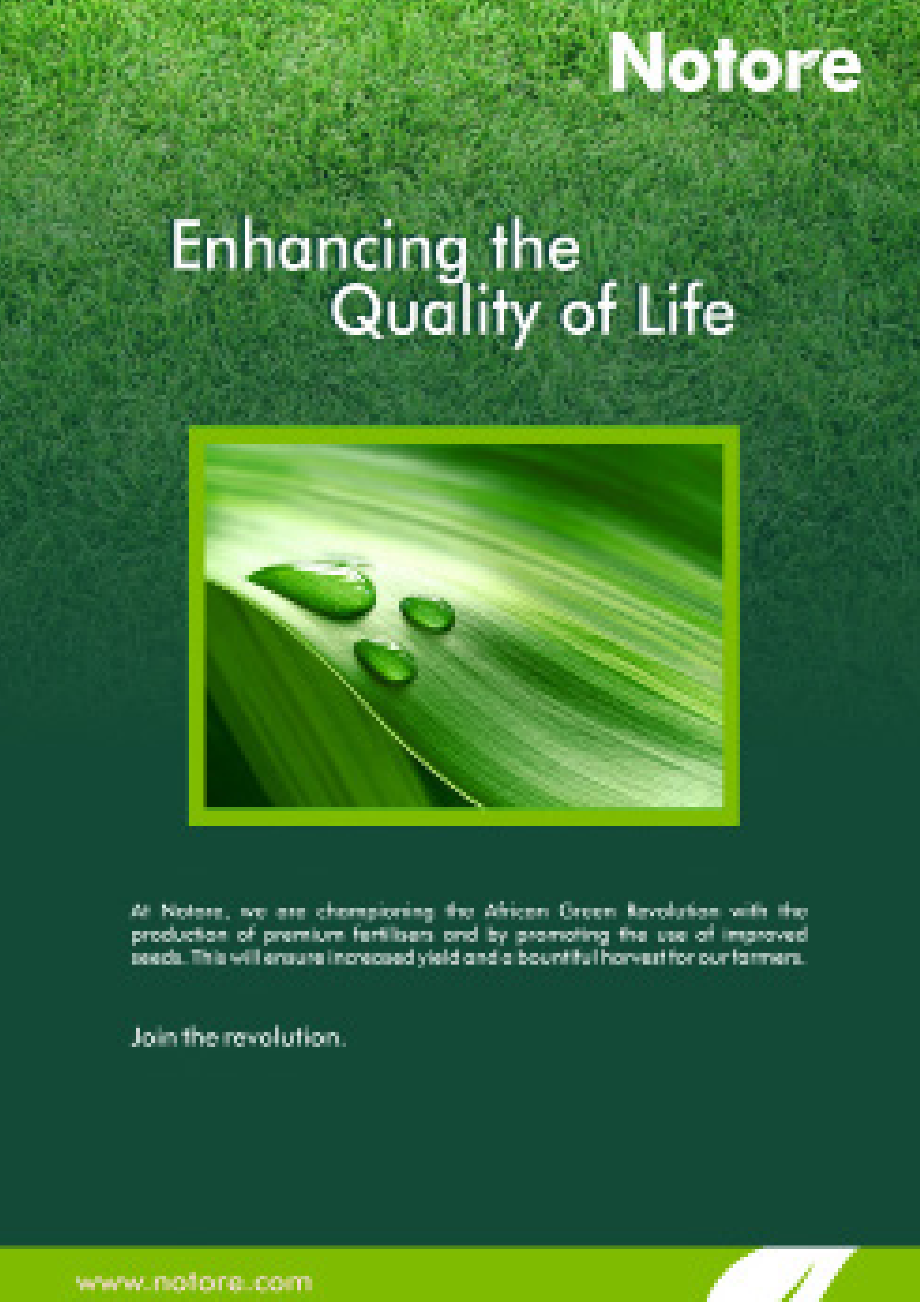
Notore

Notore Chemical Industries Plc

RC:640303

2020
ANNUAL REPORT

Annual Report & Financial Statements


Notore
Enhancing the Quality of Life
At Notore, we are championing the African Green Revolution with the production of premium fertilisers and by promoting the use of improved seeds. This will ensure increased yield and a bountiful harvest for our farmers.
Join the revolution.
www.notore.com

Notore

Contents

Corporate Information

Directors

General Dr. Yakubu Gowon, GCFR	(Chairman)
Mr. Onajite P. Okoloko	(Managing Director/CEO)
Mr. Michael Osime	
Mr. Richard Herb	
Engr. Mike Orugbo, JP	
Mr. Ike Osakwe	
Mr. Michael Jansa	
Mr. Hassan Badrawi	
Mr. Bashir Lebada	
Mr. Femi Agbaje	
Mr. Ohis Ohiwerei	(Executive Director)
Mr. Tseyi Hammond	

Company Secretary

Mrs. Otivbo Saleh
6th Floor, Keystone Bank Building
Keystone Bank Crescent
Off Adeyemo Alakija Street
Victoria Island
Lagos

Auditor

PricewaterhouseCoopers
Chartered Accountants
Landmark Towers
5B, Water Corporation Road
Victoria Island
Lagos

Registered Office

Notore Industrial Complex
Onne
Rivers State
Nigeria

Registration number

640303

Principal Bankers

Polaris Bank Limited
First City Monument Bank Plc
Ecobank Nigeria Plc
Union Bank of Nigeria Plc
United Bank for Africa Plc

Who We Are

Notore is a vertically integrated agro-allied, chemicals, power and infrastructure company situated in Onne (near Port Harcourt), Rivers State, Nigeria. We are committed to helping Nigeria and the African continent become self-reliant in food production and economic wealth.

Notore is engaged primarily in the production and sale of premium fertilizer products. Notore's current business comprises fertilizer production, supply and trading of fertilizer, seeds, and power. The Group's primary fertilizer products are granular Urea and Ammonia.

Our Vision

To be the number one company by market share and profitability in our chosen businesses and a significant contributor to the development of Africa.

Our Mission

To enhance the quality of life

Our Values

Our values define how we conduct our businesses and interact with our various stakeholders. As a world-class organisation, Notore functions on global best practices in all its operations and behaviour.

The following core values drive all we do at Notore:

Leadership
Taking bold steps to be a leader in new territories is part of who we are. We proffer innovative solutions to our stakeholders, which continuously positions us as a significant contributor to the development of Africa.

Integrity
We apply integrity to all areas of business and expect the highest level from all employees. We ensure transparent and honest engagement with all stakeholders.

Respect
Working with mutual respect and appreciation of all stakeholder interests while acknowledging differences in culture and opinions.

Excellence
We aim to improve our processes to consistently provide premium products and services to our clients.

Teamwork
We focus on working as one to achieve our mission to enhance the quality of life.

Reliability
We live to deliver consistently on our brand promises.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of Notore Chemical Industries Plc. (the "Company"), will hold at the Oduduwa Hall, Southern Sun Hotel, 47, Alfred Rewane Road (formerly Kingsway Road), Ikoyi, Lagos State, on Friday, 25th June, 2021 at 11.00am prompt, to transact the following business:

ORDINARY BUSINESS:

A. To receive and consider the Audited Financial Statements of the Company and of the Group for the year ended 30th September 2020, together with the Reports of the Directors, Auditors and Statutory Audit Committee thereon.

B. To appoint the External Auditors of the Company and to authorize the Directors of the Company to fix the remuneration of the External Auditors.

C. To re-elect the following Directors who in accordance with Section 285(2) of the Companies and Allied Matters Act ("CAMA"), 2020 are retiring by rotation, but are eligible and have offered themselves for re-election:

   i. (i) Engr. Mike Orugbo, JP
   ii. (ii) Mr. Bashir Lebada
   iii. (iii) Mr. Femi Agbaje
   iv. (iv) Mr. Tseyi Hammond

   (The profiles of the above-mentioned Directors for re-election are available in the Annual Report and on the Company's website: www.notore.com)

D. To disclose the Remuneration of Managers in accordance with Sections 257 of CAMA.

E. To elect the Shareholder Representatives of the Statutory Audit Committee.

SPECIAL BUSINESS:

To consider, and if approved, to pass, with or without modification, the following Resolutions:

That the accounting reference date and financial year-end of the Company be and is hereby changed from 30th September to 31st December.

That in view of the newly enacted Companies and Allied Matters Act ("CAMA"), 2020, and in accordance with Section 53 of CAMA, the Company's Memorandum and Articles of Association ("MemArts") be amended by aligning all references to the Companies and Allied Matters Act, 2004 with the corresponding section in CAMA 2020 and that the successive Articles be re-numbered serially.

That the Company Secretary be and is hereby authorized to take all such necessary steps to give effect to the above resolutions, including filing and certifying the relevant forms and returns at the Corporate Affairs Commission.

Copies of the Annual Report and Accounts for Notore Chemical Industries Plc for the financial year ended 30th September 2020 will be mailed to the Shareholders and will be available on the Company's website: www.notore.com. Printed copies can also be obtained by contacting DataMax Registrars at 2C, Gbagada Expressway, Anthony Oke Bus Stop, (by Beko Ransome Kuti Park), Shomolu, Lagos.

Dated this 2nd day of June, 2021
By Order of the Board

Mrs. Otivbo Saleh

Group Chief Legal Officer/Company Secretary
FRC/2018/NBA.000000018956

Registered Office:
Notore Industrial Complex
Onne, Rivers State

NOTES:

A. Attendance and Voting by Proxy

In line with the guidelines of the Corporate Affairs Commission ("CAC") on the conduct of Annual General Meetings ("AGM") of public companies by Proxies, and taking advantage of Section 254 of CAMA, 2020, the Company has obtained the approval of the CAC to hold the AGM with attendance by Proxies. Further, in the interest of public safety and having regard to the Nigeria Centre for Disease Control ("NCDC") COVID-19 Guidance for safe mass gatherings in Nigeria, and the restrictions on public gatherings by the Lagos State Government, only persons indicated to be selected as Proxies on the Proxy Form shall attend the Meeting physically while the other members may participate online through a live streaming of the AGM.

