing balance 31 December 2021 | 10,380,411 | 131,546,073 | 68,339,210 | 201,637,784 |
| Opening balance 1 January 2021 | 10,380,411 | 131,546,073 | 68,339,210 | 201,637,784 |
| Additions | 4,387 | 762,335 | 281,861 | 1,048,583 |
| Amounts recognised in profit or loss: | | | | |
| Depreciation and impairment | 569,462 | 13,878,805 | (1,459,854) | 12,988,412 |
| Gains recognised in other income | - | - | 8,000,027 | 8,000,027 |
| Reclassification | 1,602,160 | 1,050,849 | - | 2,653,009 |
| Revaluation surplus | 10,809,304 | 8,839,281 | - | 19,648,585 |
| Transfer to Investment Property | - | - | - | - |
| Closing balance 31 December 2022 | 23,365,724 | 156,077,344 | 75,161,244 | 245,976,401 |

Valuation inputs and relationships to fair value

The following table summarises quantitative information about significant unobservable inputs (level 2) considered by the directors in fair value measurements where current prices (level 2) are not available. See above for the valuation techniques adopted.

Notes to the annual, consolidated and separate financial statements

17 Investment property (cont'd)

| Asset Class | Financial year | Valuation technique | Significant Unobservable Inputs | Range (weighted average) | Sensitivity of the input to fair value |
|---|----------------|------------------------------|--------------------------------------|--|--|
| Buildings, Plant & Machinery | | | | | |
| Buildings | 2022 | Depreciated replacement cost | Cost per square metre | N2b – N5billion (average cost N5 million per square metre) | Significant increase (decrease) in the cost per unit would result in a significantly higher (lower) fair value |
| | | | Useful life of the building | 30-50 years (average – 40 years) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |
| Ammonia plant | 2022 | Depreciated replacement cost | Production capacity | N 1b - N5b (average cost N2.5b per MTPD) | Significant increase (decrease) in the cost per unit would result in a significantly higher (lower) fair value |
| | | | Useful life of the specialised asset | 10-20 years (Average – 15 years) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |
| Urea plant | 2022 | Depreciated replacement cost | Production capacity | N 1b - N5b (average cost N2.5b per MTPD) | Significant increase (decrease) in the cost per unit would result in a significantly higher (lower) fair value |
| | | | Useful life of the specialised asset | 10-20 years (Average – 15 years) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |
| Service plant | 2022 | Depreciated replacement cost | Capacity | N 0.1b - N1 b (average cost N0.5b per sevicng) | Significant increase (decrease) in the cost per unit would result in a significantly higher (lower) fair value |
| | | | Useful life of the specialised asset | 10-20 years (Average – 15 years) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |

Notes to the annual, consolidated and separate financial statements

17 Investment property (cont'd)

| Asset Class | Financial year | Valuation technique | Significant Unobservable Inputs | Range (weighted average) | Sensitivity of the input to fair value |
|----------------------------|----------------|------------------------------|---------------------------------|---|--|
| Investment property | | | | | |
| Land and building | 2018 | Depreciated replacement cost | Cost per square metre | N0.1b – N16b (average cost N5 million per square metre) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |
| | | | Useful life of the building | 30-50 years (Average – 40 years) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |
| Land and building | 2019 | Depreciated replacement cost | Cost per square metre | N0.6b – N16b (average cost N6 million per square metre) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |
| | | | Useful life of the building | 30-50 years (Average – 40 years) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |
| Land and building | 2020 | Depreciated replacement cost | Cost per square metre | N0.6b – N16b (average cost N6 million per square metre) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |
| | | | Useful life of the building | 30-50 years (Average – 40 years) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |
| Land and building | 2021 | Depreciated replacement cost | Cost per square metre | N0.6b – N16b (average cost N6 million per square metre) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |
| | | | Useful life of the building | 30-50 years (Average – 40 years) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |
| Land and building | 2022 | Depreciated replacement cost | Cost per square metre | N0.6b – N16b (average cost N6 million per square metre) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |
| | | | Useful life of the building | 30-50 years (Average – 40 years) | Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value |

Notes to the annual, consolidated and separate financial statements

17 Investment property (cont'd)

Valuation processes

The Group's Land & Building and Plant & Machinery were valued at 30 September 2016, 30 September 2019 and 31 December 2022, while investment properties were valued at each year end by independent professionally qualified valuers, Knight Frank (FRC/2013/000000000584), who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the assets valued. For all assets valued, their current use equates to the highest and best use. ESV. Sunny Akpodiogaga (FRC/2013/NIESV/00000000655) undertook and signed for Knight Frank on this engagement. The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the CFO, AC, the valuation team and the independent valuers at every reporting period.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report (inflation, interest rate and real estate outlook for 2023);
- assesses property valuation movements when compared to the prior year valuation report;
- holds discussions with the independent valuer.

| 18 Intangible assets | Group | | Company | |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| Cost | | | | |
| Opening balance | 92,800 | 92,800 | 92,800 | 92,800 |
| Addition | - | - | - | - |
| Closing balance | 92,800 | 92,800 | 92,800 | 92,800 |
| Accumulated amortisation | | | | |
| Opening balance | (92,800) | (80,291) | (92,800) | (80,291) |
| Charge for the period | - | (12,509) | - | (12,509) |
| Closing balance | (92,800) | (92,800) | (92,800) | (92,800) |
| Net book value | - | - | - | - |

Intangible assets relate to cost of software. Amortisation expense of N0 million (Sept 2021: N12.5 million) has been recognised in administrative expenses.

| 19 Inventories | Group | | Company | |
|-------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| Raw materials | 3,648,948 | 2,175,953 | 3,648,948 | 2,175,953 |
| Finished goods | 206,498 | 2,092,728 | 206,498 | 2,092,728 |
| Spare parts inventories | 5,877,091 | 5,054,716 | 5,832,567 | 5,020,868 |
| | 9,732,537 | 9,323,397 | 9,688,013 | 9,289,549 |

The cost of inventories included in cost of sales for the year ended 31 December 2022 is N11 billion (2021: N9 billion).

