RC: 640303

NOTORE CHEMICAL INDUSTRIES PLC
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021

NOTORE CHEMICAL INDUSTRIES PLC
UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 DECEMBER 2021

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

	Note	Group		Company	
		Three months 31 Dec 2021	Three months 31 Dec 2020	Three months 31 Dec 2021	Three months 31 Dec 2020
		N'000	N'000	N'000	N'000
Revenue from contracts with customers	28	9,558,684	3,569,894	9,205,115	3,308,224
Cost of sales	29	(6,655,957)	(4,962,585)	(6,655,957)	(4,854,546)
Gross profit		2,902,727	(1,392,691)	2,549,158	(1,546,322)
Administrative expenses	30a	(1,211,215)	(1,425,342)	(1,137,091)	(1,358,798)
Selling and distribution expenses	30b	(53,254)	(26,140)	(52,415)	(26,140)
Other income	31	10,372,105	363,386	10,490,350	363,366
Operating income		12,010,362	(2,480,788)	11,850,002	(2,567,894)
Finance income	32	-	96	-	96
Finance cost	32b	(12,072,042)	(4,083,890)	(12,072,042)	(4,083,890)
Exceptional Item	32b		-		-
Finance costs - (net)	32	(12,072,041)	(4,083,793)	(12,072,041)	(4,083,793)
Loss before income tax		(61,679)	(6,564,581)	(222,040)	(6,651,688)
Income tax		-	-	-	-
Profit/(loss) for the period		(61,679)	(6,564,581)	(222,040)	(6,651,688)
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Total items that will not be reclassified to profit or loss		-	-	-	-
Items that may be subsequently reclassified to profit or loss					
Currency translation difference		(44,672)	370	-	-
Total items that may be reclassified to profit or loss		(44,672)	370	-	-
Other comprehensive income / (loss) for the period- net of tax		(44,672)	370	-	-
Total comprehensive profit / (loss) for the period		(106,352)	(6,564,211)	(222,040)	(6,651,688)
Total comprehensive profit /(loss) for the year attributable to:					
Equity holders of the parent company		(106,352)	(6,564,211)	(222,040)	(6,651,688)
Non controlling interest		-	-	-	-
Earnings per share for loss attributable to the equity holders of the company					
Basic EPS (Naira)		(0.04)	(4.07)	(0.14)	(4.13)

NOTORE CHEMICAL INDUSTRIES PLC
UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FIFTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021

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

	Note	Group		Company	
		Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020
		N'000	N'000	N'000	N'000
Revenue from contracts with customers	7	27,025,385	18,799,043	25,484,426	18,799,043
Cost of sales	8	(28,696,351)	(21,678,653)	(27,991,343)	(21,678,653)
Gross profit		(1,670,966)	(2,879,610)	(2,506,917)	(2,879,610)
Administrative expenses	9a	(6,955,713)	(6,016,297)	(6,537,019)	(5,997,731)
Selling and distribution expenses	9b	(272,047)	(293,696)	(266,707)	(293,696)
Other income	10	17,266,551	18,675,245	17,939,101	18,675,245
Operating income		8,367,825	9,485,642	8,628,458	9,504,208
Finance income	11a	388	1,074	388	1,074
Finance cost	11b	(28,770,914)	(23,409,290)	(28,770,914)	(23,409,290)
Finance costs - (net)	11	(28,770,526)	(23,408,216)	(28,770,526)	(23,408,216)
Loss before income tax		(20,402,701)	(13,922,574)	(20,142,068)	(13,904,008)
Income tax		-	7,525,938	-	7,525,938
Profit/(loss) for the period		(20,402,701)	(6,396,636)	(20,142,068)	(6,378,070)
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Remeasurement of employee benefit obligations		-	(371,864)	-	(371,864)
Deferred tax credit/(charge) on actuarial loss/gain		-	111,559	-	111,559
Revaluation surplus on property, plant and equipment		-	233,472	-	233,472
Deferred tax charge on revaluation surplus		-	(70,042)	-	(70,042)
Total items that will not be reclassified to profit or loss		-	(96,875)	-	(96,875)
Items that may be subsequently reclassified to profit or loss					
Currency translation difference		-	27,621	-	-
Total items that may be reclassified to profit or loss		-	27,621	-	-
Other comprehensive income / (loss) for the period- net of tax		-	(69,254)	-	(96,875)
Total comprehensive profit / (loss) for the period		(20,402,701)	(6,465,890)	(20,142,068)	(6,474,945)
Total comprehensive profit /(loss) for the year attributable to:					
Equity holders of the parent company		(20,402,701)	(6,465,890)	(20,142,068)	(6,474,945)
Non controlling interest		-	-	-	-
Earnings per share for loss attributable to the equity holders of the company					
Basic EPS (Naira)	13	(12.66)	(3.97)	(12.49)	(3.96)

The notes on pages 7 to 30 are an integral part of these financial statements.

NOTORE CHEMICAL INDUSTRIES PLC
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

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

		Group		Company	
	Note	31 Dec 2021	30 Sept 2020 Restated	31 Dec 2021	30 Sept 2020 Restated
		N'000	N'000	N'000	N'000
Non-current assets					
Property, plant and equipment	14	148,640,207	145,278,255	148,640,207	145,278,254
Right of use assets	15(a)	30,429	152,647	30,429	152,647
Investment property	16	68,333,559	53,174,118	68,333,559	53,174,118
Intangible asset	17	-	12,509	-	12,509
Investments in subsidiaries	27	-	-	50,255	50,255
Total non-current assets		217,004,195	198,617,529	217,054,450	198,667,783
Current assets					
Inventories	18	9,978,056	5,950,222	9,937,080	5,950,222
Trade and other receivables	19	4,631,971	11,315,718	4,917,085	11,315,718
Pledged assets	19	4,540,129	4,540,129	4,540,129	4,540,129
Cash at bank and in hand	20	1,164,890	337,347	1,029,885	336,207
Total current assets		20,315,046	22,143,416	20,424,179	22,142,276
Total assets		**237,319,241**	**220,760,945**	**237,478,629**	**220,810,059**
Equity					
Ordinary shares	21	806,033	806,033	806,033	806,033
Share premium		27,995,916	27,995,916	27,995,916	27,995,916
Asset revaluation reserves		60,531,534	63,961,570	60,531,534	63,961,570
Foreign currency translation reserve		-	544,995	-	-
Retained earnings	22	(46,217,611)	(29,164,393)	(45,967,914)	(29,255,882)
Treasury shares reserve		(1,080,831)	(1,080,831)	(1,080,831)	(1,080,831)
Total equity		42,035,041	63,063,290	42,284,738	62,426,806
Liabilities					
Non-current liabilities					
Borrowings	24a	79,962,615	89,669,185	79,962,615	89,669,185
Employee benefit obligation	23	1,895,681	1,620,322	1,895,681	1,620,322
Grant liability	24b	2,596,828	4,026,113	2,596,828	4,026,113
Deferred tax liability	12b	10,247,000	10,247,000	10,247,000	10,247,000
Total non-current liabilities		94,702,124	105,562,620	94,702,124	105,562,620
Current liabilities					
Borrowings	24a	49,102,306	18,681,317	49,102,306	18,681,317
Lease liability	15(b)	-	135,120	-	135,120
Trade and other payables	25	50,312,526	32,076,683	50,222,220	32,762,281
Grant liability	24b	1,167,241	1,202,959	1,167,241	1,202,959
Current tax liabilities	12	(1)	38,956	(1)	38,956
Total current liabilities		100,582,072	52,135,035	100,491,766	52,820,633
Total liabilities		195,284,196	157,697,655	195,193,890	158,383,253
Total equity and liabilities		**237,319,241**	**220,760,945**	**237,478,629**	**220,810,059**