In compliance with the above Guidelines, members who are entitled to attend and vote at the AGM of the Company are hereby advised to select a Proxy from the following Selected Proxies to attend and vote in their place:

1. Mr. Onajite Okoloko	(Director)
2. Mr. Ohis Ohiwerei	(Group Managing Director/CEO)
3. Mr. Ebiaho Emafo	(Group Deputy Managing Director)
4. Alh. Ali Yusuf Ali	(Shareholder)
5. Sir Sunny Nwosu	(Shareholder)
6. Mr. Seyi Odeinde	(Shareholder)
7. Mr. Mubashiru Abdulaziz	(Shareholder)
8. Alh. Kamilu Haske	(Shareholder)
9. Mr. Makanjuola Abdulyekini	(Shareholder)
10. Mr. Williams Adebayo	(Shareholder)
11. Mr. Mr. Moses Igbrude	(Shareholder)
12. Ms. Juliet Gbaka	(Shareholder)
13. Mr. Olugbosun Ariyo	(Shareholder)
14. Olugbosun Banji	(Shareholder)
15. Engr. Binuyo Sharafa	(Shareholder)

B. Closure of Register of Members

The Register of Members of the Company will be closed on 18th June 2021 in accordance with the provisions of Section 114 of CAMA, 2020 to enable the Registrars to prepare for the AGM.

C. E-Annual Report

The electronic version of the Annual Report ("Annual Report") is available online for viewing and download at www.notore.com. Shareholders who have provided their email addresses to the Registrars will receive the electronic version of the Annual Report via email. Furthermore, Shareholders who are interested in receiving the electronic version of the Annual Report are kindly required to request same from the Registrars.

D. Voting and Proxies

On a show of hands, every member present in person or by proxy shall have one vote, and on a poll, every member shall have one vote for each share of which he is the holder. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote instead of that member. A proxy need not be a member of the Company. All instruments of Proxy shall be at the Company's Instance.

Registered Shareholders who are unable to attend the Meeting and who wish to be represented at the Meeting, must complete and return the attached Form of Proxy in accordance with the instructions contained in the form, to the Registrars, DataMax Registrars Limited at 2C, Gbagada Expressway, Anthony Oke Bus Stop, (by Beko Ransome Kuti Park), Shomolu, Lagos, not less than forty-eight (48) hours before the time fixed for the Meeting. The Company has made arrangements, at its cost, for stamping of the duly completed and signed Proxy Forms submitted to the Registrars within the stipulated time.

E. Statutory Audit Committee

Section 404(3) of the Companies and Allied Matters Act, 2020, provides that the Statutory Audit Committee shall consist of two (2) Non-Executive Directors and three (3) representatives of the Shareholders of the Company. Any Shareholder may nominate a Shareholder as a member of the Statutory Audit Committee.

In accordance with Section 404(6) of CAMA, such nomination should be in writing and should reach the Company Secretary at least twenty-one (21) days before the Annual General Meeting. Kindly note that the provision of Section 404(5) of CAMA requires all members of the Statutory Audit Committee to be financially literate and be knowledgeable in internal control process.

In view of the foregoing, nomination to the Statutory Audit Committee should be supported by the curriculum vitae of the nominees.

F. Details of Directors for Election/Re-election

Biographical details of Directors seeking election/re-election are provided in the Annual Report.

G. Questions from Shareholders

In line with Rule 19.12(c) of the Listing Rules of the Nigerian Exchange, Shareholders of the Company reserve the right to ask questions not only at the Annual General Meeting but also in writing prior to the Meeting on any item contained in the Annual Report and Accounts. For the good and orderly conduct of the Meeting, Shareholders are encouraged to kindly submit their questions in writing ahead of the Meeting. Such questions should be addressed to the Company Secretary and submitted to the Registered Office or by electronic mail at, companysecretariat@notore.com not later than 7 days to the date of the Meeting.

I. Live Streaming of the AGM

The AGM will be streamed live online to enable Shareholders and other relevant Stakeholders who will not be attending physically to follow the proceedings. The link for the live streaming of the AGM will be made available on the Company's website: www.notore.com and by the Registrars in due course.

J. Website

A copy of this notice, the electronic version of the Annual Report and other information relating to the Meeting can be found at www.notore.com.

Chairman's Statement

> "Our operating profit in the financial year increased by 177% from ₦3.42 billion in FYE 2019 to ₦9.48 billion in FYE 2020."

Introduction

Distinguished shareholders, representatives of regulatory agencies present, fellow Directors, esteemed ladies and gentlemen; it is my pleasure to welcome you all to the seventh Annual General Meeting ("AGM") of Notore Chemical Industries Plc. As Chairman of the Board of Directors, I am pleased to present the Annual Report and Financial Statements for the year ended 30th September 2020, along with a review of the performance of our Company during this period.

Group Financial Highlights

We recorded revenues of ₦18.80 billion for the 30th September 2020 FYE, compared to ₦21.42 billion for the corresponding 2019 period, resulting in a 12% decline year-over-year. This was largely due to an increased plant downtime caused by equipment maintenance during the period under review and was also exacerbated by the outbreak of the COVID-19 pandemic, which has caused supply chain and logistics disruptions for our Company with consequential negative impact on production volumes and sales.

Our operating profit in the financial year increased by 177% from ₦3.42 billion in FYE 2019 to ₦9.48 billion in FYE 2020. Despite the positive operating profit, we recorded a loss for the year of ₦6.39 billion during the period (FYE 2019: ₦5.75 billion). This was due to the offsets caused by Finance Cost— which rose from ₦13.69 billion in FY 2019 to ₦23.40 billion in FY 2020—and an Exchange loss on US dollar-denominated loans of ₦7.72 billion as a result of the CBN's devaluation of the Naira from ₦306/$ to ₦380/$ during the period.

We commenced the Turn Around Maintenance ("TAM") program and we expect to be complete it by March 2020. The completion of the TAM program will ensure the plant operates at its nameplate capacity, resulting in a consistent and significant improvement in production numbers and revenue. It is worth noting that about 70% of the additional revenue, going forward, will contribute straight to the Company's bottom line, a major key to returning the company to profitability.

Conclusion

I would like to thank our shareholders, distribution partners, and staff for the support you have given the Board of Directors and Management over the years, especially in the past financial year amidst the challenging economic environment in the country and globally. As we continue to pursue the growth initiatives of the Company, we intend to maintain the highest standards, and we look forward to your continued support.

General Dr. Yakubu Gowon, GCFR
Chairman

GCEO's Statement

"Production of Notore NPK fertilizers has ramped up, with major local market introduction achieved in 2020, which will lead to substantial NPK production and sales in the 2021 financial year."

Introduction

Valued shareholders, fellow directors, ladies and gentlemen, it is my honor to welcome you to the 7th Annual General Meeting of Notore Chemical Industries Plc ("Notore" or "the Company"). I would like to express my gratitude for the confidence you have placed in me to serve and lead Notore over the past several years. Allow me to share with you a summary of the Company's performance for the financial year ended 30th September, 2020, beginning with an overview of the business environment.

Operating Environment

Last year, our business was faced with many challenges. Despite the harsh economic situation –largely due to the COVID-19 global pandemic– and the political climate in Nigeria, Notore achieved several important milestones to position the company for a great future. First, was the disbursement of the ₦13.32 billion Afreximbank facility on 31st December 2019, which set the stage for the commencement of the Turn Around Maintenance program (TAM) for our Plant, to meet the objective of returning the facility to nameplate capacity of 500,000MT per annum of Urea.

The outbreak of the COVID-19 pandemic resulted in supply chain and logistics interruptions, particularly with respect to acquisition of parts and spares for the TAM program, occasioned by the various restrictions and health advisories put in place by governments globally.

Highlights

During the year, we commenced ordering of critical long lead items and other materials for the implementation of the TAM program.

By leveraging on our Oil and Gas Free Zone Developer Licensee status, the company took certain key steps during the year in furtherance of our plan to develop our 560 hectares industrial complex into a gas hub, as part of a gas monetization program and the promotion of an integrated logistics service provider to companies operating in West Africa, along the entire oil and gas value chain leading to further diversification of the company's revenue stream.

Safety remained a deeply held value in the operation of the plant and support activities, which led to the achievement of a new milestone in Loss Time Injury (LTI) free operation, crossing the 10 million man-hours mark on 20th March 2020.

2021 Outlook

I am pleased to share that the TAM program has commenced. The TAM is a critical activity required to improve the plant reliability and increase production output to meet and sustain its 500,000MT per annum nameplate design capacity. We expect significant improvement in the plant's reliability and production output to meet and sustain this standard. It is expected that achieving this level of production output will not only lead to significant improvements in the company's cash flows from operations, but also significant increases in revenues annually.

With respect to fertilizer market dynamics, the Nigerian fertilizer demand remains robust and is expected to continue to grow considering the Federal Government's strong and decisive policy focus on agriculture as one of the keys to unlock the diversification of the Nigerian economy.

Production of Notore NPK fertilizers has ramped up, with major local market introduction achieved in 2020, which will lead to substantial NPK production and sales in the 2021 financial year. Sale of Notore seeds to Nigerian farmers has also continued in furtherance of our corporate vision to be a significant contributor to the development of Africa. Additionally, while leveraging the company's seeds business, robust supply chain and distribution network, we intend to expand further into other products such as rice production. During the recent dry season, we commenced the pilot program for Notore Rice, an integrated program which saw the successful completion of rice paddy production. In 2021, we expect to continue the pilot program followed by a test run of over 5,000 bags of high-quality Notore rice in the market. It is expected that these additional initiatives will further diversify the company's revenue stream, boost profitability, and consolidate customers' loyalty.

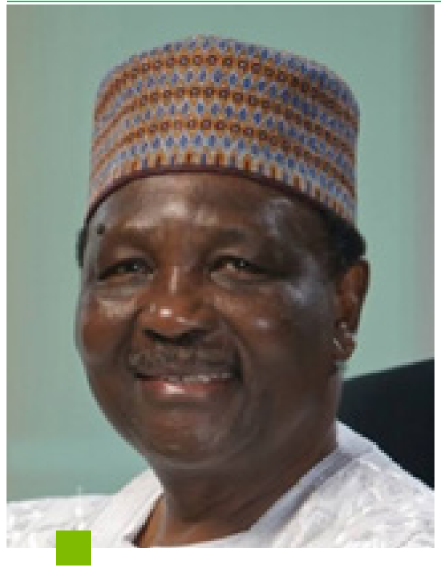
Conclusion

Our business has been faced with many challenges over the past year. However, Notore has indeed achieved several vital milestones to re-position the Company for a great future. As we look to the future post-TAM, the next phase of Notore's growth will be focused on diversification, optimization, and profitability.