Notes to the annual, consolidated and separate financial statements

| 20a | Trade and other receivables | Group | | Company | |
|-----|--|------------------|------------------|------------------|------------------|
| | | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | | N'000 | N'000 | N'000 | N'000 |
| | Financial instruments | | | | |
| | Trade receivables | - | 729,905 | - | 729,905 |
| | Less: Impairment of trade receivables | - | (686,486) | - | (686,486) |
| | Net trade receivables | - | 43,419 | - | 43,419 |
| | Employee receivables | 9,457 | 7,293 | 9,457 | 7,293 |
| | Other receivables | 4,000 | 455,256 | 4,000 | 455,256 |
| | | <u>13,457</u> | <u>505,968</u> | <u>13,457</u> | <u>505,968</u> |
| | Non-financial instruments | | | | |
| | Advances to prepaid suppliers | 840,005 | 2,840,885 | 832,880 | 2,837,321 |
| | Prepayments | 12,471 | 32,518 | 8,958 | 27,871 |
| | Withholding tax receivables | 316,619 | 358,367 | 316,619 | 358,367 |
| | Other receivables | 668,665 | 190,325 | 668,665 | 190,325 |
| | Amount due from related party (Note 27b) | - | - | 1,024,456 | 447,077 |
| | Total | <u>1,837,760</u> | <u>3,422,095</u> | <u>2,851,578</u> | <u>3,860,961</u> |
| | Total trade and other receivables | <u>1,851,217</u> | <u>3,928,063</u> | <u>2,865,035</u> | <u>4,366,929</u> |

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

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

All trade and other receivables are current.

| 20b | EEG Receivable | Group | | Company | |
|-----|-----------------|------------------|------------------|------------------|------------------|
| | | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | | N'000 | N'000 | N'000 | N'000 |
| | Opening balance | 4,540,129 | 4,680,546 | 4,540,129 | 4,680,546 |
| | Addition | - | - | - | - |
| | impairment | (503,583) | (140,416) | (503,583) | (140,416) |
| | Closing balance | <u>4,036,546</u> | <u>4,540,129</u> | <u>4,036,546</u> | <u>4,540,129</u> |

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. Impairment of N504 million was recognised in the period.

Notes to the annual, consolidated and separate financial statements

| 21 | Cash and cash equivalents | Group | | Company | |
|----|---|----------------|------------------|----------------|------------------|
| | | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | | N'000 | N'000 | N'000 | N'000 |
| | Cash at bank and in hand (excluding overdrafts) | 570,161 | 1,164,890 | 462,672 | 1,029,885 |
| | Cash and cash equivalents (excluding overdrafts) | <u>570,161</u> | <u>1,164,890</u> | <u>462,672</u> | <u>1,029,885</u> |

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

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| Cash and cash equivalents (excluding overdrafts) | 570,161 | 1,164,890 | 462,672 | 1,029,885 |
| Bank overdrafts (Note 25) | (1,677,071) | (3,429,466) | (1,677,071) | (3,429,466) |
| Cash and cash equivalents (including overdrafts) | <u>(1,106,910)</u> | <u>(2,264,576)</u> | <u>(1,214,399)</u> | <u>(2,399,581)</u> |

22 Share capital

Authorised:

2022: 4 billion (2021: 4 billion)
ordinary shares of 50 Kobo each

| | | | | |
|--|------------------|------------------|------------------|------------------|
| | <u>2,000,000</u> | <u>2,000,000</u> | <u>2,000,000</u> | <u>2,000,000</u> |
|--|------------------|------------------|------------------|------------------|

Issued and fully paid:

1.61 billion ordinary shares of 50
Kobo each

| | | | | |
|--|----------------|----------------|----------------|----------------|
| | <u>806,033</u> | <u>806,033</u> | <u>806,033</u> | <u>806,033</u> |
|--|----------------|----------------|----------------|----------------|

23 Accumulated losses

| | | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| Opening balance | (34,816,713) | (29,125,437) | (34,406,142) | (29,216,926) |
| Loss for the period | (7,162,950) | (9,576,042) | (6,848,391) | (9,073,982) |
| Remeasurements of post-employment benefit liabilities net of tax | (139,113) | 47,340 | (139,113) | 47,340 |
| Revaluation reserve released on depreciation of revalued PPE | <u>3,190,762</u> | <u>3,837,426</u> | <u>3,190,762</u> | <u>3,837,426</u> |
| Closing balance | <u>(38,928,014)</u> | <u>(34,816,713)</u> | <u>(32,202,884)</u> | <u>(34,406,142)</u> |

Notes to the annual, consolidated and separate financial statements

24 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 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 |
| Balance sheet obligations for: | | |
| Post-employment benefit | <u>2,048,125</u> | <u>1,850,646</u> |
| Liability in the balance sheet | <u>2,048,125</u> | <u>1,850,646</u> |
| Income statement charge included in employee benefits expense for: | | |
| Key management compensation (27c) | 40,714 | 35,645 |
| Employee cost (10c) | <u>414,279</u> | <u>531,064</u> |
| | <u>454,993</u> | <u>566,709</u> |
| Remeasurements for: | | |
| Change in financial assumption and experience adjustment | <u>198,732</u> | <u>(67,628)</u> |
| | <u>198,732</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 (Ernest & Young: Wise Chigudu FRC/2022/PRO/NAS/00000024119) using the projected unit credit method. The Group maintains an asset account with a fund manager for funding of the obligations as they fall due. As at 31 December 2022, fair value of the plan asset stood at N34 million (31 December 2021: N10 million).