The financial statements on pages 1 to 30 were approved and authorised for issue by the board of directors on 28 January 2022 and signed on its behalf by:

Mr. Ohis Ohiwerei	Mr. Onajite P. Okoloko	Mr. Bolarin Tolujo
Managing Director/CEO	Director	Chief Financial Officer
FRC/2017/CIBN/00000016412	FRC/2014/NIM/00000007662	FRC/2018/ICAN/00000018981

The notes on pages 7 to 30 are an integral part of these financial statements.

NOTORE CHEMICAL INDUSTRIES PLC
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FIFTEEN MONTHS PERIOD ENDED 31 DECEMBER 2021

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

Group

	Note	Share capital	Share premium	Foreign currency translation reserve	Asset revaluation reserve	Retained earnings	Treasury shares reserve	Total equity
		N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 October 2019		806,033	27,995,916	517,374	67,228,176	(25,898,532)	(1,080,831)	69,568,136
Loss for the period		-	-	-	-	(6,396,636)		(6,396,636)
								-
Other comprehensive income:								-
PPE revaluation surplus, net of tax					163,430	-		163,430
Revaluation surplus released to retained earnings					(3,430,036)	3,430,036		-
Remeasurements of post-employment benefit obligations, net of tax						(260,305)		(260,305)
Currency translation difference				27,621				27,621
Total comprehensive loss for the period		-	-	27,621	(3,266,606)	(3,226,906)	-	(6,465,890)
Balance at 30 September 2020		806,033	27,995,916	544,995	63,961,570	(29,125,438)	(1,080,831)	63,102,246

Group

	Note	Share capital	Share premium	Foreign currency translation reserve	Asset revaluation reserve	Retained earnings	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	(29,164,393)	(1,080,831)	63,063,290
Loss for the year		-	-	-	-	(20,402,701)		(20,402,701)
Other comprehensive income:								
Revaluation surplus released to retained earnings		-	-	-	(3,430,036)	3,430,036		-
Currency translation difference		-	-	(544,995)	-	(80,553)	-	(625,548)
Total comprehensive loss for the year		-	-	(544,995)	(3,430,036)	(17,053,218)	-	(21,028,249)
Transaction with owners		-	-	-	-	-	-	-
Balance at 31 December 2021		806,033	27,995,916	-	60,531,534	(46,217,611)	(1,080,831)	42,035,040

The notes on pages 7 to 30 are an integral part of these financial statements.

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

Company

	Note	Share capital	Share premium	Asset revaluation reserve	Retained earnings	Treasury shares reserve	Total equity
		N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 October 2019		806,033	27,995,916	67,228,176	(26,008,587)	(1,080,831)	68,940,707
Loss for the year		-	-	-	(6,378,070)	-	(6,378,070)
Other comprehensive income:							-
PPE revaluation surplus, net of tax		-	-	163,430	-	-	163,430
Revaluation surplus released to retained earnings		-	-	(3,430,036)	3,430,036		-
Remeasurements of post-employment benefit obligations, net of tax		-	-		(260,305)		(260,305)
Total comprehensive income for the year		-	-	(3,266,606)	(3,208,339)	-	(6,474,943)
Transaction with owners		-	-	-	-		-
Balance at 30 September 2020		806,033	27,995,916	63,961,570	(29,216,926)	(1,080,831)	62,465,762

Company

	Note	Share capital	Share premium	Asset revaluation reserve	Retained earnings	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	(29,255,882)	(1,080,831)	62,426,806
Loss for the year		-	-	-	(20,142,068)		(20,142,068)
							-
Other comprehensive income:							-
PPE revaluation surplus, net of tax		-	-	-	-		-
Revaluation surplus released to retained earnings		-	-	(3,430,036)	3,430,036		-
Total comprehensive loss for the year		-	-	(3,430,036)	(16,712,032)	-	(20,142,068)
Transaction with owners		-	-	-	-		-
Balance at 31 December 2021		806,033	27,995,916	60,531,534	(45,967,914)	(1,080,831)	42,284,739

The notes on pages 7 to 30 are an integral part of these financial statements.