Valued shareholders, it has been my pleasure to lead the team at Notore, and I would like to express my gratitude to our employees and partners for your hard work, dedication and commitment to the Notore brand, in spite of the challenges faced. I would also like to thank my fellow Directors. Your unwavering support fuels the growth and success of the organization, and I see our future with many more successes and great achievements.

Mr. Onajite P. Okoloko
GCEO

Board of Directors



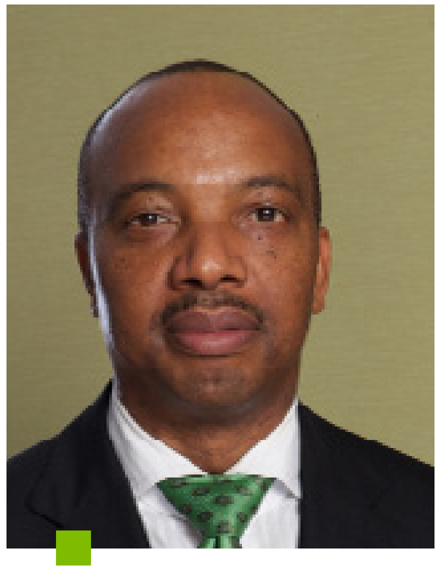
Gen. Dr. Yakubu Gowon

Chairman

General Dr. Yakubu Gowon GCFR was Nigeria's Head of State and Commander-in-Chief of the Armed Forces from 1966 to 1975. A doctorate degree holder in Political Science, General Gowon has spent the past three decades providing leadership for projects designed to promote peace and progress in Nigeria and also internationally.

General Gowon is the President and Chairman, Board of Trustees of the Yakubu Gowon Centre, Abuja, a non-governmental organization set up to promote the cause of Nigerian unity, nation-building, national integration and conflict resolution through dialogue and the recognition of exemplary achievements.

General Gowon is the Chairman of IGI Plc, one of the largest insurance companies in Nigeria and also Chairman of the Board of Directors of Sahara Group of Companies.



Mr. Onajite Paul Okoloko

GCEO

Onajite Okoloko is the Group Chief Executive Officer and Group Managing Director of Notore Chemical Industries Plc (Notore) - an agro-allied, chemicals and infrastructure company, and the premier producer of urea fertilizer in Sub-Saharan Africa. In 2005, he assembled a team of investors to acquire the assets of the former National Fertilizer Company of Nigeria (NAFCON) and is a core investor in the consortium that includes Emerging Capital Partners (ECP), a major private equity firm out of Washington, DC, U.S.A and the Orascom Group. He later successfully completed the largest single loan syndication of Nigerian banks, when Notore raised funding amongst 7 Nigerian financial institutions.

Mr. Okoloko is the Chairman of Eroton Exploration & Production Company Limited and also Chairman of Midwestern Oil and Gas Plc. He is a founding partner of the Ocean & Oil/Oando Group and is a former member of the Board of Union Bank of Nigeria Plc.

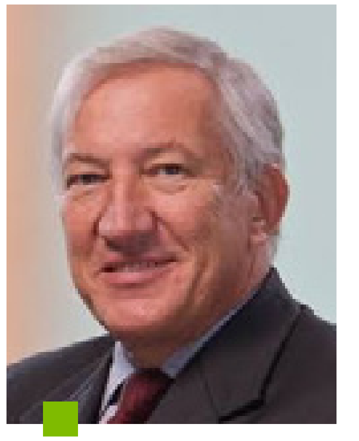
Prior to his return to Nigeria in 1994, Mr. Okoloko worked in corporate America and has over 20 years' experience in sales, marketing and business development. He was appointed a member of Nigeria's Presidential Committee on Oil and Gas in 2004 as the sole representative of the private sector. This committee was instrumental in developing the current oil and gas policy for the country. He is an active member of the Nigerian Economic Summit (Policy Formulation) Group. He is also a member of the National Technical Working Group of the Nigeria Vision 2020 and is a member of Nigeria's President's Agricultural Transformation Implementation Council, which was inaugurated in May 2012. Mr. Okoloko was appointed as an inaugural member of the Human Capital and Innovation Capacity Building Working Group of the National Competitiveness Council of Nigeria in 2014.

Mr. Okoloko graduated from University of Benin, Nigeria in 1986, with a Bachelors Degree in Economics and is also an alumnus of the Harvard Business School. In 2011, he was named the inaugural winner of the Ernst & Young Entrepreneur of the Year Award in the Emerging Entrepreneur category for the West Africa region. He is an avid cricketer and served on Nigeria's National Cricket Board. He is a keen advocate for the development of cricket in Nigeria

Mr. Michael Osime

Mr Michael Osime is the Managing Director and Chief Executive Officer of ICMG Securities Limited and Chairman of Broadband Technologies Limited, a telecommunications and IT solutions company. He is a qualified stockbroker with many years of banking and finance experience.

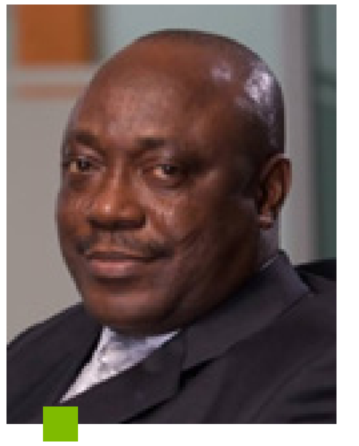
Mr Osime has a degree in Actuarial Science, which he obtained from the University of Lagos in 1981 and also has an MBA from the Strathclyde Business School in Glasgow. He is a Fellow of the Chartered Institute of Stockbrokers.



Mr. Richard Herb

Mr. Richard Herb is an entrepreneur with 35 years experience in the fertiliser industry. As Managing Director of International Ore and Fertilisers, a division of Occidental Petroleum, he handled all the sales of NAFCON's products to international markets for a period of about 10 years.

Mr. Herb is a director of the Nigerian Business Council, a position he has held since 2002 and is presently the Chairman of Eko Hotel and Suites in Lagos.



Engr. Mike Orugbo JP

Engr. Mike Orugbo JP, who holds a bachelor's degree in Engineering from Teeside University in the UK, is a leading EPIC and Human Capital Development Professional with over 28 years experience in engineering services in the Oil and Gas Industry, participating in several major projects such as KRPC Lab Plant, WRPC de-bottlenecking (expansion) Project, HF Alkylation Polypropylene and Carbon Black Plants (Green Field Projects).

He worked with the Nigerian National Petroleum Corporation (NNPC) for several years and rose to the position of Senior Engineer, WRPC. In 1989, he became the Managing Director/CEO of O-Secul Engineering Company, which later became O-Secul Nigeria Limited in 1997.

He is a corporate member of the Nigerian Society of Engineers and is COREN certified. He has attended several technical courses in Europe and America and is vastly experienced in engineering services, consultancy and support systems in the oil and gas industry.

Mr. Ikeme Osakwe

Mr. Ike Osakwe is a Chartered Accountant and practicing management consultant. Educated in England, he holds a degree in Chemistry from the University of Oxford and has served Articles in the London offices of KPMG Audit. Qualifying in 1980, as a member of the Institute of Chartered Accountants for England and Wales, he returned to Nigeria to work as an expatriate for ITT.

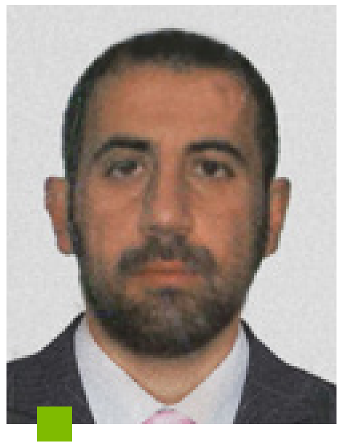
He now serves as the Managing Director of GRID Consulting Limited, a company that specialises in the planning and implementation of change processes and systems for Commerce, Industry, Government and NGOs.

Mr. Osakwe has over 32 years experience in financial, strategic and corporate planning, as well as organisational and financial management systems development, both in Nigeria and internationally. He has brought his vast experience in the dynamics of most major industrial sectors to bear in his work on corporate governance. He has held several government and Board appointments and currently also serves on the Boards of Oando Plc., Thomas Wyatt Nigeria Plc. and Leadway Pensure PFA.

Mr. Hassan Badrawi

Mr. Hassan H. Badrawi holds the position of Director at the Cairo based Orascom Construction Industries (OCI). Mr. Badrawi joined OCI in 2001. Currently, he oversees the Group's new investments, project development and investor relations activities. Mr. Badrawi holds a bachelors degree from the US-based Duke University with a double major in Economics and Political Science and minor in Literature.

OCI is listed on the Cairo and London stock exchanges with a market capitalization exceeding US$4 billion. The group's primary activities include construction and the production of fertilisers. The OCI Construction Group is the largest in the Middle East and North Africa region. The OCI Fertiliser Group has plants in Egypt and Algeria, with a total production capacity approaching 4 million tons of nitrogen-based fertiliser.



Mr. Bashir Lebada

Mr. Bashir Lebada manages Orascom Construction Industries' (OCI) investments and project development. Mr. Lebada joined OCI in 2007. He is responsible for identifying and analyzing potential investments and projects and the ensuing involvement in successful initiatives.

Mr. Lebada holds a bachelors degree from the University of Western Ontario (Canada) with a double major in Finance and Accounting and a minor in Economics.

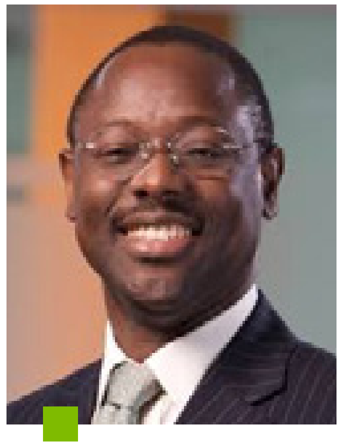
Mr. Michael Jansa

Mr. Michael Jansa is a Managing Director and founding partner of Emerging Capital Partners (ECP). Mr. Jansa is responsible for identifying, analysing and recommending investments, performing due diligence and leading transaction teams. Prior to ECP's spinout from EMP Global (EMP), Mr. Jansa had been a Director with EMP since 2000.