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

| | Group & Company | |
|---------------------------------------|----------------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 |
| Present value of obligations (funded) | 2,082,441 | 1,860,650 |
| Fair value of plan assets | <u>(34,316)</u> | <u>(10,004)</u> |
| Deficit of funded plan | <u>2,048,125</u> | <u>1,850,646</u> |

Notes to the annual, consolidated and separate financial statements

24 Employee benefit obligations (cont'd)

(a) Defined benefit scheme (cont'd)

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

| | Group & Company | |
|---|----------------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 |
| Balance at the beginning of the period | 1,860,650 | 2,098,357 |
| Charge during the period: | | |
| Current service cost | 243,594 | 319,585 |
| Interest cost | 211,399 | 247,124 |
| | 454,993 | 566,709 |
| | 2,315,643 | 2,665,066 |
| Remeasurements: | | |
| Actuarial losses/(gains) - change in financial assumption | (23,079) | (214,951) |
| Actuarial losses/(gains) - experience adjustment | 221,811 | 147,323 |
| Total | 198,732 | (67,628) |
| Payments from plans: | | |
| Benefits paid by the employer | (431,934) | (736,788) |
| Total | (431,934) | (736,788) |
| Balance at the end of the period | 2,082,441 | 1,860,650 |

| Asset mix: | Group & Company | | | |
|--------------------------------------|----------------------------|----------|--------------------|----------|
| | 31 Dec 2022 | | 31 Dec 2021 | |
| | N'000 | % | N'000 | % |
| Call placement | 277 | 0.81 | - | - |
| Treasury bills | - | - | - | - |
| Local currency sovereign bonds | - | - | - | - |
| Local currency corporate bonds | - | - | 1,011 | 10.11 |
| Fixed deposits and commercial papers | 34,039 | 99.19 | 8,992 | 89.89 |
| | 34,316 | 100 | 10,004 | 100 |

The maturity profiles of future benefits payment is as follows:

| Year | Group & Company | |
|-------------|----------------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 |
| 2023 | 311,637 | 418,187 |
| 2024 | 265,426 | 291,921 |
| 2025 | 145,325 | 269,640 |
| 2026 | 337,595 | 125,850 |
| 2027 – 2031 | 3,253,954 | 2,539,946 |

Notes to the annual, consolidated and separate financial statements

24 Employee benefit obligations (cont'd)

(a) Defined benefit scheme (cont'd)

The significant actuarial assumptions were as follows:

| | Group & Company | |
|---------------------------------------|-----------------|-------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| Discount rate (p.a.) | 13.5% | 12.8% |
| Future average pay increase (p.a.) | 13.0% | 12.0% |
| Average rate of inflation (p.a.) | 13.0% | 12.0% |
| Expected Return on Plan Assets (p.a.) | 13.5% | 12.8% |
| Interest credit (p.a.) | 0.0% | 0.0% |

The sensitivity analysis on the accrued liability as at 31 December 2022 is as follows:

| | | Group & Company Accrued liability N'000 |
|----------------------|--------------------|--|
| Base | | 2,082,441 |
| Discount rate | +1% | 1,953,604 |
| Discount rate | -1% | 2,227,601 |
| Salary increase rate | +1% | 2,159,587 |
| Salary decrease rate | -1% | 2,012,204 |
| Mortality experience | Improved by 1 year | 2,085,683 |
| Mortality experience | Worsened by 1 year | 2,079,515 |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

24(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 December 2022 was N338 million (31 December 2021: N306 million) while the employee contribution is included in salaries and wages amount - Note 10c

Notes to the annual, consolidated and separate financial statements

| 25a Borrowings | Group/Company | |
|---|----------------------|----------------------|
| | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| Non-current | | |
| Bank borrowings | 109,760,326 | 79,962,615 |
| Total non-current borrowings | 109,760,326 | 79,962,615 |
| Current | | |
| Bank overdrafts (Note 21) | 1,677,071 | 3,429,466 |
| Bank borrowings | 30,942,738 | 45,646,886 |
| Total current borrowings | 32,619,809 | 49,076,352 |
| Total borrowings (non-current & current) | 142,380,135 | 129,038,967 |

| | Group/Company | |
|---------------------------|----------------------|----------------------|
| | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| Bank overdrafts (Note 21) | 1,677,071 | 3,429,466 |
| Bank borrowings | 140,703,064 | 125,609,501 |
| Total borrowings | 142,380,135 | 129,038,967 |

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

| | Group | | Company | |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| Opening balance | 125,609,501 | 105,085,525 | 125,609,501 | 105,085,525 |
| Additions** | 19,067,476 | 17,845,656 | 19,067,476 | 17,845,656 |
| Effective interest | 19,156,471 | 20,486,500 | 19,156,471 | 20,486,500 |
| Exchange difference | 4,080,311 | 5,930,830 | 4,080,311 | 5,930,830 |
| Interest paid | (15,574,790) | (15,035,612) | (15,574,790) | (15,035,612) |
| Principal repayments | (11,635,905) | (8,703,398) | (11,635,905) | (8,703,398) |
| Closing balance | 140,703,064 | 125,609,501 | 140,703,064 | 125,609,501 |