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

	Note	Group		Company	
		Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020
		N'000	N'000	N'000	N'000
Cash flows from operating activities:					
Loss on ordinary activities before taxation		(20,402,701)	(13,922,574)	(20,142,068)	(13,904,008)
Adjustments for :					
Depreciation	14	8,146,698	6,582,268	8,146,698	6,581,921
Depreciation of right of use assets	15(a)	122,218	97,774	122,218	97,774
Property, plant and equipment written-off	14	-	-	-	-
Interest expense on leases	15(b)	9,680	21,216	9,680	21,216
Rights of use assets at date of initial application			(250,421)	-	(250,421)
Lease liabilities at date of initial application			279,604	-	279,604
Amortisation of intangible asset	17	12,509	12,717	12,509	12,717
Writeoff of PPE		32,349		32,349	
Impairment of EEG Receivables and Negotiable Duty Credit Certificates		-	140,417	-	140,417
Impairment to NS&T balance		(80,553)	-	-	
Current service cost and interest on gratuity	23	567,105	435,912	567,105	435,912
Fair value adjustment on investment property	10	(15,120,366)	(16,729,990)	(15,120,366)	(16,729,990)
Grant income	10	(1,465,004)	(1,202,960)	(1,465,004)	(1,202,960)
Modification gain	10	-	-	-	-
Interest accrued	24a	1,654,675	1,718,644	1,654,675	1,718,644
(Increase)/Decrease of gratuity plan assets	23	445,042	277,723	445,042	277,723
Currency translation difference		(544,995)	27,621	-	-
(Gain)/loss on disposal of fixed assets		107		107	
Net adjustments for non-cash items		(6,220,533)	(8,589,475)	(5,594,985)	(8,617,443)
Adjustments for non-operating cash flow items:					
Interest received	11	(388)	(1,074)	(388)	(1,074)
Interest expense	11	28,761,234	15,663,892	28,761,234	15,663,892
Net adjustments for non-operating cash flow items		28,760,847	15,662,818	28,760,846	15,662,818
Changes in working capital:					
Increase in inventories		(4,027,834)	177,759	(3,986,858)	177,759
Increase in trade and other receivables		6,683,747	(10,231,987)	6,398,633	(10,232,306)
Increase in trade and other payables		18,235,843	10,102,480	17,459,939	10,113,470
Cash generated from operating activities		23,029,370	(6,800,979)	22,895,507	(6,799,710)
Gratuity paid	23	(736,788)	(282,427)	(736,788)	(282,427)
Income taxes paid	12a	(38,956)	-	(38,956)	-
Net cash generated from operating activities		22,253,627	(7,083,406)	22,119,763	(7,082,138)
Cash flows from investing activities:					
Purchases of property, plant and equipment	14	(11,580,500)	(3,801,907)	(11,580,500)	(3,801,907)
Proceeds from disposal of fixed assets		317		317	-
Investment in subsidiary		-	-	-	-
Interest received	11	388	1,074	388	1,074
Net cash used in investing activities		(11,579,795)	(3,800,833)	(11,579,795)	(3,800,833)
Cash flows from financing activities:					
Proceeds from borrowings	24a	1,716,414	14,427,930	1,716,414	14,427,930
Repayments of borrowings	24a	(8,703,398)	(10,075,947)	(8,703,398)	(10,075,947)
Changes in long term payables		-		-	
Principal elements of lease payments		(129,611)	(144,484)	(129,611)	(144,484)
Changes in term loan arising from reclassification (to)/from bank overdraft	24a	25,882,239	22,059,250	25,882,239	22,059,250
Increase/decrease in borrowings due to exchange loss	11c	-	-	-	
Increase in lease liability		9,680	-	9,680	
Interest paid on lease		(15,189)	(21,216)	(15,189)	(21,216)
Interest paid	11	(28,770,914)	(15,663,892)	(28,770,914)	(15,663,892)
Net cash (used in)/generated from financing activities		(10,010,778)	10,581,641	(10,010,779)	10,581,641
Net (decrease)/increase in cash and cash equivalents		663,054	(302,598)	529,189	(301,330)
Cash and cash equivalents at beginning of period		(2,927,630)	(2,625,033)	(2,928,770)	(2,627,441)
Cash and cash equivalents at end of period	20	(2,264,576)	(2,927,630)	(2,399,581)	(2,928,770)

The notes on pages 7 to 30 are an integral part of these financial statements.

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

1.0 General information

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

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

The address of the company's registered office is:
Notore Industrial Complex
Onne
Rivers State
Nigeria

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

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

2.0 Basis of preparation and adoption of IFRSs

a) Statement of compliance

The consolidated financial statements of Notore Chemical Industries Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and in the manner required by the Companies and Allied Matters Act (CAMA) and Financial Reporting Council of Nigeria (FRC) Act.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

b) Basis of measurement

The consolidated 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 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 28 January 2022.

3.0 Changes in accounting policy and disclosures

3.1 *New accounting standards adopted by the group*

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

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

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

3.2 *New accounting standards issued but not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 October 2019 and beyond, and have not been applied in preparing these financial statements. None of these is expected to have significant effect on the financial statement of the Group.

4.0 Summary of significant accounting policies

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

4.1 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss within 'administrative expenses'.

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

4.2 Trade receivables

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

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

4.3 Revenue recognition

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

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

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

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

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

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

4.0 Summary of significant accounting policies (cont'd)

4.4 Cash and cash equivalents

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

4.5 Inventories

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

4.6 Non-current assets held for sale

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

4.7 Trade payables

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

4.8 Provisions and contingent liabilities

Provisions

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

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

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

Contingent liabilities

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

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

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

4.9 Property, plant and equipment

Property, plant and equipment (excluding land & building and plant & machinery) are initially recognised at cost and subsequently stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Cost also includes expenditures for dismantling and removing items and restoring the site on which they were located. Obiligations for dismantling, removal or site restoration are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of profit or loss during the period in which they are incurred.

The Group allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each of such part. Depreciation of these assets or parts commences when the assets or parts are ready for their intended use. The carrying amount of a replaced part is derecognized when replaced. Impairment losses and gains and losses on disposals of property, plant and equipment are included in the statement of profit or loss. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use.

4.0 Summary of significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

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

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

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Land & Building and Plant & Machinery are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, Knight Frank (FRC/2013/0000000000584), less subsequent depreciation. A revaluation surplus is recognised, net of tax, in other comprehensive income and accumulated in asset revaluation reserve in shareholders' equity. To the extent that the surplus reverses a loss previously recognised in profit or loss, the increase is first recognised in profit or loss. Revaluation loss that reverses previous surplus of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other losses are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the asset revaluation reserve to retained earnings within equity.

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

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

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

4.10 Intangible assets

Computer software licences are acquired and recognised at acquisition cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditures on software are capitalised only when it increases the future economic benefits of the related software. Software maintenance costs are recognised as expenses in the profit and loss as they are incurred. Amortisation is recognised in profit and loss account on a straight-line basis over the estimated useful life of the software, from the date it is available for use. The estimated useful life of software is three years. Amortisation methods, useful lives, and residual values are reviewed at each reporting date and adjusted, if appropriate. An intangible asset is derecognised where it is certain that there would be no future flow of economic benefit to the Group as a result of holding such asset.