Before joining EMP, Mr. Jansa was a Vice President in GE Capital's structured finance group. He was a manager for the firm's $580 million investment fund focused on emerging market power investments. In this capacity, he analysed, valued and recommended various equity and debt investments and joint ventures in the energy and transport sectors.

Before joining GE Capital in 1995, Mr. Jansa was director of financial planning and analysis at Q2 Resource Television. He began his career by spending nine years with Union Pacific Corporation where he became manager of the corporate finance group.

Mr. Jansa received a bachelor of business administration degree in accounting from Iowa State University [and a master of business administration degree from the London School of Business He has served on the Board of the Pan African Energy Corporation and currently is on the board of the SOMDIAA Group, a key player in the African food-processing industry.



Mr. Femi Agbaje

Mr. Femi Agbaje is the former Chief Financial Officer of Notore Chemical Industries Plc and served in this capacity for over ten years. Upon joining the company, Mr. Agbaje led his team in successfully raising $222 million for the rehabilitation of the Notore fertilizer plant located in Onne, Rivers State.

Mr. Agbaje joined Notore with extensive experience in finance acquired through multiple positions he has held over the years. Femi began his career as an Audit trainee and since moved into roles with increasing responsibility therefore expanding his knowledge in the field. He has served as Executive Director, Deputy General Manager, Head of Consumer Banking and Managing Director in companies such as Kenneth, Michael & Company; First Securities Discount House; UBA and Midas Bank.

He holds a Bachelors in History and Political Science from the University of Ife, Osun state Nigeria. He has been a member of the Institute of Chartered Accountants of Nigeria since 1986 and a Fellow of Chartered Association of Certified Accounts, UK since 1990.

Mr. Agbaje is an avid swimmer and golfer. He enjoys travelling and loves spending time with his wife and children playing scrabble.

Mr. Ohis Ohiwerei

Ohis Ohiwerei is the Group Deputy Managing Director and Chief Financial Officer for Notore Chemical Industries Plc. In this capacity, he is responsible for the day-to-day operational and financial management of the company. Mr. Ohiwerei also oversees the enhancement of efficiency levels across the business and improving profitability as well as supporting the development of the growth strategy of the business. He joined the company in 2018.

Prior to his appointment at Notore, Mr. Ohiwerei's career was in the financial services industry. He retired from the banking industry after 24 years, as Executive Director at Guaranty Trust Bank Plc, where he was responsible for Commercial Banking and Public Sector, Lagos. Prior to that, he was Chief Financial Officer and also an Executive Director at Diamond Bank Plc.

Mr. Ohiwerei currently serves on the board of AXA Mansard Nigeria Plc as an Independent Director where he chairs the Audit and Compliance Committee and is a member of the Governance and Remuneration Committee. He also serves on the board of Orange One Finance Limited as an Independent Director. He has served on the boards of the following companies: Guaranty Trust Bank Plc, Nigeria; Guaranty Trust Bank, Sierra Leone; Diamond Bank Plc, Nigeria; and ADIC Insurance, Nigeria.

Mr. Ohiwerei holds a Bachelor of Engineering degree from the University of Benin and a Master's in Business Administration from the same institution. He has attended the Advanced Management Program at the Harvard Business School and the Advanced Strategic Management program at the IMD Business School in Switzerland.

Mr. Tseyi Louis Hammond

Tseyi Hammond's professional career spans 18 years and he currently oversees the sales and trading operations of FBNQuest Merchant Banks Sales Division. The division currently services both offshore and domestic clients in their requirements, from pre trade analysis and trade idea generation, to structuring, execution and post trade management across equities, fixed income, foreign exchange and derivative products.

Prior to FBNQuest Merchant Bank, Tseyi was based in London where he worked at Marinvest, a European long short hedge fund as Head of Trading. He also held positions as head of listed derivatives sales and structuring at Liquid Capital Securities in London and a listed derivatives Sales Trader at the investment bank, Pali International. He started his career at Bloomberg in Institutional Sales covering fund managers and hedge funds.

He studied Mechanical Engineering with Business Finance at University College London (UCL), a Masters degree in Investment and Finance and holds the UK's FCA Investment Management Certificate (IMC).

Mr. Ovie Ukiri

Ovie Ukiri is a lawyer with combined honors bachelor's degree in Law and Economics from the University of Keele, Staffordshire, England and a Master of Laws degree in Tax from Kings College London. He has over 30 years practice experience at the Nigerian Bar, is a Fellow of the Chartered Institute of Taxation of Nigeria and a CEDR accredited Mediator.

Mr. Ukiri currently practices law as a Senior Partner of the law firm of Ukiri & Lijadu, a leading commercial law practice in Nigeria with offices in Lagos and Abuja. He specializes in corporate commercial law with an emphasis in Oil & Gas and Taxation; Regulatory and Compliance law and Alternative Dispute Resolution methods.

Mr. Ukiri regularly advises companies, including International companies in Nigeria on a wide range of matters including the negotiation and drafting of industry specific agreements, financial and technical services arrangements, compliance and regulatory issues and developing strategy in litigation matters. He has written several articles and commentaries on taxation of companies in Nigeria and is a member of several other Boards of Directors.

Mrs. Otivbo Saleh

Company Secretary

Mrs. Otivbo Saleh is the Company Secretary and Group Chief Legal Officer of Notore Chemical Industries Plc. She joined the Company in September 2007. She provides advice and counsel to the Board of Directors and is responsible for ensuring compliance with regulatory and statutory requirements. Prior to joining Notore she worked as an Associate at the firm of Sofunde, Osakwe, Ogundipe & Belgore between January 1993 and June 1996 and thereafter joined the prestigious firm of Banwo & Ighodalo from where she resigned in 2007 as a Senior Counsel. Mrs. Saleh is a highly motivated and hardworking solicitor, with twenty-two (22) years cognate experience in corporate and commercial law and has exhibited unparalleled professionalism in her preferred area of practice.

Over the years she has garnered considerable experience in commercial law, project finance, mergers and acquisitions and is thorough and persistent in achieving and exceeding her set goals and objectives. Mrs. Saleh obtained a LL.B Degree in 1991 from Edo State University and holds a BL (1992) from the Nigerian Law School. She is a member of the Nigerian Bar Association and the Institute of Chartered Arbitrators.

CORPORATE GOVERNANCE

Risk Management and Internal Control Report

Our Risk Management and Internal Control Framework

How successful Notore is in dealing with the risks it faces can have a major impact on the achievement of its key strategies and priorities, as effective implementation of risk management is part of the best business practice at both strategic and operational levels. Managing risk to drive and sustain competitive advantage and growth is important, thus the risk management Policy helps to support the aim of Notore to be a world-class organization. The key to successful risk management does not lie with any one individual, but with an appropriate risk culture across the business and organogram.

Notore has adopted proactive risk management arrangements and is building a risk-aware culture to enable decisions to be based on comprehensively assessed risks, ensuring the right actions are taken at the right time.

The Institute of Risk Management (IRM) defines risk as 'the combination of the probability of an event and its consequence'. Consequences can range from positive to negative. A risk to the business of Notore is any threat of an action or event to our industry or activities that have the potential to hinder the achievement of our business objectives. Business risk arises as much from the possibility that opportunities will not be realized as it does from the possibility that threats will materialize or that errors will occur.

Risk significance, classified and sub-categories, is determined based on parameters of likelihood of occurrence multiplied by impact, not only financial but also in terms of hazardous effect, market share, competitive advantage and reputation. Through the process of self-assessment, the company management identifies the risks and assesses the effects on the objectives that were previously defined by the business and senior management. The assessment is tabled in a matrix. Once the matrix has been used to determine the risk rating, a risk register is populated where the Head of Department establishes the appropriate mitigation actions required. The significant risks from Department Risk Registers are rolled up to the Corporate Risk Register and or the Business Continuity Planning Risk Register.

The outcomes, collected and processed by Business Risk and Control Management, are subject to targeted disclosure to the Operational Risk Management Committee, the Board Business Risk Committee and the Board of Directors. The risk registers are revised and updated annually.

Responsibility

The Board of Directors has the overall responsibility for risk management by defining the strategic direction, identifying corporate risks and determining the appropriate level of risk that Notore is willing to accept, i.e. the risk appetite.

The Business Risk Committee, a sub-committee of the Board of Directors is, is however delegated by the Board, with the responsibility for overseeing the risk management activities in Notore, approving appropriate risk management procedures, reviewing risk reports and approving the implementation of recommended risk control measures.

Executive Management input is important as they are well placed to identify and monitor the corporate risks.

The Operational Risk Management Committee (RMC) is responsible for the formulation of risk management strategy and policy and for ensuring that risk management activities are carried out effectively within Notore. They will track RM activities and, where risk controls remain outstanding; ensure timely escalation to the relevant approving authorities for the required budgetary approvals or control modifications.

The Heads of Departments, working with their risk champions, build a risk-aware culture within their departments. All the members of Staff should understand, accept and implement risk management processes. They all have a role in identifying corporate risks which they should report to their supervisors.

The Quality Health Safety and Environmental Department (QHSE), as a specialist function, assists the company in establishing risk policies, develop contingency and recovery plans and support investigation of incidents (an instance of a risk event occurring) and near misses (risk event that occurred without fatality or damage but had the potential to do so).

The Business Risk and Control Unit of the Business Risk, Internal Control and Audit (BRICA) department develops Notore's risk management framework; establishing the risk management mechanisms to identify, assess, monitor, measure and control a broad spectrum of risks. They work towards building a risk-aware culture that promotes accountability and transparency in business operations as they ensure that appropriate controls are in place to mitigate identified risks.

The Internal Audit Unit of the Business Risk, Internal Control and Audit (BRICA) department audits the risk processes across the organization, provides assurance on the management of risk and supports and helps develop the risk management processes. They report the status of implementation of recommendations to The Group Leadership Council monthly and quarterly to the Board.

The external auditors are responsible for reporting any control issues identified in the course of their Work.

Ayodele Alamutu (Ms.)
Group Head Business Risk Internal Control and Audit

Directors Report

In accordance with the provisions of the Companies and Allied Matters Act, Cap. C20 Laws of the Federation of Nigeria 2004, the Directors of Notore Chemical Industries Plc hereby present their report together with the audited financial statements for the year ended 30th September 2020 to the members of the Company.