** The addition to borrowings includes refinancing of past due obligations.

Bank borrowings are categorised as follows

| | Group | | Company | |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| Bank of Industry (BoI) borrowings | 10,439,007 | 13,209,779 | 10,439,007 | 13,209,779 |
| Other bank borrowings | 130,264,057 | 112,399,722 | 130,264,057 | 112,399,722 |
| | 140,703,064 | 125,609,501 | 140,703,064 | 125,609,501 |

The bank borrowings are secured over the assets of the Group and as at the reporting date there are no undrawn borrowing lines.

Notes to the annual, consolidated and separate financial statements

25a Borrowings (cont'd)

Outstanding borrowings at period end is made up of:

- i) BOI-CBN intervention (1st tranche) loan balance of N0.55 billion out of which N0.10 billion is repayable within one year and N0.44 billion is repayable after one year. The duration of the loan is 78 months and the annual interest rate is 7%. The last repayment date of the facility is 30 June 2025.
- ii) BOI-CBN intervention (2nd tranche) loan balance of N5.89 billion out of which N2.06 billion is repayable within one year and N3.83 billion is repayable after one year. The duration of the facility is 86 months and the annual interest rate is 7%. The last repayment date of the facility is 1 July 2025.
- iii) BOI-CBN intervention (3rd tranche) loan balance of N4 billion out of which N1.22 billion is repayable within one year and N2.78 billion is repayable after one year. The duration of the facility is 132 months and the annual interest rate is 7%. The last repayment date of the facility is 6 September 2025.
- iv) Other NGN term loans balance of N58.91 billion out of which N1.68 billion is repayable within one year and N57.23 billion is repayable after one year. The duration of the loan is 120 months and the annual interest rate is 23%. The last repayment date of the facility is 30 June 2032.
- v) Afrexim USD term loans balance of \$27.46 million (N12.67 billion) out of which \$7.94 million (N3.67 billion) is repayable within one year and \$19.51 million (N9.01 billion) is repayable after one year. The duration of the loan is 84 months and the annual interest rate is 10.9%. The last repayment date of the facilities is 31 December 2026.
- vi) USD term loans balance of \$81.50 million (N37.61 billion) out of which \$2.46 million (N1.14 billion) is repayable within one year and \$79.04 million (N36.48 billion) is repayable after one year. The duration of the loan is 120 months and the annual interest rate is 16.63%. The last repayment date of the facilities is 30 June 2032.
- vii) Other short term loan balances totalling N9.54 billion and past due obligations on structured loans N9.69 billion are repayable within one year and with various applicable interest rate (18% to 20%).
- ix) All covenants included in the loan agreements have all been complied with.

25b Grant liability

| | Group | | Company | |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | N'000 | N'000 | N'000 | N'000 |
| Non-current | 1,270,430 | 2,625,073 | 1,270,430 | 2,625,073 |
| Current | 717,508 | 1,167,241 | 717,508 | 1,167,241 |
| Total grant liability | 1,987,938 | 3,792,313 | 1,987,938 | 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 11) | (977,883) | (1,436,759) | (977,883) | (1,436,759) |
| Modification gain | (826,492) | - | (826,492) | - |
| Closing balance | 1,987,938 | 3,792,313 | 1,987,938 | 3,792,313 |

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

Notes to the annual, consolidated and separate financial statements

| 26 | Trade and other payables | Group | | Company | |
|----|--|----------------------|----------------------|----------------------|----------------------|
| | | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| | Current | | | | |
| | Financial Instrument | | | | |
| | Trade payables | 9,505,856 | 10,841,537 | 9,466,995 | 10,835,626 |
| | Interest and fees payable | - | 3,720,794 | - | 3,720,794 |
| | Accrued expenses | 2,993,860 | 3,569,301 | 2,993,860 | 3,569,301 |
| | Amounts due to related parties (Note 27b) | 20,701,644 | 17,768,977 | 21,068,834 | 17,818,977 |
| | | <u>33,201,360</u> | <u>35,900,609</u> | <u>33,529,689</u> | <u>35,944,698</u> |
| | Non-financial instruments | | | | |
| | Accrued expenses | 2,108,224 | 1,637,916 | 1,966,824 | 1,776,636 |
| | Contract liabilities | 19,317,994 | 13,305,088 | 19,317,994 | 13,031,973 |
| | | <u>21,426,218</u> | <u>14,943,004</u> | <u>21,284,818</u> | <u>14,808,609</u> |
| | Total trade and other payables | <u>54,627,578</u> | <u>50,843,613</u> | <u>54,814,507</u> | <u>50,753,307</u> |

27 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 December 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:

Notes to the annual, consolidated and separate financial statements

27 Related party transactions (cont'd)

(a) Transactions with related parties:

| | Company | |
|--|----------------------|----------------------|
| | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| Purchase of goods from related parties | | |
| Purchase of goods from Eroton Exploration and Production Company Limited | 6,593,898 | 16,005,928 |
| Commission paid to related parties | | |
| Commission paid to Notore Supply and Trading Mauritius Limited | - | - |
| Exchange loss on related parties transactions | | |
| Exchange loss on Notore Supply and Trading Mauritius Limited | - | - |
| Payments to related parties | | |
| Payments to Notore Supply and Trading Mauritius Limited | - | - |
| Payments to Eroton Exploration and Production Company Limited | 3,282,806 | 9,026,682 |
| | 3,282,806 | 9,026,682 |

(b) Amount due to related parties:

| Particulars: | Group | | Company | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| Notore Supply and Trading Mauritius Limited | - | - | (10,000) | (10,000) |
| Notore Power & Infrastructure Limited | | | (317,190) | |
| 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) |
| Eroton Exploration and Production Company Limited | (20,701,644) | (17,768,977) | (20,701,644) | (17,768,977) |
| | (20,701,644) | (17,768,977) | (21,068,834) | (17,818,977) |

Amount due from related parties:

| | Group | | Company | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| Notore Power and Infrastructure Limited | - | - | 1,024,456 | 447,077 |

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.