4.11 Impairment of non-financial assets

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

4.0 Summary of significant accounting policies (cont'd)

4.12 Financial instruments

(i) Financial assets

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

(a) Measurement

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

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

(b) Debt instruments

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

(c) Amortized cost

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

(d) FVOCI

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

(e) FVPL

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

(f) Recognition and derecognition

Financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(ii) Financial liabilities at amortised cost

Financial liabilities are classified as financial liabilities at amortised cost. Financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, inclusive of directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification as follows:

These include trade payables and bank borrowings. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortised cost using the effective interest method. Bank borrowings are recognised initially at fair value, net of any transaction costs incurred, and subsequently at amortised cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(g) Derecognition

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

4.0 Summary of significant accounting policies (cont'd)

4.13 Offsetting financial instruments

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

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

4.14 Impairment of financial assets

Assets carried at amortised cost

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

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

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

4.15 Share capital

The Company has only one class of shares: ordinary shares. Ordinary shares are clssified 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% of the chargeable profits.

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

(b) Deferred income tax

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

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

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

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

4.0 Summary of significant accounting policies (cont'd)

4.17 Employee benefits

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

(i) Defined contribution scheme (Pension obligations)

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

The group's contributions to the defined contribution schemes are charged to the statement of profit or loss for the period to which they relate. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Company contributes 10% for employees while employees contribute 8% of their total emoluments respectively.

(ii) Gratuity Scheme

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

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

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

(iii) Bonus plans

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

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.18 Leases - pre 1 October 2019 (see Note 7 for policy from 1 October 2019)

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

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

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

4.0 Summary of significant accounting policies (cont'd)

4.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. The Group's government grant relates to benefit of borrowing at below-market rate of interest.

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

4.20 Cost of sales

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

4.21 Borrowings

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

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

4.22 Borrowings costs

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

4.23 Investment property

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

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

Valuation of investment property is performed annually.

4.24 Consolidation

(a) Subsidiaries

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

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

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

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

4.0 Summary of significant accounting policies (cont'd)

(c) Disposal of subsidiaries

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

4.25 Segment reporting

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

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

4.26 Export expansion grant and Negotiable duty credit certificates

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

If in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in cost of sales in the consolidated statement of profit or loss.

4.27 Related parties

Related parties include the holding company and other group entities. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Group are also considered to be related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

5 Critical accounting estimates and judgements

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

5.1 Impairment of financial assets

The Group has two types of financial assets that are subject to impairment:
- cash and cash equivalents, and
- trade and other receivables.

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

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

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

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

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

5.2 Export Expansion Grant Receivable and Negotiable Duty Credit Certificates

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

5.3 Employee benefit obligations

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

In determining the appropriate discount rate, the actuaries considers the interest rates of high-quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate should be based on market yields on Government bonds) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefit obligation. Other key assumptions for employee benefit obligations are based in part on current market conditions. Additional information is disclosed in Note 24.

5 **Critical accounting estimates and judgements (cont'd)**

5.4 Income taxes and deferred tax

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

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

5.5 Functional currency

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

5.6 Fair value of investment property

Critical accounting estimates and judgements made on fair value of investment property are disclosed in Note 17 to the financial statements.

5.7 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.

5.8 Foreign exchange rates

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

5.9 Determining the lease term

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

The following factors are normally the most relevant:

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

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

6.0 **Financial risk management**

Introduction and overview of company and group risk management

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

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

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

7 **Revenue from contracts with customers**

	Group		Company	
	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020
	N'000	N'000	N'000	N'000
NPK	4,273,196	249,620	4,273,196	249,620
Urea and other chemicals	20,816,415	18,250,825	20,816,415	18,250,825
Ammonia	394,816	298,598	394,816	298,598
Infrastructure services	1,540,959			
Total	27,025,385	18,799,043	25,484,426	18,799,043
Analysis by geographical location:				
Within Nigeria	22,415,010	14,207,392	20,874,051	14,207,392
Outside Nigeria	4,610,375	3,216,818	4,610,375	3,216,818
	27,025,385	17,424,209	25,484,426	17,424,209

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

8 **Cost of sales**

	Group		Company	
	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020
	N'000	N'000	N'000	N'000
Raw materials and other chemicals cost	8,968,832	6,711,887	8,968,832	6,711,887
Overheads	8,765,081	6,597,224	8,765,081	6,597,224
Depreciation	7,678,610	6,200,195	7,678,610	6,200,195
Staff cost (Note 9d)	2,542,646	2,168,144	2,542,646	2,168,144
Haulage cost	36,175	1,203	36,175	1,203
Infrastructure services cost	705,008	-	-	-
Total	28,696,351	21,678,653	27,991,343	21,678,653

Analysis of depreciation charged

	Group		Company	
	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020
	N'000	N'000	N'000	N'000
Depreciation on PPE charged to cost of sales	7,678,610	6,200,195	7,678,610	6,200,195
Depreciation on PPE charged to admin expenses	468,088	145,990	468,088	381,726
Total depreciation charged on PPE (Note 14)	8,146,698	6,346,185	8,146,698	6,581,921

9a **Administrative expenses**

The following balances are included as part of administrative expenses:

	Group		Company	
	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020
	N'000	N'000	N'000	N'000
Employee benefit expense	3,491,574	2,715,358	3,252,034	2,707,173
Repair and maintenance	137,558	130,436	137,558	117,979
Consultancy	362,387	337,102	201,687	337,102
Transportation & Travel	405,621	106,038	395,645	100,720
Depreciation	468,088	382,073	468,088	381,726
Depreciation of right of use asset (Note 15a)	122,218	97,774	122,218	97,774.00
Amortisation of intangible assets (Note 17)	12,509	12,717	12,509	12,717
Corporate promotion expenses	107,888	198,377	103,888	198,377
Directors fees	827,263	617,903	827,263	617,903
Board expenses	29,140	27,051	29,140	27,051
Foreign currency exchange loss	(110,468)	(218,511)	(108,275)	(228,430)
Bank charges	67,919	49,767	65,407	49,629
Other admin and general expenses	978,016	1,518,312	979,857	1,538,010
Auditor's renumeration provision	56,000	41,900	50,000	40,000
	6,955,713	6,016,297	6,537,019	5,997,731

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

(Increase)/decrease in loss allowance

9b **Selling and distribution expenses**

	Group		Company	
	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020
	N'000	N'000	N'000	N'000
Marketing expenses	272,047	293,696	266,707	293,696