Incorporation Address

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

Also, in December 2017, the company was granted a free zone developer status by the Oil and Gas Free Zones Authority. Similarly, the Company has been obtaining annual free zone enterprise licence from the Oil and Gas Free Zones Authority with the last licence obtained covering twelve months from 1 January 2020 to 31 December 2020.

Principal Activities

The principal activities of the Company are to manufacture, treat, process, produce, supply and deal in nitrogenous fertilizer and all substances suited to improving the fertility of soil and water. The Company has a 500,000 metric tonne Urea Plant in Onne, Rivers State, Nigeria. The principal activities of the Company's subsidiaries are as disclosed in Note 29 to the Financial Statements.

Results

The Group's results for the year ended 30th September 2020 are as stated on page 21. The total comprehensive loss for the year ended 30th September 2020 is ₦6.47 billion and same has been transferred to Shareholders' equity..

Directors

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

General Dr. Yakubu Gowon, GCFR	Nigerian	(Chairman)
Mr. Onajite P. Okoloko	Nigerian	(Managing Director/CEO)
Mr. Michael Osime	Nigerian	
Mr. Richard Herb	British	
Engr. Mike Orugbo, JP	Nigerian	
Mr. Ike Osakwe	Nigerian	
Mr. Michael Jansa	American	
Mr. Hassan Badrawi	Egyptian	
Mr. Bashir Lebada	Canadian	
Mr. Femi Agbaje	Nigerian	
Mr. Ohis Ohiwerei	Nigerian	(Executive Director)
Mr. Tseyi Hammond	Nigerian	
Mr. Ovie Ukiri	Nigerian	

Directors' Shareholding

The shareholding interests of the Directors in the Issued Share Capital of the Company as recorded in the Register of Directors' Shareholdings and/or as notified by the Directors for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act, 2004 are as follows:

Directors	Number of shares held at 30th September 2020	Number of shares held at 30th September 2019
General Dr. Yakubu Gowon GCFR	Nil	Nil
Mr. Onajite Okoloko (indirect- Notore Chemical Industries (Mauritius) Limited and Okmine Global Services Limited)	1,238,274,438	1,238,274,438
Mr. Michael Osime (indirect- Notore Chemical Industries (Mauritius) Limited)	1,234,055,768	1,234,055,768
Mr. Richard Herb (indirect- Notore Chemical Industries (Mauritius) Limited)	1,234,055,768	1,234,055,768
Engr. Mike Orugbo JP	34,333,330	34,333,330
Chief Odoliyi Lolomari	Nil	Nil
Mr. Ikeme Osakwe	Nil	Nil
Mr. Michael Jansa	Nil	Nil
Mr. Hassan Badrawi	Nil	Nil
Mr. Bashir Lebada	Nil	Nil
Mr. Geoffroy Dedieu	Nil	Nil
Mr. Seyi Owodunni	Nil	Nil
Mr. Bernard Longe	Nil	Nil
Mr. Femi Agbaje	Nil	Nil
Mr. Ohis Ohiwerei	Nil	Nil
Mr. Olusoji Emiola	Nil	Nil
Mr. Tseyi Hammond	Nil	Nil
Mr. Ovie Ukiri	Nil	Nil

During the year under review, in addition to Mr. Onajite P. Okoloko, Mr. Michael Osime and Mr. Richard Herb, the other Directors representing Notore Chemical Industries (Mauritius) Limited on the Board are Mr. Mike Jansa and Mr. Hassan Badrawi. TY Holding Limited is also represented by Mr. Tseyi Hammond on the Board of Notore Chemical Industries Plc.

Our Equity

The shares of Notore Chemical Industries Plc were admitted to trading on the Main Board of The Nigerian Stock Exchange on 2nd August, 2018. Given its market capitalization, Notore Chemical Industries Plc. currently ranks amongst the topmost companies on The Nigerian Stock Exchange with a share price of ₦62.50kobo per share. The Authorised Share Capital of the Company is ₦2,000,000,000, divided into four billion shares of 50kobo each with 668

Shareholders as at 30th September 2020.

The Issued Share Capital as at 30th September 2020, stood at ₦806,033,100 divided into 1,612,066,200 ordinary shares of 50kobo each. As at 30th September, 2020, Notore Chemical Industries (Mauritius) Limited has a majority shareholding of approximately 76.55% while about 23.45% is held by other Nigerians and Foreign Investors.

Shareholding

According to the Register of Members, as at 30th September 2020, the spread of shareholding in the Company is as follows:

Share Range		Number Of Shareholders	% of Shareholder	Number Of Holdings	% Shareholding
1	10,000	645	96.56	108,617	0.01
10,001	50,000	4	0.60	78,895	0.00
100,001	500,000	2	0.30	482,925	0.03
500,001	1,000,000	2	0.30	1,577,800	0.10
1,000,001	5,000,000	7	1.05	19,766,720	1.23
5,000,001	10,000,000	1	0.15	8,296,370	0.51
10,000,001	50,000,000	4	0.60	140,803,900	8.73
50,000,001	100,000,000	1	0.15	77,265,575	4.79
100,000,001	500,000,000	1	0.15	129,629,630	8.04
1,000,000,001	2,000,000,000	1	0.15	1,234,055,768	76.55
TOTAL		**629**	**100.00**	**1,612,066,200**	**100.00**

According to the Register of Members as at 30th September 2020, the following are the Shareholders of the Company holding one million shares and above:

Shareholder	Number of shares	Percentage Holding (%)
Notore Chemical Industries [Mauritius] Limited	1,234,055,768	76.55
TY Holdings Limited	129,629,630	8.04
Africa Finance Corporation	77,265,575	4.79
Employee Stock Option [ESOP] Stanbic IBTC	48,358,420	3.00
Blakeney GP III Ltd - Trading	36,140,000	2.24
Orugbo Mike [JP]	34,333,330	2.13
Blakeney GP IV Ltd - Main	21,972,150	1.36
Blakeney Investors SICAV - Main	8,296,370	0.51
Al-Yuma Ventures & Investment Ltd	4,730,000	0.29
Okmine Global Services Limited	4,218,670	0.26
R and Partners Ventures Nig Limited	3,152,500	0.20
Blakeney GP III Ltd - Trading	2,000,000	0.12
Blakeney GP IV Ltd - Trading	2,000,000	0.12
Blakeney Investors SICAV - Trading	2,000,000	0.12
Blakeney Optima LP - Trading	1,665,550	0.10

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

Directors' Interests In Contracts

Save for the Managing Director of the Company who is also the Chairman of Eroton Exploration and Production Company Limited (''Eroton''), for the purpose of Section 277 of the Companies and Allied Matters Act, 2004 and Rule 20 of the The Nigerian Stock Exchange RuleBook, none of the Directors notified the Company of any direct or indirect interest in contracts or proposed contracts with the Company during the year under review. The Company entered into a 20 year contract with Eroton for the supply of gas which came into full force on 31st March 2016.

Subsidiary Companies

The Company currently has seven subsidiaries in line with its long term plans and strategic goals. The shareholding of Notore Chemical Industries Plc in these subsidiaries are as follows:

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

Key Distributors

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

A.A Rano Nigeria Limited
AF & C Blending limited
Alhaji Bashir Maccido
Alhaji Sadiku Shehu & Sons Limited
Al-Yuma Ventures
Anasiyya & Sons Nigeria Limited
Chika Consultium Limited
Chris Uba Nigerian Enterprise Limited
Crusola Ventures Limited
Fonave Nigeria Limited
Garu Multipurpose Services Limited
Haskamu & sons Nigeria Limited
His Grace Benefts
Hulhulde Nigeria Limited
IH Fako Nigeria Limited
Kibiya Consults Limited
Musa Biu Garko Limited
Ndam Global Integrated Ventures Limited
Oko Global
Oma-Nima Agro Allied Company Limited
Presco Plc.
R & Partners Venture Nigeria Limited
Salisu & Sons Nigeria Limited
Samasons Nigeria Limited
Samseed Global
SeSantech Industries Nigeria Limited
Shollte Nigeria Limited
Vickyvans Nigeria Limited

ISO 9001 Certification

otore in its commitment to improving product/service quality, processes and customer satisfaction underwent two surveillance audits stages conducted by Bureau Veritas (ISO External Auditors). This was after the Company's successful transition from ISO 9001: 2008 Quality Management System (QMS) to the new ISO 9001:2015 Quality Management System (QMS) International Standard. The ISO External Auditors using the new ISO 9001:2015 International Standard, have adjudged our QMS as being compliant with the new ISO standard and our Company was issued the Certificate of Compliance by Bureau Veritas and the United Kingdom Accreditation Service (UKAS). The certification admitted the Company into the global league of about five percent (5%) of

companies operating a Quality Management System (QMS) that meets the new ISO 9001:2015 standard. The last internal audit conducted on 1st June 2020 confirmed a higher conformity performance in our processes companywide, leading to the re-certification of the Company to ISO 9001:2015. This is a testimony to the Company's commitment to quality products and services, total customer satisfaction and continuous performance improvement in its business operations.

African Cassava Agronomy Initiative (Acai) Project

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

Some of the benefits of the ACAI Project to Notore are as follows:

- Funding of research on specific blend of fertilizer for cassava leading to the First fertilizer formulation of cassava in Nigeria (cassava blend- NPKMg: 20-12-16- 2Mg); the development of Decision Support Tools (DSTs) to guide farmers on GAP & site-specific fertilizer recommendation of cassava and production of educational materials (Video, maps, paper-based DST, Power-point presentations) for farmer education.
- Capacity Development which includes the training of Notore Team Members on different aspects of cassava agronomy & production field experimentation & data capture/analysis; the training and re-training of a total of 40 Notore Supervisory Village Promoters (SVPs) (in Oyo, Osun,Edo, Anambra, and Benue) on Good Agricultural Practices (GAP) between cassava & data collection; the training of over 380 farmers on GAP (cassava production of the validation trials) and the sponsorship of 2 Notore staff to Kigali & Zanzibar in 2018 & 2019 for the ACAI Project Annual Review Meeting.
- With respect to Market Development, there has been significant improvement in the value chain analysis for cassava production as well as listing and linkage of the key partners in the cassava value chain with a view to identifying ready markets to scale and as output markets for cassava blend sales.