Notes to the annual, consolidated and separate financial statements

27 Related party transactions (cont'd)

| (c) Key management compensation | Group | | Company | |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| Salaries and other emoluments | 294,770 | 268,103 | 294,770 | 268,103 |
| Pension | 27,143 | 23,763 | 27,143 | 23,763 |
| Gratuity charge (Note 24) | 40,714 | 35,645 | 40,714 | 35,645 |
| | <u>362,627</u> | <u>327,511</u> | <u>362,627</u> | <u>327,511</u> |

Directors' remuneration (including pension contributions) for directors of the Company charged to the profit and loss account are as follows:

| | Group | | Company | |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| Fees for services as directors | 409,068 | 499,751 | 409,068 | 499,751 |
| Other emoluments as management | 362,627 | 327,511 | 362,627 | 327,511 |
| | <u>771,695</u> | <u>827,262</u> | <u>771,695</u> | <u>827,262</u> |
| Chairman | <u>32,366</u> | <u>16,223</u> | <u>32,366</u> | <u>16,223</u> |
| The highest paid director | <u>183,842</u> | <u>154,298</u> | <u>183,842</u> | <u>154,298</u> |

The number of directors (excluding the chairman) whose remuneration fell within the following ranges were:

| | N | N | Group Number | | Company Number | |
|-------|------------|---|-----------------|-------------|-------------------|-------------|
| | | | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| Above | 50,000,000 | | 2 | 2 | 2 | 2 |
| Below | 50,000,000 | | 10 | 10 | 10 | 10 |
| | | | <u>12</u> | <u>12</u> | <u>12</u> | <u>12</u> |

i Employee costs during the period comprise:

| | Group | | Company | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 | 31 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| Salaries and wages | 3,570,925 | 3,689,014 | 3,357,237 | 3,449,474 |
| Other employee benefits | 274,414 | 1,443,970 | 274,414 | 1,443,970 |
| Termination benefits | 16,953 | 63,509 | 16,953 | 63,509 |
| Employer's pension contribution - defined contributions | 337,719 | 306,267 | 337,719 | 306,267 |
| Gratuity charge (Note 10c) | 414,279 | 531,064 | 414,279 | 531,064 |
| | <u>4,614,290</u> | <u>6,033,824</u> | <u>4,400,602</u> | <u>5,794,284</u> |

Notes to the annual, consolidated and separate financial statements

27 Related party transactions (cont'd)

- ii The average number of full-time persons employed during the year (other than executive directors) was as follows:

| | Group Number | | Company Number | |
|--------------------------|-------------------------|--------------------|---------------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| Administration | 241 | 195 | 241 | 195 |
| Technical and production | 271 | 245 | 271 | 245 |
| Sales and marketing | 35 | 26 | 35 | 26 |
| | <u>547</u> | <u>466</u> | <u>547</u> | <u>466</u> |

- iii Higher-paid employees of the Company, other than directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions) in the following ranges:

| N | N | Group Number | | Company Number | |
|-----------|------------|-------------------------|--------------------|---------------------------|--------------------|
| | | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| Above | 10,500,000 | 81 | 55 | 81 | 55 |
| 9,000,001 | 10,500,000 | 18 | 19 | 18 | 19 |
| 7,500,001 | 9,000,000 | 47 | 56 | 47 | 56 |
| 6,500,001 | 7,500,000 | 31 | 6 | 31 | 6 |
| 5,000,001 | 6,500,000 | 33 | 58 | 33 | 58 |
| 3,500,001 | 5,000,000 | 97 | 39 | 97 | 39 |
| 2,000,001 | 3,500,000 | 229 | 147 | 229 | 147 |
| 500,000 | 2,000,000 | 10 | 85 | 10 | 85 |
| Below | 500,000 | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| | | <u>547</u> | <u>466</u> | <u>547</u> | <u>466</u> |

28 Contingent liabilities

As at the 31st day of December, 2022 Notore had a total of 16 civil suits pending at various jurisdictions of court within Nigeria with total CONTINGENT LIABILITIES of N411,696,550,385.87; \$11,164,313.89 and £214,994 and CONTINGENT ASSET of N1,589,532,935.22, \$1,082,153.91 respectively.

Whilst some old matters were concluded in the year 2022, some new matters were commenced against the Company leading to an increase in the total contingent liabilities from N26,313,069,611.40 as at 31st December 2021 to N411,696,550,385.87 as at 31st December 2022 due to the monetary claims in three (3) of the new suits in the sums of N400,000,000,000.00; N10,000,000,000.00 and N1,965,580.00 respectively; as well as the monthly increase in the claim in British Pounds.