9c Employee benefits expense

	Group		Company	
	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020
	N'000	N'000	N'000	N'000
Salaries and wages	3,689,014	2,854,593	3,449,474	2,846,408
Other employee benefits	1,443,970	1,224,927	1,443,970	1,224,927
Termination benefits	63,509	138,749	63,509	138,749
Employer's pension contribution - defined contributions	306,267	265,027	306,267	265,027
Gratuity charge (Note 23)	531,460	400,206	531,460	400,206
	6,034,220	4,883,502	5,794,680	4,875,317

9d Analysis of employee benefits expense charged to:

	Group		Company	
	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020
	N'000	N'000	N'000	N'000
Cost of sales	2,542,646	2,168,144	2,542,646	2,168,144
Administrative expenses	3,491,574	2,715,358	3,252,034	2,707,173
	6,034,220	4,883,502	5,794,680	4,875,317

10 **Other income**

	Group		Company	
	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020
	N'000	N'000	N'000	N'000
Fair value adjustment on investment property (Note 16)	14,443,083	16,729,990	15,114,716	16,729,990
Others	1,358,464	742,295	1,359,382	742,295
Grant Income on BOI loan	1,465,004	1,202,960	1,465,004	1,202,960
	17,266,551	18,675,245	17,939,101	18,675,245

11 **Finance income and costs**

	Group		Company	
	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020	Fifteen months 31 Dec 2021	Twelve months 30 Sept 2020
	N'000	N'000	N'000	N'000
11a **Finance income**				
Interest income on short-term bank deposits	388	1,074	388	1,074
11b **Finance cost**				
Interest expense:				
– Interest and fees on borrowings	22,830,405	15,663,892	22,830,405	15,663,892
– Interest expense on lease liability	9,680	21,216	9,680	21,216
– Exchange difference on bank borrowings	5,930,830	7,724,182	5,930,830	7,724,182
	28,770,914	23,409,290	28,770,914	23,409,290
Net finance costs	28,770,526	23,408,216	28,770,526	23,408,216

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

12a **Income tax expense**

	Group and Company	
	31 Dec 2021	30 Sept 2020
	N'000	N'000
At start of the period	38,956	-
Charge for the period - Income tax	-	38,956
Payment during the period	(38,957)	-
Total current income tax liabilities	(1)	38,956

12b **Deferred income tax**

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

	Group and Company	
	31 Dec 2021	30 Sept 2020
	N'000	N'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	39,361,042	39,361,042
– Deferred tax assets to be recovered within 12 months	276,072	276,072
	39,637,114	39,637,114
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	46,044,785	46,044,785
– Deferred tax liabilities to be recovered within 12 months	3,839,329	3,839,329
	49,884,114	49,884,114
Deferred tax (liability)/asset - (net)	(10,247,000)	(10,247,000)

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 2021	30 Sept 2020
	N'000	N'000
Deferred tax assets:		
Deferred income tax asset:		
Balance at the beginning of the year	39,637,114	30,309,559
Credit to profit or loss for the year	-	9,215,996
Credit to other comprehensive income for the year	-	111,559
Total deferred tax asset	39,637,114	39,637,114
Deferred tax liabilities:		
Deferred income tax liabilities:		
Balance at the beginning of the year	49,884,114	48,124,014
Charge to profit or loss for the year	-	1,690,058
Charge to other comprehensive income for the year	-	70,042
Total deferred tax liabilities	49,884,114	49,884,114

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

13 (Loss)/earnings per share (EPS)

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

	Group		Company	
	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'000	N'000	N'000
(loss) for the year attributable to shareholders	(20,402,701)	(6,396,636)	(20,142,068)	(6,378,070)
Weighted average number of ordinary shares in issue	1,612,066	1,612,066	1,612,066	1,612,066
Basic earnings per share (Naira)	(12.66)	(3.97)	(12.49)	(3.96)

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

14 Property, plant and equipment

Group

	Land	Building	Plant & Machinery	Motor Vehicle	Computer Equipment	Office Equipment	Capital Work in Progress	Total
		N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cost/valuation								
At 1 October 2019	3,966,973	11,592,073	130,095,060	682,669	331,010	499,160	7,407,802	154,574,747
Additions	-	48,865	-	-	27,480	30,045	3,695,517	3,801,907
Revaluation surplus	-	-	-	-	498	189,498	-	189,996
Reclassification	-	-	713,755	-	-	-	(713,755)	-
Transfer to investment property (Note 15)	(1,925,640)	(2,760,268)	(435,780)	-	(1,450)	(278,833)	(271,453)	(5,673,424)
At 30 September 2020	2,041,333	8,880,670	130,373,035	682,669	357,538	439,870	10,118,111	152,893,226
Accumulated depreciation								
At 1 October 2019	-	-	-	428,371	251,528	396,280	-	1,076,179
Charge for the year	-	257,278	6,200,195	62,236	41,352	21,207	-	6,582,268
Revaluation surplus	-	-	-	-	(427)	(43,049)	-	(43,476)
At 30 September 2020	-	257,278	6,200,195	490,607	292,453	374,438	-	7,614,971
Net Book Value								
At 30 September 2020	2,041,333	8,623,392	124,172,840	192,062	65,085	65,432	10,118,111	145,278,255
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	-	-	971,451	-	12,405	33,329	10,563,316	11,580,500
Disposal		-	-	-	(21,307.62)	(143.25)	-	(21,451)
Reclass	-	27,870.24	11,484,919.88	-	-	10,690.28	(11,523,480)	-
Transfer to investment property (Note 15)	-	-	-	-	-	-	(39,075.15)	(39,075)
Transfer to Expense							(32,349.04)	(32,349)
At 31 December 2021	2,041,333	8,908,540	142,829,406	682,669	348,635	483,746	9,086,522	164,380,851
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	69,601	47,498	38,805	-	8,146,698
Disposal					(20,884)	(143)		(21,027)
At 31 December 2021	-	569,462	13,878,805	560,208	319,067	413,100	-	15,740,641
Net Book Value								
At 31 December 2021	2,041,333	8,339,077	128,950,601	122,461	29,568	70,646	9,086,522	148,640,207