Achievements at the Plant

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

- Commenced ordering of critical long lead items and other materials for the implementation of the Turn Around Maintenance (TAM) program to be implemented in December 2020 to meet the objective of returning the facility to nameplate capacity of 1500MTPD Urea.
- Commissioned a 2000MTPD NPK Blending Plant in March 2020. The Company has by this Blending Plant, produced various crop and soil specific NPK blends that are already in the market. Notore is also currently supplying NPK under the Presidential Fertilizer Initiative (PFI). The Company has as at point supplied over 8,000MT under the PFI program.
- Sustained the operation of the Plant ahead of the upcoming TAM through various interventions that led to the achievement of a record 100 continuous run-days of the Ammonia and Urea Plants from 7th September to 15th December 2019. Another streak of 85 continuous run-days was also achieved between 15th February 2020 and 9th May 2020 during which 47,758MT of Ammonia was produced.
- Sustained the operation of the Plant ahead of the upcoming TAM through various interventions that led to the achievement of record 100 continuous run-days of the Ammonia and Urea Plant from 7th September to December 15th 2019. Another streak of 85 continuous run-days was also achieved between February 15th 2020 and 9th May 2020 during which 47,758MT of Ammonia was produced.
- Carried out intensive repair and recovery activities on the Primary Waste Heat Boiler in the Ammonia Plant using in-house resources and restored production since specialists from other regions could not be brought in due to the COVID-19 pandemic lockdown.
- Safety remained a deeply held value in the operation of the Plant and support activities and that led to the achievement of a new Milestone in Loss Time Injury (LTI) free operation; crossing the 10 million Manhours mark on 20th March 2020.
- Acquired critical equipment for use in the upgrade of the Gas Turbine Generator (GTG). This is a critical step towards the improvement of the reliability of the GTG for the purpose of continuous operation. Installation of the equipment will be concluded during the TAM program.
- Took delivery of a new Heat Exchanger for the Methanator Effluent/Boiler Feed Water service and successfully installed and commissioned the equipment marking the beginning of field implementation of the pre-TAM activities for the build-up of incremental reliability in the Plant.
- Deployed measures and implemented protocols that have ensured that there is no disruption to the operation of the Plant or other part of the business as a result of the COVID-19 pandemic. The Company has till date recorded zero infection across the operation, thus avoiding the shutdown of the Plant that would have been mandated by the authorities for decontamination over a period not less than 14 days.
- The Company, through the Research & Development Unit of the Technical Services Department, launched a "Made-In-Notore" Hand Sanitizer in April 2020. This was in response to the raging COVID-19 pandemic. The Sanitizer is currently in use in the Plant complex and across company-wide operations

Granting of License As Oil and Gas Free Zone Developer

The Company's Oil and Gas Free Zone Developer Licence granted to the Company in December 2017 was further renewed in the course of the year. By this license, the Company's entire land area (558.623 Hectares) is now designated an Oil and Gas Free Zone area in Onne, Rivers State, Nigeria.

Employment and Employees

Employment of Disabled Persons and Gender Diversity

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

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

Employee Health, Safety And Welfare

Notore enforces strict health and safety rules and practices within the work environment, which are reviewed and tested regularly, enabling the Company to record over 11 million LTI free manhours by implementing stringent HSE protocols and practices across all its operations leading to an improved safety culture. This is achieved through awareness sessions, work flexibilities, adequate HSE supervisions of work sites, provision of required PPE's, proactive onsite task evaluation focused at risk elimination and maintenance of an incident-free work environment. The Company received commendation from the Factories Inspectorate of The Federal Ministry of Labour and Productivity during the last regulatory factory inspection for excellent HSE performance. During the year under review, HSE statistics results were: Zero Fatality; Zero LTI (>11million LTI-free Manhours and still counting); Insignificant Total Recordable Incident Frequency (TRIF=0.001) and Zero regulatory sanctions. "

Zero Environmental pollution was recorded in the financial year due to effective monitoring and control of all associated environmental aspects. The Physiochemical parameters of discharged effluent and other regulatory samples monitored were within IFC and NESREA guidelines. During the financial year under review average of free ammonia concentration (a major environmental aspect) in discharged effluent was 2.54ppm as against IFC guideline of 5ppm free ammonia. Scheduled air quality monitoring was carried out at various parts of the Plant and in the Communities with recorded values being within the exposure limits when benchmarked with the Occupational Safety and Health Administration (OSHA) standard. Noise levels within the Plant area and outside were monitored during the period and recorded values showed compliance with regulatory guidelines. Also, proactive management of process effluent treatment was deployed with remarkable cost savings which earned the organization Zero Regulatory sanction, Zero compensation and Zero litigation.

The outbreak of the COVID-19 pandemic threw up a grievous health risk in the entire country and in our Organization. This prompted the quick development and implementation of several domesticated Prevention Protocols, QHSE awareness, work flexibilities, enforcement, financial and high-level Management support and supervision leading to Zero Record of the pandemic within the Notore facility in Onne and its countrywide operations.

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

Employee Training And Involvement

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

Risk Management Framework And Policy

Risk is inherent in Notore's business and the markets in which it operates. The aim is to identify and dimension those risks to ensure they do not deter achievement of strategic goals and objectives. This demands a proactive approach to risk management and an effective enterprise-wide risk management framework. Notore's ability to significantly manage its current and emerging risks are increasingly critical success factors for achievement of corporate goals and business continuity.

Notore's overall risk management process is overseen by the Board of Directors through the Business Risk Committee as an element of solid corporate governance. Notore recognizes that risk management is the responsibility of everyone within the organisation. Rather than being a separate and standalone process, risk management is integrated into business and decision-making processes including strategy formulation, business development, business planning, internal control and day-to-day operations.

Appropriate guidelines, principles and procedures have been deployed across the organisation for the implementation of efficient and effective risk management that is integrated into daily business activities. This is supported by a robust risk assessment process and documented action plans for mitigating risks identified.

A strong risk culture plays a pivotal role in influencing how our employees makes decisions which would affect business and strategy for growth. As such, risk management is considered the responsibility of all executives, management and employees. The training of all stakeholders to have the desired risk culture is being pursued through continuous awareness sessions and deployment of initiatives which support understanding, trust and openness.

Notore, as a socially responsible corporate entity, made the decision to provide palliative support and sensitization to the people of Rivers State

Donations, Sponsorships and Gifts

Covid-19 Palliative Relief Materials and Awareness Activities in Rivers State

As part of our efforts to assist in cushioning the effects of the COVID-19 lockdown on the most vulnerable members of the community in Rivers State, including our host communities, Notore, as a socially responsible corporate entity, made the decision to provide palliative support and sensitization to the people of Rivers State, for the benefit of the most impacted families. The palliative support consisted of donation of food relief items to the Rivers State Government in support of its efforts as well as donation of food relief items directly to Notore's local host communities (Alode, Koniju and Onne). In addition to food donations, activities also included a community awareness campaign.

The donation included the delivery of 60MT of rice and 30MT of beans to the Rivers State Government at the Palliatives Collection Centre on 27th April, 2020. The donation of food packages to the Host Communities commenced on 1st May 2020. Each of the packages contained 5kg of rice, 5kg of beans, and 2 tins

(210-grams each) of tomato paste. Delivery of the food relief palliatives commenced on 1st May, 2020 in the Alode and Koniju communities. The Alode and Koniju communities each received a total of 500 packs of palliative items to be distributed to the most impacted families in the respective communities, along with Notore branded t-shirts displaying COVID-19 safety and prevention measures.

In addition to palliatives donated to the State Government and Host Communities, the Company embarked on COVID-19 prevention sensitization campaign activities in each of the Host Communities. The activities included the display of several billboards, banners, and posters throughout the communities as well as the distribution of branded Notore COVID-19 Awareness Campaign T-shirts.

Donation of Solar-Powered Integrated Water Projects To Rural Communities

The Company recently embarked on the execution of integrated solar-powered water projects in various rural communities in Nigeria. In support of the Bauchi State Government's efforts at improving the lives of the people, Notore inaugurated a 40,000-litre solar-powered water project in Kangere Community in Bauchi Local Government in Bauchi State on 13th August, 2020. The commissioning was endorsed by His Excellency, Governor Bala Mohammed, who

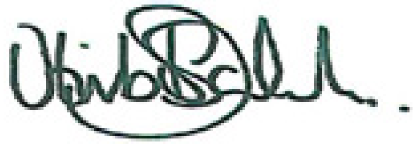
also hosted Notore's Management at an interactive session at the Council Chamber, Government House Bauchi.

Notore's donation in Bauchi State is a key component of the Company's Corporate Social Responsibility (CSR) activities in the communities in which Notore operates. This solar-powered integrated community water system program is part of a larger ongoing project that is being executed by the Company in several other rural communities across Nigeria. Additional communities in which the program has been completed include: Tungar Dan Dallo, Sokoto State; Talata Mafara, Zamfara State; Sigau, Kaduna State; and Panda, Kano State.

Auditors

The Group's external auditors, PricewaterhouseCoopers have served for 10 years and will no longer continue in office in accordance with Section 20 (2) of the Nigerian Code of Corporate Governance 2018. A new Audit Firm will be appointed at the next Annual General Meeting.

By Order of the Board



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

30 December 2020

Corporate Governance Report

Legal Form

Notore Chemical Industries Plc was incorporated in Nigeria on 30th November 2005 as a Company Limited by Shares. It became a Public Liability Company in 2014 and was quoted on The Nigerian Stock Exchange ("The NSE") in 2018. Although recently listed on the Exchange, Notore imbibes the highest standards of corporate governance and best practices and conducts its business and operations in an open and transparent manner in line with international best practices. Notore is dedicated to the promotion of the interests of its shareholders and recognises the importance of compliance with the principles of good corporate governance under the Companies and Allied Matters Act, the Securities and Exchange Commission's ("SEC") Code of Corporate Governance for Public Companies in Nigeria (the "SEC Code"). Notore, in line with its status as a listed Company, fully complies with The NSE Rules and SEC Code, and aligns its operations with international best practices as the Company recognises the importance of its adoption of The NSE Rules and SEC Code as a valuable contribution to long-term business prosperity and accountability to shareholders.

Directors Responsibility in relation to the Financial Statements

The Directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria Act, 2011. The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error. The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern for at least twelve months from the date of this statement.