Out of the 16 Civil Suits, Notore is sole Defendant in 5 cases at the High Court, sole Respondent in 1 case at the Court of Appeal, Co-Defendant in 4 matters at the High Court and Co-Respondent in 1 matter at the Supreme Court. The Company is sole Claimant in 1 matter at the High Court, and sole Appellant in 4 matters at the Court of Appeal.

The Directors of the Company believe, based on legal advice that no significant loss will eventuate on the part of the Company, from all these suits. Hence, no provision has been made in the accounts for these claims.

In the normal course of business, the Company obtained bank guarantees with a value of N673 million.

Notes to the annual, consolidated and separate financial statements

29 Investments in subsidiaries

Principal subsidiaries

The Group had the following subsidiaries as at 31 December 2022

| Name | Investment Amount N'000 | 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 % |
|---|----------------------------|--|--|---|--|--|
| Notore Supply and Trading Mauritius Limited | 255 | Mauritius | | 100.00 | 100.00 | - |
| Notore Supply and Trading Limited BVI* | - | British Virgin Islands | Sale of fertilisers and other chemical products | 100.00 | 100.00 | - |
| Notore Power 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 Dec 2022 N'000 | 31 Dec 2021 N'000 |
| Opening balance | 50,255 | 50,255 |
| Increase during the period | - | - |
| Closing balance | <u>50,255</u> | <u>50,255</u> |

Notes to the annual, consolidated and separate financial statements**29 Investments in subsidiaries (cont'd)**

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. No pledge was given in respect of these subsidiary balances.

*In February 2014 Notore Supply and Trading Mauritius Limited was incorporated and by 30th September 2014 all assets and operations of Notore Supply and Trading Limited BVI were transferred to it and the latter became inactive on the same date. Also, In October 2020 Notore Supply and Trading Mauritius Limited whose operations is solely dependent on the parent Company became inactive due to a shift in the business strategy of the parent Company.

30 Material uncertainty related to going concern

The consolidated and separate financial statements are prepared using IFRSs that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they fall due.

The Group and Company recorded net losses of ₦7.2 billion and ₦6.8 billion respectively, during the year ended 31 December 2022 (2021: Group – ₦9.6 billion; Company – ₦9.1 billion); accumulated losses of ₦38.9 billion and ₦38.2 billion respectively (2021: Group – ₦34.8 billion, company ₦34.4 billion) and the net current liabilities as of that date were ₦72.1 billion and ₦71.4 billion respectively (2021: Group – ₦82.2 billion; Company – ₦81.8 billion). These events or conditions indicate that a material uncertainty exist that may cast doubt on the Group and Company's ability to continue as a going concern as to be able to realize their assets and discharge their liabilities in the normal course of business.

The Group and the Company has however taken numerous steps with a view to increasing its plant production capacity output, operational stability, improve working capital and return to profitability. The Directors have taken the following key steps:

Turn-Around Maintenance Program (“TAM”)

The TAM program carried out last year has brought about a significant upturn in our fertilizer production, revenue, and cash flows in the financial year first half. Sales volume went up by over 280% compared to the prior year's period. This resulted in revenue growth of over 380% as compared with the similar period in the prior year. However, the second half saw dwindling production volumes occasioned by two equipment failures, which necessitated a shutdown in the last quarter of the year. We have replaced the equipment and are poised to reap the benefit in the coming year. The Company is confident that the replacement of these equipment will bring about an increase in plant reliability whose impact will be seen in improved production volumes and increased cashflows in subsequent quarters.

Debt Restructure

The Company has restructured its loans with the following lenders:

Ecobank: The outstanding loan of about ₦102 billion has been restructured into term loans with a tenor of 10 (ten) years. The term loans were initially for a period of 7 years (repayment on a quarterly basis). The rescheduled loan has been sculpted to align with the company's cashflow over the new tenor. The Bank has further rescheduled the terms of the facilities, including a 180-day extension of payment on principal and interest post-2022 year-end. This frees up cashflows by reducing debt obligation repayments during the revised repayment tenor to augment the working capital requirement for operations.

UBA: USD 2.3 million term loan, (₦1.05billion) maturing in 2022 has been restructured to a new 3-year term loan maturing in 2025 with a 12-month moratorium on principal and interest, which brings about a reduction in quarterly repayment outlays, thereby freeing up cashflow for working capital operational needs.

Notes to the annual, consolidated and separate financial statements**30 Going concern (cont'd)****Equity Raise**

The company has started discussions with potential investors to re-capitalize the company. The target is to conclude this exercise by Q4 2023. The objective is to achieve long-term sustainability, reduce the debt burden, and build a platform for further investment and expansion. Some critical steps had already been taken, such as appointing two capital market operators to serve as financial advisers and increasing the authorized share capital to accommodate the proposed share issue and potential investor engagements.

Bond Issuance

This is being planned for launch in the year 2024 after the equity raise programme is concluded. The objective is to attract non-equity investors and diversify borrowings from banks, thus enabling the company further improve cashflow matching and reduce finance cost.

Strategic Partnerships

The business aims to form strategic partnerships focusing on new projects to create incremental revenue streams for the company outside its current operations by way of commercialization of the derivatives or by-products from the company's core business. One such initiative is to expand the company's NPK Fertilizer production by leveraging our existing Urea production and facilities including access to infrastructure and gas, in addition to expanding the production of a higher-margin product. Engagements with identified Potential partners have commenced with Non-disclosure Agreements and MOUs signed with due diligence currently being performed.