14 Property, plant and equipment (continued)

Company

	Land	Building	Plant & Machinery	Motor Vehicle	Computer Equipment	Office Equipment	Capital Work in Progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cost/valuation								
At 1 October 2019	3,966,973	11,592,073	130,095,060	682,669	326,560	499,160	7,407,802	154,570,297
Additions	-	48,865	-	-	27,480	30,045	3,695,517	3,801,907
Revaluation surplus	-	-	-	-	498	189,498		189,996
Reclassification	-	-	713,755				(713,755)	-
Transfer to Investment property (Note 15)	(1,925,640)	(2,760,268)	(435,780)	-	(1,450)	(278,833)	(271,453)	(5,673,424)
At 30 September 2020	2,041,333	8,880,670	130,373,035	682,669	353,088	439,870	10,118,111	152,888,776
Accumulated depreciation								
At 1 October 2019	-	-	-	428,371	247,425	396,280	-	1,072,077
Charge for the year	-	257,278	6,200,195	62,236	41,005	21,207	-	6,581,921
Revaluation surplus	-	-	-	-	(427)	(43,049)	-	(43,476)
At 30 September 2020	-	257,278	6,200,195	490,607	288,003	374,438	-	7,610,522
Net Book Value								
At 30 September 2020	2,041,333	8,623,392	124,172,840	192,062	65,085	65,432	10,118,111	145,278,254
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	-		971,451	-	12,405	33,329	10,563,316	11,580,500
Disposal	-	-	-	-	(21,308)	(143)	-	(21,451)
Reclass	-	27,870	11,484,920	-	-	10,690	(11,523,480)	-
Transfer to Investment property (Note 15)	-	-	-		-	-	(39,075)	(39,075)
Transfer to Expense	-	-	-	-	-	-	(32,349)	(32,349)
At 31 December 2021	2,041,333	8,908,540	142,829,405	682,669	344,185	483,746	9,086,522	164,376,401
Accumulated depreciation								
At 1 October 2020	-	257,278	6,200,195	490,607	288,003	374,438	-	7,610,522
Charge for the year		312,184	7,678,610	69,601	47,498	38,805		8,146,698
Disposal					(20,884)	(143)		(21,027)
At 31 December 2021	-	569,462	13,878,805	560,208	314,617	413,100	-	15,736,192
Net Book Value								
At 31 December 2021	2,041,333	8,339,078	128,950,601	122,461	29,568	70,646	9,086,522	148,640,207

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

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

15(a) **Right of use assets**

	GROUP & COMPANY	
	31 Dec 2021	30 Sept 2020
	Building N'000	Building N'000
Asset		
Opening balance	250,421	-
Additions during the year	-	250,421
Closing balance	250,421	250,421
Depreciation		
Opening balance	97,774	-
Charge for the year (Note 9a)	122,218	97,774
Closing balance	219,992	97,774
Net book value	30,429	152,647

15(b) Lease liabilities

	GROUP & COMPANY	
	31 Dec 2021	30 Sept 2020
	N'000	N'000
Opening balance	135,120	-
Additions	-	279,604
Interest expense (Note 11b)	9,680	21,216
Payments made during the period	(144,800)	(165,700)
Net book value	(0)	135,120
Current	(0)	135,120
Non-current	-	-

16 **Investment property**

	Group		Company	
	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'000	N'000	N'00
Cost				
Opening balance	53,174,118	30,770,704	53,174,118	30,770,704
Addition	5,650		5,650	
Transfer from CWIP	39,075		39,075	
Transfer from PPE (note 14)	-	5,673,424	-	5,673,424
Fair value adjustment (Note 10)	15,114,716	16,729,990	15,114,716	16,729,990
	68,333,559	53,174,118	68,333,559	53,174,118

17 **Intangible assets**

	Group		Company	
	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'00	N'000	N'00
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	(80,291)	(67,574)	(80,291)	(67,574)
Charge for the period	(12,509)	(12,717)	(12,509)	(12,717)
Closing balance	(92,800)	(80,291)	(92,800)	(80,291)
Net book value	0	12,509	0	12,509

Intangible assets relate to cost of software. Amortisation expense of N6.4 million (Sept 2020:N12.7 million) has been recognised in administrative expenses.

18 **Inventories**

	Group		Company	
Group	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'000	N'000	N'000
Raw materials	2,221,077	2,020,158	2,221,077	2,020,158
Finished goods	2,856,612	316,127	2,856,612	316,127
Spare parts inventories	4,900,367	3,613,937	4,859,391	3,613,937
	9,978,056	5,950,222	9,937,080	5,950,222

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

19 Trade and other receivables

	Group		Company	
	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
Financial instruments	N'000	N'000	N'000	N'000
Trade receivables	1,181,161	640,311	729,905	640,311
Less: Impairment of trade receivables	(635,506)	(635,506)	(635,506)	(635,506)
Net trade receivables	545,654	4,805	94,398	4,805
Employee receivables	5,552	15,181	5,552	15,181
Other receivables	4,000	252,341	4,000	252,341
	555,207	272,327	103,951	272,327
Non-financial instruments				
Advances to prepaid suppliers	3,477,129	10,474,146	3,473,565	10,474,146
Prepayments	32,518	125,306	27,871	125,306
Withholding tax receivables	358,367	394,464	358,367	394,464
Other receivables	208,750	49,475	208,750	49,475
Amount due from related party (Note 26b)	-	-	744,582	-
Total	4,076,764	11,043,391	4,813,134	11,043,391
Total trade and other receivables	4,631,971	11,315,718	4,917,085	11,315,718

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.

19b Pledged assets

	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'000	N'000	N'000
Export Expansion Grant Receivables and Negotiable Duty Credit Certificates	4,540,129	4,540,129	4,540,129	4,540,129

Export Expansion Grant Receivables and Negotiable Duty Credit Certificates will be settled through the issuance of Promissory Notes by the Debt Management Office of the Federal Government of Nigeria. The entire value of the anticipated Promissory Notes has been domiciled with a financial institution for the purposes of offsetting the Company's loan obligations to the financial institution.