The Board of Directors

The Board of Directors recognises the importance of transparency, accountability and good corporate governance and ensures that the Company achieves its objectives in this regard. The Company's governance system meets the requirements of Nigerian and international corporate governance regulations including the SEC Code of Corporate Governance for public companies in Nigeria and the NSE rules. The Board endeavours that the Company is in compliance with the provisions of the SEC Code and NSE Rules at all times. Accordingly, the Board has adopted charters, policies and codes and established committees through which it discharges its duties. The Company recognises that it has responsibilities to its stakeholders.

The Board of Directors is made up of Thirteen (13) Non-Executive Directors, including the Chairman, and two (2) Executive Directors. Three (3) of the Non-Executive Directors qualify as Independent Directors; they are: Gen. Dr. Yakubu Gowon, GCFR, Mr. Femi Agbaje and Mr. Ike Osakwe. The Board has a formal guideline and process for appointment of persons as Directors. The Board is responsible for: supervising the conduct of business by Management as well as the general course of affairs in the Company; assessing the Company's corporate strategy and general policies; and developing the Company's risk management, organisational structure, compliance portfolio, social policy and other systems.

In accordance with Section 285(2) of the Companies and Allied Matters Act (CAMA), 2020, the following Directors will retire by rotation and being eligible, offer themselves for re-election:

1. Engr. Mike Orugbo
2. Mr. Bashir Lebada
3. Mr. Femi Agbaje
4. Mr. Seyi Hammond

While the Board has a formal schedule of quarterly meetings each year, the Board could only meet twice during the year under review. This is owed to the restrictions on movement from the COVID-19 Pandemic. However, the Company in line with the directive of The Nigerian Stock Exchange and the approval of the Shareholders has put in place adequate facilities that enables it to hold virtual Meetings of the Board and Committees. Pursuant to and in accordance with section 284 (2) of Companies and Allied Matters Act, 2020 the record of Directors' attendance at Board meetings during the year under review will be made available for inspection at the Annual General Meeting (AGM). The record of attendance of the Directors at the Meetings are set out below:

Name	18/10/2019	30/09/2020	No. Attended
General Dr. Yakubu Gowon, GCFR	P	A	1
Mr. Onajite Okoloko	P	P	2
Engr. Michael Orugbo, JP	P	P	2
Mr. Michael Osime	P	P	2
Mr. Richard Herb	P	P	2
Mr. Ike Osakwe	P	P	2
Mr. Michael Jansa	P	P	2
Mr. Hassan Badrawi	A	A	0
Mr. Bashir Lebada	A	P	1
Mr. Femi Agbaje	A	P	1
Mr. Ohis Ohiwerei	A	P	2
Mr. Tseyi Hammond	P	P	2
Mr. Ovie Ukiri	P	P	2

P - Present

A - Absent with Apology

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

Finance Committee

The Finance Committee is responsible for approval of the following: The Company's strategic financial plans and budget; the integrity of financial controls and reports; the determination of accounting and financial control principles; the approval of interim and annual accounts, as well as principles of financial planning. The Committee has six (6) members and it is chaired by Mr. Michael Osime. The Committee met on 16th October 2019, and 29th September 2020 in the course of the year and the record of the Committee's meeting is set out below:

Name	16/10/2019	29/09/2020	No. Attended
Mr. Michael Osime	P	P	2
Mr. Michael Jansa	P	P	2
Mr. Bashir Lebada	A	A	0
Mr. Femi Agbaje	A	P	1
Mr. Ohis Ohiwerei	P	P	2
Mr. Tseyi Hammond	P	P	2

Statutory Audit Committee

In accordance with Section 404(6) of the Companies and Allied Matters Act, 2020, members of the Audit Committee were elected at the Annual General Meeting held on 17th August, 2020 and it comprises of an equal number of Non-Executive Directors and Shareholders elected. It functions include the annual evaluation of the independence and performance of External Auditors, receives the Interim and Final Audit Presentation from the External Auditors and also reviews with Management and the External Auditors the Annual Audited Financial Statements prior to its submission to the Board. During the year, the Committee reviewed and approved the Audit Plan and Scope of the External Auditors for the Financial Year and reviewed quarterly and half yearly financial results before presentation to the Board. The Committee makes recommendations to the Board on the appointment and remuneration of External Auditors and received reports from Management on the Accounting System and Internal Controls Framework of the Company. It also carries out other function in line with Section 404(7) of the Companies and Allied Matters Act, 2020 and the Audit Charter approved by the Board. The Committee has six (6) members and is chaired by Mr. Ike Osakwe. However, the Committee shall now consist of five (5) members pursuant to Section 404(3) of the Companies and Allied Matters Act, 2020. This reconstitution will be adopted at the Annual General Meeting.

The Committee was met twice during the year. The following table shows the attendance of the members of the Committee at the meetings:

Name	16/10/2019	30/09/2020	No. Attended
Mr. Ike Osakwe	P	P	2
Engr. Mike Orugbo, JP	P	P	2
Mr. Michael Jansa	P	P	2
Mr. Richard Herb	P	P	2
Mr. Bashir Lebada	P	P	2

Business Risk Committee

Like the Statutory Audit Committee, the Business Risk Committee is also task with the responsibility of reviewing the organization's significant accounting and reporting principles, practices and procedures applied in preparing financial statements; and to review the scope and general extent of the independent auditor's general audit, including the factors considered in determining the audit scope, as well as the major risk factors. The independent auditors should confirm to the committee that no limitations have been placed on the scope or nature of the audit procedures; inquire as to the independence of the independent auditors and obtain from them, at least annually, a formal written statement delineating all relationships between the independent auditors and the organization, including other consulting work, if any, performed by the independent auditors for the organization; and review the financial statements and audit report prior to the Statutory Audit Committee and Board's approval.

There are six (6) members of the Committee, chaired by Mr. Ike Osakwe. The Committee met during the period under review and appraised the Company's accounting policies, practices and financial reporting controls and the adequacy of such controls. The table below shows the Directors who served on the Committee during the 2019/20 fiscal year and their attendance at meetings.

Name	16/10/2019	29/10/2020	No. Attended
Mr. Ike Osakwe	P	P	2
Engr. Mike Orugbo, JP	P	A	1
Mr. Michael Jansa	P	P	2
Mr. Hassan Badrawi	A	A	0
Mr. Ohis Ohiwerei	P	P	2
Mr. Ovie Ukiri	P	P	2

Technical Committee

The primary purpose of the Technical Committee is to assist the Board in fulfilling its oversight responsibilities on technical matters which are not within the scope or expertise of non-technical Board members. The Committee oversees and advises the Board and the Management Team as it relates to the sustenance, development and advancement of the Company's Plant and other assets. Other responsibilities include: conducting investigations, analysis and due diligence to validate and test the core technical aspects of the Company's fertiliser Plant, project development and opportunities. The Committee may also consider project economic analysis, appraisal of technical risk factors, appropriate longer-range (or early stage) preparations for project development, construction and installations, as well as such other matters as may be requested by the Board. The Committee has four (4) members, chaired by Engr. Michael Orugbo, JP. It met during the period under review and the records of its meeting attendance are hereunder:

Name	17/10/2019	30/09/2010	No. Attended
Engr. Mike Orugbo, JP	P	P	2
Mr. Michael Jansa	P	P	2
Mr. Richard Herb	P	P	2
Mr. Bashir Lebada	A	A	0

Nomination, Remuneration & Governance Committee

The Nomination, Remuneration & Governance Committee ("NR&G Committee") is responsible for overseeing and making recommendations to the Board on the appointment of Directors as well as the Development and review of the policies that periodically evaluate the skills, knowledge and experience required of the Directors, Executives and Employees'. The Committee also monitor and determines the Corporate Governance approach of the Company to ensure compliance with extant legislations affecting the business. The Committee also recommends remuneration packages of Directors and staff. The table below shows the members of the Committee and their attendance at meetings:

Names	17/10/2019	29/10/2020	No. Attended
Mr. Ike Osakwe	P	P	2
Mr. Mike Osime	P	P	2
Mr. Mike Jansa	P	P	2
Mr. Bashir Lebada	A	A	0
Mr. Ovie Ukiri	P	P	2

Remuneration Policy

Notore has an established remuneration guideline for the Board and Employees which aligns with the provisions of extant laws and regulations. The Company's remuneration framework is primed towards attracting, retaining and motivating the best talents to achieve the strategic objectives of the Company. Notore ensures that the remuneration of the Board and Management are set levels which are fair and competitive taking into cognizance the economic realities of manufacturing sector in Nigeria.

In accordance with the requirement of Section 257 of CAMA, the remuneration of Mangers (which are included in the personnel cost (Note 11c)) for the period under consideration, who for this purpose are part of the Executive Management Team of the Company and the Group is provided below:

Company	Group
₦396,217,687.56	₦430,932,761.40

Conflict of Interest

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

Sustainability Policy

The Company is committed to promoting sustainability of the environment in which it operates. It recognises that all persons have an important role to play in reducing negative environmental impacts and specifically tackling climate change. Consequently, concern for the environment and the promotion of a broader sustainability agenda are integral to Notore's activities and the management of the organisation. We aim to operate in an eco-friendly and safe manner to promote good sustainability practice, reducing, the environmental impact of all our activities on communities and to help our stakeholders to the same.

Whistle Blowing Policy

Notore has a Whistle Blowing Policy in line with the Company's culture of open communication and commitment to good business practice, as well as global best practice. The purpose of the policy is to create a channel whereby any stakeholder who has concerns about any misconduct or unethical business practice in the Company can report same. The policy sets out a broad framework that seeks to encourage stakeholders to safeguard the Company's interest by voicing concerns that may adversely affect the Company. It consequently, provides a secure medium for any stakeholder to raise concerns about practices that breaches company policies and values; informs the Company of any unethical business practice; serves as a deterrent to employees who may otherwise consider an act that is illegal, improper or unethical; and helps to maintain a culture of openness integrity and accountability.

Insider Trading and Price Sensitive Information

The Directors of the Company, Insiders and other Related Parties who are in possession of price sensitive information are prohibited from dealing with the shares of the Company in accordance with the provisions of the Investments & Securities Act 2007 and the Listing Rules of the Nigerian Stock Exchange. Directors, Insiders and Related Parties are prohibited from disposing, selling, buying or transferring their shares in the Company for a period commencing from the date of receipt of such insider information until such a period when the information is released to the public or any other period as defined by the Company from time to time. As required by law, the shares held by Directors are disclosed in the annual report. Notore has adopted a code of conduct regarding securities transactions by the Directors and all employees on terms no less exacting than the required standard set out in the Listing Rules of the Nigerian Stock Exchange. The Company has therefore made specific enquiry of all Directors whether they have complied with the required standard set out in the listing rules and the Company's code of conduct regarding securities transactions by Directors and the Company is not aware of any non-compliance.