Conclusion

The Directors believe that with the implementation of the above-mentioned measures, the company is now positioned to return to profitability and settle their obligations as they fall due and consider it appropriate to prepare the consolidated financial statement of both the Group and the company based on the accounting policies applicable to a going concern.

31 Events after the statement of financial position date

There are no significant events, which could have had a material effect on the state of affairs of the Group and the Company as at 31 December 2021 that have not been adequately provided for or disclosed in these financial statements.

32 Non-audit services

Our external Audit Firm Messrs. Deloitte & Touche was appointed at the Annual General Meeting held on 25th June 2021. For the period under review, no non-audit services was provided by Deloitte to the Company.

33 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.

Notes to the annual, consolidated and separate financial statements

34 Shareholder pattern and freefloat information

Notore prepares interim financial statements for publication and submission to the Securities and Exchange Commission (SEC) and Nigeria Stock Exchange (NSE) on a quarterly basis.

Also, in accordance with the requirements of Rule 2.0 of the Free Float Rules on Self-Assessment and Self-Regulation as issued by the NSE, the shareholding pattern of Notore is shown below;

Shareholding Analysis

The shareholding pattern of the Bank as at 31 December 2022 is as stated below:

| Share Range | | Number Of Shareholders | Number Of Holdings |
|-----------------|---------------|------------------------|----------------------|
| 1 | 10,000 | 672 | 110,794 |
| 10,001 | 50,000 | 4 | 78,895 |
| 100,001 | 500,000 | 1 | 129,188 |
| 500,001 | 1,000,000 | 2 | 1,577,800 |
| 1,000,001 | 5,000,000 | 3 | 12,101,170 |
| 10,000,001 | 50,000,000 | 2 | 82,691,750 |
| 50,000,001 | 100,000,000 | 2 | 151,691,205 |
| 100,000,001 | 500,000,000 | 1 | 129,629,630 |
| 1,000,000,001 | 2,000,000,000 | 1 | 1,234,055,768 |
| TOTAL :- | | 668 | 1,612,066,200 |

Shareholding Structure / Free float Status

| Shareholders | No. of ordinary shares | % holding |
|--|------------------------|----------------|
| i Substantial shareholdings | 1,363,685,398 | 84.59% |
| ii Directors shareholdings | 34,334,830 | 2.13% |
| iii Other influential shareholdings | 200,049,625 | 12.41% |
| Free float | 13,996,347 | 0.87% |
| | <u>1,612,066,200</u> | <u>100.00%</u> |
| i Substantial shareholdings | | |
| Notore Chemical Industries [Mauritius] Limited | 1,234,055,768 | 76.55% |
| TY Holdings Limited | 129,629,630 | 8.04% |
| | <u>1,363,685,398</u> | <u>84.59%</u> |
| ii Directors shareholdings | | |
| Engr. Mike Orugbo, JP(Direct) | 34,333,330 | 2.13% |
| Mr. Mike Osime(Indirect) | 1,500 | 0.00% |
| | <u>34,334,830</u> | <u>2.13%</u> |

Notes to the annual, consolidated and separate financial statements

34 Shareholder pattern and free float information (cont'd)

| | No. of ordinary shares | % holding |
|--|-----------------------------------|------------------|
| iii Other influential shareholdings | | |
| African Finance Corporation | 77,265,575 | 4.79% |
| FBN Capital Ltd | 74,425,630 | 4.62% |
| Employee Stock Option [ESOP] Stanbic IBTC | <u>48,358,420</u> | <u>3.00%</u> |
| | <u>200,049,625</u> | <u>12.41%</u> |

Declaration

- (A) Notore Chemical Industries Plc with a free float percentage of 0.87% as at 31 December 2022, is working to comply with the Exchange's free float requirements for companies listed on the Main Board.
- (B) Notore Chemical Industries Plc with a free float value of N104,972,602.50 as at 31 December 2022, is working to comply with the Exchange's free float requirements for companies listed on the Main Board.

OTHER NATIONAL DISCLOSURES

Consolidated and separate statements of value added

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

| | GROUP | | | | COMPANY | | | |
|--|-------------------|------------|-------------------|------------|-------------------|------------|-------------------|------------|
| | 2022 | % | 2021 | % | 2022 | % | 2021 | % |
| Turnover | 32,304,988 | | 25,706,264 | | 32,226,698 | | 25,484,427 | |
| Other income | 13,591,933 | | 17,126,229 | | 13,591,933 | | 17,206,631 | |
| Less bought in goods and services | | | | | | | | |
| - Local | (25,839,872) | | (16,511,310) | | (25,660,838) | | (16,501,283) | |
| - Foreign | (18,101) | | (11,566) | | (17,975) | | (11,559) | |
| Value created | 20,038,948 | 100 | 20,868,481 | 100 | 20,139,818 | 100 | 21,131,001 | 100 |
| Applied as follows; | | | | | | | | |
| Salaries, wages and other benefits | 5,564,366 | 28 | 6,033,824 | 29 | 5,350,678 | 27 | 5,794,284 | 27 |
| Finance cost - net | 23,258,551 | 116 | 26,426,622 | 127 | 23,258,551 | 115 | 26,426,622 | 125 |
| Taxation | 189,093 | 1 | 104,667 | 1 | 189,093 | 1 | 104,666.62 | 1 |
| Deferred tax | (9,061,315) | (45) | (10,267,288) | (49) | (9,061,315) | (45) | (10,267,288) | (49) |
| Depreciation property, plant and equipment | 7,251,203 | 36 | 8,146,699 | 39 | 7,251,202 | 36 | 8,146,699 | 39 |
| Loss for the year | (7,134,990) | (36) | (9,576,042) | (46) | (6,820,431) | (34) | (9,073,982) | (43) |
| Value created | 20,038,948 | 100 | 20,868,481 | 100 | 20,139,818 | 100 | 21,131,001 | 100 |

Note: Statement of value added is not a required disclosure under IFRS.