20 Cash and cash equivalents

	Group		Company	
	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'000	N'000	N'000
Cash at bank and in hand (excluding overdrafts)	1,164,890	337,347	1,029,885	336,207
Cash and cash equivalents (excluding overdrafts)	1,164,890	337,347	1,029,885	336,207

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

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

	Group		Company	
	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'000	N'000	N'000
Cash and cash equivalents (excluding overdrafts)	1,164,890	337,347	1,029,885	336,207
Bank overdrafts (Note 24)	(3,429,466)	(3,264,977)	(3,429,466)	(3,264,977)
Cash and cash equivalents (including overdrafts)	(2,264,576)	(2,927,630)	(2,399,581)	(2,928,770)

21 Share capital

	Group		Company	
	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'000	N'000	N'000
Authorised:				
2020: 4 billion (2019: 2 billion) ordinary shares of 50 Kobo each	2,000,000	2,000,000	2,000,000	2,000,000
Issued and fully paid:				
1.61 billion ordinary shares of 50 Kobo each	806,033	806,033	806,033	806,033

22 Retained earnings

	Group		Company	
	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'000	N'000	N'000
Balance at the beginning	(29,164,393)	(25,898,532)	(29,255,882)	(26,008,587)
Minimum tax 2020 finanacial year adjustment	-	(38,956)	-	(38,956)
Balance at the beginning as restated	(29,164,393)	(25,937,488)	(29,255,882)	(26,047,543)
(Loss)/profit for the period	(20,402,701)	(6,396,636)	(20,142,068)	(6,378,070)
Impairment to NS&T balance	(80,553)			
Remeasurements of post employment benefit liabilities net of tax	-	(260,305)	-	(260,305)
Revaluation reserve released on depreciation of revalued PPE	3,430,036	3,430,036	3,430,036	3,430,036
Balance at the end	(46,217,611)	(29,164,393)	(45,967,914)	(29,255,882)

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

23 **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 2021	30 Sept 2020
	N'000	N'000
Balance sheet obligations for:		
Post-employment benefit	1,895,681	1,620,322
Liability in the balance sheet	1,895,681	1,620,322
Income statement charge included in employee benefits expense for:		
Post-employment benefit	567,105	435,912
	567,105	435,912
Remeasurements for:		
Change in financial assumption and experience adjustment	-	371,864
	-	371,864

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

The provision for gratuity was based on independent actuarial valuation performed by independent actuaries using the projected unit credit method. The Group maintains an asset account with a fund manager for funding of the obligations as they fall due. As at 31 March 2021, fair value of the plan asset stood at N288.91 million (30 September 2020: N478.03 million).

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

	Group & Company	
	31 Dec 2021	30 Sept 2020
	N'000	N'000
Present value of obligations (funded)	1,928,674	2,098,357
Fair value of plan assets	(32,993)	(478,035)
Deficit of funded plan	1,895,681	1,620,322

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

	Group & Company	
	31 Dec 2021	30 Sept 2020
	N'000	N'000
Balance at the beginning of the period	2,098,357	1,573,008
Charge during the period:		
Current service cost	319,981	208,159
Interest cost	247,124	227,753
	567,105	435,912
	2,665,462	2,008,920
Remeasurements:		
Actuarial losses/(gains) - change in financial assumption	-	418,257
Actuarial losses/(gains) - experience adjustment	-	(46,393)
Total	-	371,864
Payments from plans:		
Benefits paid by the employer	(736,788)	(282,427)
Total	(736,788)	(282,427)
Balance at the end of the period	1,928,674	2,098,357

The breakdown of the plan assets is shown below:

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

(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 30 September 2021 was N264 million (30 September 2020: N289 million) while the employee contribution is included in salaries and wages amount - Note 9c

24a **Borrowings**

	Group	
	31 Dec 2021	30 Sept 2020
	N'000	N'000
Non-current		
Bank borrowings	79,962,615	89,669,185
Total non-current borrowings	79,962,615	89,669,185
Current		
Bank overdrafts (Note 20)	3,429,466	3,264,977
Bank borrowings	45,672,840	15,416,340
Total current borrowings	49,102,306	18,681,317
Total borrowings (non-current & current)	129,064,922	108,350,502

	Company	
	31 Dec 2021	30 Sept 2020
	N'000	N'000
Non-current		
Bank borrowings	79,962,615	89,669,185
Total non-current borrowings	79,962,615	89,669,185
Current		
Bank overdrafts (Note 20)	3,429,466	3,264,977
Bank borrowings	45,672,840	15,416,340
Total current borrowings	49,102,306	18,681,317
Total borrowings (non-current & current)	129,064,922	108,350,502

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

	Group		Company	
	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'000	N'000	N'000
Opening balance	105,085,525	76,955,648	105,085,525	76,955,648
Additions	1,716,414	14,427,930	1,716,414	14,427,930
Interest accrued	1,654,675	1,718,644	1,654,675	1,718,644
Reclassification from/(to) bank overdraft	25,882,240	22,059,250	25,882,240	22,059,250
Repayments	(8,703,398)	(10,075,947)	(8,703,398)	(10,075,947)
Closing balance	125,635,455	105,085,525	125,635,455	105,085,525

Bank borrowings are categorised as follows

	Group		Company	
	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'000	N'000	N'000
Bank of Industry (BoI) borrowings	13,209,779	16,798,602	13,209,779	16,798,602
Other bank borrowings	112,425,676	88,286,923	112,425,676	88,286,923
	125,635,455	105,085,525	125,635,455	105,085,525

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

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

24b **Grant liability**

	Group		Company	
	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'000	N'000	N'000
Non-current	2,596,828	4,026,113	2,596,828	4,026,113
Current	1,167,241	1,202,959	1,167,241	1,202,959
Total grant liability	3,764,069	5,229,072	3,764,068	5,229,072
Movement in grant liability is presented as follows:				
At 1 October	5,229,072	6,432,032	5,229,072	6,432,032
Grant income recognised in profit or loss (Note 10)	(1,465,004)	(1,202,960)	(1,465,004)	(1,202,960)
Closing balance	3,764,068	5,229,072	3,764,068	5,229,072

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

25 **Trade and other payables**

	Group		Company	
	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'000	N'000	N'000
Current				
Financial Instrument				
Trade payables	10,374,491	5,925,005	10,368,580	5,925,005
Interest and fees payable	3,720,794	435,915	3,720,794	435,915
Accrued expenses	3,569,301	4,163,775	3,569,301	4,161,268
Amounts due to related parties (Note 26b)	17,800,335	10,828,520	17,850,335	11,516,625
	35,464,921	21,353,215	35,509,010	22,038,813
Non-financial instruments				
Accrued expenses	1,542,517	1,100,697	1,681,237	1,100,697
Contract liabilities	13,305,088	9,622,771	13,031,973	9,622,771
	14,847,605	10,723,468	14,713,210	10,723,468
Total trade and other payables	50,312,526	32,076,683	50,222,220	32,762,281

26 **Related party transactions**

Notore Chemical Industries (Mauritius) Limited

As at 30 December 2021, 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.