NOTORE CHEMICAL INDUSTRIES PLC
Annual report, consolidated and separate financial statements
For the year ended 31 December 2022

Five-year financial summary - group
As at 31 December 2022

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

| | 31 Dec 2022 | 31 Dec 2021 | 30 Sept 2020 | 30 Sept 2019 | 30 Sept 2018 |
|--------------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| Total assets | | | | | |
| Non-current assets | 263,020,706 | 219,663,320 | 198,617,529 | 184,294,498 | 140,211,923 |
| Current assets | 16,190,461 | 18,956,479 | 22,143,416 | 12,286,266 | 11,543,973 |
| | <u>279,211,167</u> | <u>238,619,799</u> | <u>220,760,945</u> | <u>196,580,764</u> | <u>151,755,896</u> |
| Total equity and liabilities | | | | | |
| Ordinary shares | 806,033 | 806,033 | 806,033 | 806,033 | 806,033 |
| Share premium | 27,995,916 | 27,995,916 | 27,995,916 | 27,995,916 | 27,995,916 |
| Foreign currency translation reserve | - | - | 544,995 | 517,374 | 408,937 |
| Asset revaluation reserves | 86,584,932 | 60,124,144 | 63,961,570 | 67,228,176 | 39,533,069 |
| Accumulated loss | (38,928,014) | (34,816,713) | (29,125,437) | (25,898,532) | (22,428,553) |
| Treasury shares | (1,080,831) | (1,080,831) | (1,080,831) | (1,080,831) | (1,080,831) |
| Non-current liabilities | 115,552,598 | 84,438,334 | 105,562,620 | 77,698,582 | 84,353,659 |
| Current liabilities | 88,280,533 | 101,152,916 | 52,096,079 | 49,314,046 | 22,167,666 |
| | <u>279,211,167</u> | <u>238,619,799</u> | <u>220,760,945</u> | <u>196,580,764</u> | <u>151,755,896</u> |
| REVENUE AND PROFIT | | | | | |
| Turnover | 32,304,988 | 25,706,264 | 18,799,043 | 21,418,883 | 26,823,881 |
| Loss before taxation | (16,035,172) | (19,738,664) | (13,922,574) | (10,250,474) | (3,522,965) |
| Taxation | 8,872,222 | 10,162,622 | 7,525,938 | 4,499,883 | 1,616,295 |
| (Loss)/profit after taxation | (7,162,950) | (9,576,042) | (6,396,636) | (5,750,591) | (1,906,670) |
| PER ORDINARY SHARE | | | | | |
| Basic Earnings per share (Naira) | (4.44) | (5.94) | (3.97) | (3.57) | (1.18) |

Note: Five-year financial summary is not a required disclosure under IFRS.

Five-year financial summary - company

As at 31 December 2022

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

| | 31 Dec 2022 | 31 Dec 2021 | 30 Sept 2020 | 30 Sept 2019 | 30 Sept 2018 |
|-------------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| Total assets | | | | | |
| Non-current assets | 263,070,960 | 219,713,572 | 198,667,783 | 184,344,406 | 140,251,171 |
| Current assets | 17,052,266 | 19,226,492 | 22,142,276 | 12,283,537 | 11,541,937 |
| | <u>280,123,226</u> | <u>238,940,064</u> | <u>220,810,059</u> | <u>196,627,943</u> | <u>151,793,108</u> |
| Total equity and liabilities | | | | | |
| Ordinary shares | 806,033 | 806,033 | 806,033 | 806,033 | 806,033 |
| Share premium | 27,995,916 | 27,995,916 | 27,995,916 | 27,995,916 | 27,995,916 |
| Asset revaluation reserves | 86,584,932 | 60,124,144 | 63,961,570 | 67,228,176 | 39,533,069 |
| Accumulated loss | (38,202,884) | (34,406,142) | (29,216,926) | (26,008,587) | (22,604,848) |
| Treasury shares | (1,080,831) | (1,080,831) | (1,080,831) | (1,080,831) | (1,080,831) |
| Non-current liabilities | 115,552,598 | 84,438,334 | 105,562,620 | 77,698,582 | 84,353,659 |
| Current liabilities | 88,467,462 | 101,062,610 | 52,781,677 | 49,988,654 | 22,790,110 |
| | <u>280,123,226</u> | <u>238,940,064</u> | <u>220,810,059</u> | <u>196,627,943</u> | <u>151,793,108</u> |
| REVENUE AND PROFIT | | | | | |
| Turnover | 32,226,698 | 25,484,427 | 18,799,043 | 21,418,883 | 26,823,881 |
| Loss before taxation | (15,720,613) | (19,236,604) | (13,904,008) | (10,184,234) | (3,417,022) |
| Taxation | 8,872,222 | 10,162,622 | 7,525,938 | 4,499,883 | 1,616,295 |
| (Loss)/profit after taxation | (6,848,391) | (9,073,982) | (6,378,070) | (5,684,351) | (1,800,727) |
| PER ORDINARY SHARE | | | | | |
| Basic Earnings per share (Naira) | (4.25) | (5.63) | (3.96) | (3.53) | (1.12) |

Note: Five-year financial summary is not a required disclosure under IFRS.