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

	Group		Company	
	31 Dec 2021	30 Sept 2020	31 Dec 2021	30 Sept 2020
	N'000	N'000	N'000	N'000
Notore Supply and Trading Mauritius Limited	-	-	(10,000)	(638,105)
Notore Power and Infrastructure Limited	-	-	744,582	(10,000)
Notore Foods Limited	-	-	(10,000)	(10,000)
Notore Seeds Limited	-	-	(10,000)	(10,000)
Notore Industrial City Limited	-	-	(10,000)	(10,000)
Notore Train II Limited (Inactive)		-	(10,000)	(10,000)
Eroton Exploration and Production Company Limited	(17,807,766)	(10,828,520)	(17,807,766)	(10,828,520)
	(17,807,766)	(10,828,520)	(17,113,185)	(11,516,625)

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

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

27 Investments in subsidiaries

Principal subsidiaries

The group had the following subsidiaries as at 31 December 2021

Name	Investment Amount	Country of incoporation and place of business	Nature of business	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by group	Proportion of ordinary shares held by non-controlling interests
	N'000			%	%	%
Notore Supply and Trading Mauritius Limited	255	Mauritius	Sale of fertilisers and other chemical products	100.00	100.00	-
Notore Supply and Trading Limited BVI	-	British Virgin Islands		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
	50,255					

Movement in investment in subsidiaries

	Company	
	31 Dec 2021	30 Sept 2020
	N'000	N'000
Opening balance	50,255	50,255
Increase during the period	-	-
Closing balance	50,255	50,255

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

28 Revenue from contracts with customers

	Group		Company	
	Three months 31 Dec 2021	Three months 31 Dec 2020	Three months 31 Dec 2021	Three months 31 Dec 2020
	N'000	N'000	N'000	N'000
NPK	926,996	342,600	926,996	342,600
Urea and other chemicals	8,242,509	2,800,938	8,242,509	2,800,938
Ammonia	35,610	164,686	35,610	164,686
Infrastructure and services	353,569	261,670	-	-
Total	9,558,684	3,569,894	9,205,115	3,308,224
Analysis by geographical location:				
Within Nigeria	5,387,509	3,569,894	3,569,894	3,308,224
Outside Nigeria	4,171,175	-	4,171,175	-
	9,558,684	3,569,894	7,741,069	3,308,224

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.

29 Cost of sales

	Group		Company	
	Three months 31 Dec 2021	Three months 31 Dec 2020	Three months 31 Dec 2021	Three months 31 Dec 2020
	N'000	N'000	N'000	N'000
Raw materials and other chemicals cost	2,460,048	1,350,728	2,460,048	1,350,728
Overheads	2,206,472	1,456,007	2,206,472	1,456,007
Depreciation	1,502,886	1,561,032	1,502,886	1,561,032
Staff cost	486,551	480,579	486,551	480,579
Haulage cost	-	6,200	-	6,200
Infrastructure and accomodation services cost	153,818	108,039	-	-
Total	6,655,957	4,962,585	6,655,957	4,854,546

30a Administrative expenses

The following balances are included as part of administrative expenses:

	Group		Company	
	Three months 31 Dec 2021	Three months 31 Dec 2020	Three months 31 Dec 2021	Three months 31 Dec 2020
	N'000	N'000	N'000	N'000
Employee benefit expense	697,125	584,385	648,754	525,178
Repair and maintenance	50,272	13,873	50,272	13,873
Consultancy	94,126	118,789	54,926	118,789
Transportation & Travel	98,968	68,699	93,745	67,753
Depreciation	101,726	94,745	101,726	94,745
Depreciation of right of use asset (Note 15a)	24,444	24,443.59	24,444	24,443.59
Amortisation of intangible assets (Note 16)	-	3,223	-	3,223
Corporate promotion expenses	71,351	4,778	71,351	4,778
Directors fees	262,787	154,475	262,787	154,475
Board expenses	831	-	831	-
Foreign currency exchange loss	(406,402)	104,590	(406,402)	105,710
Bank charges	16,786	6,789	16,270	6,378
Other admin and general expenses	185,260	236,169	208,388	229,453
Auditor's renumeration provision	13,942	10,382	10,000	10,000
	1,211,215	1,425,341	1,137,091	1,358,799

30b Selling and distribution expenses

	Group		Company	
	Three months 31 Dec 2021	Three months 31 Dec 2020	Three months 31 Dec 2021	Three months 31 Dec 2020
	N'000	N'000	N'000	N'000
Marketing expenses	53,254	26,140	52,415	26,140

30c Employee benefits expense

	Group		Company	
	Three months 31 Dec 2021	Three months 31 Dec 2020	Three months 31 Dec 2021	Three months 31 Dec 2020
	N'000	N'000	N'000	N'000
Salaries and wages	751,083	702,363	702,712	643,156
Other employee benefits	259,505	164,822	259,505	164,822
Termination benefits	3,890	35,410	3,890	35,410
Employer's pension contribution - defined contributions	61,690	59,144	61,690	59,144
Gratuity charge	107,508	103,225	107,508	103,225
Total	1,183,676	1,064,964	1,135,305	1,005,757

30d Analysis of employee benefits expense charged to:

	Group		Company	
	Three months 31 Dec 2021	Three months 31 Dec 2020	Three months 31 Dec 2021	Three months 31 Dec 2020
	N'000	N'000	N'000	N'000
Cost of sales	486,551	480,579	486,551	480,579
Administrative expenses	697,125	584,385	648,754	525,178
	1,183,676	1,064,964	1,135,305	1,005,757

31 Other income

	Group		Company	
	Three months 31 Dec 2021	Three months 31 Dec 2020	Three months 31 Dec 2021	Three months 31 Dec 2020
	N'000	N'000	N'000	N'000
Fair value adjustment on investment property (Note 15)	8,984,142	-	9,101,374	-
Others	1,096,153	62,646	1,097,166	62,626
Grant Income on BOI loan	291,810	300,740	291,810	300,740
	10,372,105	363,386	10,490,350	363,366

32 Finance income and costs

	Group		Company	
	Three months 31 Dec 2021	Three months 31 Dec 2020	Three months 31 Dec 2021	Three months 31 Dec 2020
	N'000	N'000	N'000	N'000
32a Finance income				
Interest income on short-term bank deposits	0	96	0	96
32b Finance cost				
Interest expense:				
– Interest and fees on borrowings	6,141,212	4,079,053	6,141,212	4,079,053
– Interest expense on lease liability	-	4,836	-	4,836
– Exchange difference on bank borrowings	5,930,830	-	5,930,830	-
	12,072,042	4,083,890	12,072,042	4,083,890
Net finance costs	12,072,041	4,083,793	12,072,041	4,083,793

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.