Human Resources Policies and other related matters

The Company recognizes that our people are valuable assets as the collective commitment of its work force has been instrumental to the sustained improvement of our corporate performance. These dedicated, diversified and cross functional talents in Notore are equally spread through our Group Leadership Council, Management level and Non-Management cadre. Consequently, the human resources policies of the Company are pitched towards ensuring that the aptitude, knowledge and skills of staff are put to the best use. The training of staff to perform their duties effectively is a major preoccupation of Management. The Management holds periodic town hall meetings with the employees in order to brief them on business related issues and exchange ideas that are beneficial. In addition, the Group Leadership Council holds its meetings fortnightly to direct the affairs of the Company and staff. There is also the existence of a staff union that fosters greater understanding and bonding amongst staff. Management also communicates corporate issues to employees regularly through e-mail circulation. The Company is also committed to providing equal opportunities to individuals within its business in all areas of employment. In support of this, policies, procedures and practices are focused on capability and do not discriminate on any basis beyond merit and performance.

Induction and Training Program

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

Anti-Bribery and Anti-Corruption Policy

Bribes and Kickbacks

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

Facilitation Payments

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

Public Officials

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

Political Activities

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

Related Party Transaction Policy

The Company recognizes that related party transactions present a heightened risk of conflict of interest and/or improper valuation (or the perception or appearance thereof) and therefore has adopted a Policy to be followed in connection with all related party transactions involving the Company. In accordance with Section 303(1) and 303(2) of the Companies and Allied Matters Act, 2020, this Policy aims to provide clear guidelines and procedures on related party transactions within Notore and its subsidiaries, associates and affiliates and to ensure that all Employees and Directors of Notore Chemical Industries Plc fully understand their responsibilities and obligations in respect of related party transactions. The policy outlines the disclosure and approval requirements for related party transactions and applies to any transaction where the Company is a participant and there is a transfer of resources, services, or obligations such that a Related Party has or will have a direct or indirect interest regardless of whether a price is charged.

Complaint Management Policy

Notore Chemical Industries Plc. has a robust Company-wide Complaints Management Policy that is applicable tNotore Chemical Industries Plc. has a robust Company-wide Complaints Management Policy that is applicable to its Customers, Consultants, Contractors, Clients and all Staff. The Policy's framework for addresses issues raised by either external or internal customers. The processes detailed in the Policy document start from the point of receipt of complaints via designated channels through to investigation and complete resolution stages. The content of the Policy has been carefully outlined to enable the Company's personnel understand and carry out the required activities for receiving and responding to complaints without prejudice, adhere to regulations,

improve service levels delivery and enhance customer experience as promised by the Company's Quality Policy and Quality Objectives.

The Company is committed to delivering high quality products/services that respond to its customer's needs. Consequently, it values the benefits of effective complaint handling. We believe our Customers, Consultants Staff, Contractors, Vendors and Clients should be able to provide feedback (both positive and negative) about our products/services and the way we provide them. Effective complaint management is about accountability, access and business improvement. It is an important part of our customer service delivery. Our Complaints Management Policy is targeted at providing accessible, straight-forward avenues of seeking redress for products/services withheld or poor products/services sold or offered by the Company below the agreed terms or standards. Thus, this process relies fully on other processes and procedures of various functions in the Company and international best practices in the industry.

Health Safety and Environmental Policy

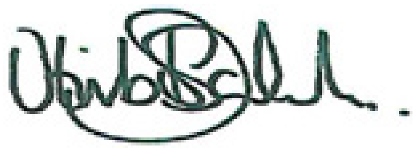
The Company is committed to ensuring that the health, safety, and well-being of its employees, contractors and visitors are catered for at all its business locations. In doing so, it continuously strives to create a work environment that is safe, healthy and friendly, which complies with all relevant national and international health and safety regulations, standards, and best practices. To achieve this goal, the Company creates and maintains an incident-free work environment that emphasizes zero tolerance for accidents and a proactive safety culture that encourages the support of all employees and belief that all injuries and illness are preventable. In the light of this consciousness, the Company recorded 11 million Lose Time Injury-free man-hours and Zero Fatality in the year under review.

This policy promotes: a culture of conscious health and safety awareness amongst all its employees and business partners; the systematic and proactive management of health and safety risks, the setting of targets for continual performance improvement, appraising emergencies and responding to them should they occur; the recognition and reward for good safety performance; and the communication of occupational health and safety matters to all employees and stakeholders. With the COVID-19 pandemic and its restrictive impact on ways of work, some of our colleagues transitioned to working from their homes and the Company continues to sensitize them on the developments and safety protocols. We ensured that not only are frontline employees and vendors checked regularly, we also provided all required protective and safety items to all our frontline employees, contractors and vendors.

Environmental Policy

Notore by its policy, has adopted a precautionary approach to environmental stewardship which enables the Company to maintain a clear vision with regard to environmental objectives. The company is committed to running its business in a manner that is environmentally and socially sustainable and in full compliance with all relevant regulatory and contractual obligations. In its daily activities, the Company endeavours to prevent the release of pollutions, conserve material resources and use energy efficiently in order to protect the ecosystem. The Company achieves these goals through: systematic assessment of environmental risks and mitigation of their negative impacts during reduction of wastes, discharges and emissions detrimental to the environment; taking measures to prevent any environmental incidents and plan to recover from such emergencies should they occur; conservation of materials, water and energy resources and the protection of its biodiversity; continually reviewing and improving on its environmental performance; provision of necessary resources and organisation for the attainment of these objectives; and informing all stakeholders of our environmental performance.

By Order of the Board.



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

Report of the Audit and Compliance Committee

Report of Audit Committee

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, the members of the Audit Committee of Notore Chemical Industries Plc hereby report as follows:

We have exercised our functions under Section 359(6) of the Companies and Allied Act and we acknowledge the cooperation of management and staff in the conduct of these responsibilities.

We confirm that:

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

The internal audit programmes are extensive and provide a satisfactory evaluation of the efficiency of the internal controls systems. We have considered the independent auditors' post-audit report and management responses thereon, and are satisfied thereto.

The members of the Audit Committee are:

The members of the Audit Committee are:

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

Mr. Ike Osakwe
Chairman
FRC/2017/ICAN/00000016455
30 December 2020

Independent Auditor's Report

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Independent auditor's report

To the Members of Notore Chemical Industries Plc

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Notore Chemical Industries Plc ("the company") and its subsidiaries (together "the group") as at 30 September 2020, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Notore Chemical Industries Plc's consolidated and separate financial statements comprise:

- the consolidated and separate statements of financial position as at 30 September 2020;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Material uncertainty relating to going concern

We draw attention to Note 30 to the consolidated and separate financial statements, which indicates that the group and the company incurred net losses of N6.40 billion and N6.38 billion respectively for the year ended 30 September 2020 and, as of that date, the group and company had net current liabilities of N29.95 billion and N30.64 billion respectively. As stated in Note 30, these events or conditions, along with other matters as set forth in Note 30, indicate that a material uncertainty exists that may cast significant doubt on the group and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Investment property – Refer to notes 4.23, 5.6, 12 and 17 to the financial statements Investment property is made up of developed land and building and a large parcel of undeveloped land. It is recognised at fair value and subjected to annual valuation by independent valuers. Also, during the year ended 30 September 2020, certain assets previously classified as property, plant and equipment were reclassified to investment property. The annual valuation of all assets in the investment property bucket was performed by three separately contracted valuers. All the valuers returned approximately the same values and management adopted the valuation report with the least value. The valuation basis adopted for the building is market value using the depreciated replacement cost method, while that of the land is market sales comparison method. The fair value gain for the year is included as part of other income and the corresponding amount is recognised as fair value adjustment to investment property. We focused on investment property because of: • the materiality of fair value gain for the year; • the materiality of assets previously classified as property, plant and equipment reclassified to investment property during the year; • estimation of the replacement cost of the structures and other improvements in relation to the valuation of the building; and • the judgement associated with determining the appropriate market sales comparison amount for the valuation of the land since this is usually within a range of prices. This is considered a key audit matter in both the consolidated and separate financial statements.	We adopted a substantive testing approach. Specifically, we performed the following procedures: • Evaluated the competence and independence of the valuers. • Checked the calculation of the fair value gain recognised for the year. • Checked that the assets reclassified from property, plant and equipment to investment property during the year met the conditions for recognition as investment property. • Checked that all assets reclassified to investment property during the year were eliminated from property, plant and equipment. • Checked the reasonableness of the replacement cost adopted for the structures and other improvements in relation to the building by comparing it with available independent market information and the consistency of same information in the three valuation reports. • Checked the appropriateness of judgement applied in determining the market sales comparison amount adopted for the land by comparing it with range of prices independently obtained for similar assets in the same environment as well as the consistency of same information in the three valuation reports. • Checked adequacy and appropriateness of disclosures on investment property.

Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Directors' Report, Corporate Governance Report, Statement of Directors' Responsibilities, Report of Audit Committee, Consolidated and Separate Statements of Value Added and Five-Year Financial Summary but does not include the consolidated and separate financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the other sections of the Notore Chemical Industries Plc 2020 Annual Report, which are expected to be made available to us after that date.

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

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

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

When we read the other sections of the Notore Chemical Industries Plc 2020 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may pwc

cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books;

iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Institute of Chartered Accountants of Nigeria
36/ICAN
0389090

31 December 2020

Osere Alakhume

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Osere Alakhume
FRC/2013/ICAN/00000000647

FINANCIAL STATEMENT

NOTORE CHEMICAL INDUSTRIES PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

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

	Note	Group 30 Sept 2020 N'000	Group 30 Sept 2019 N'000	Company 30 Sept 2020 N'000	Company 30 Sept 2019 N'000
Non-current assets					
Property, plant and equipment	16	145,278,255	153,498,568	145,278,254	153,498,221
Right of use assets	7.2	152,647	-	152,647	-
Investment property	17	53,174,118	30,770,704	53,174,118	30,770,704
Intangible asset	18	12,509	25,226	12,509	25,226
Investments in subsidiaries	29	-	-	50,255	50,255
Total non-current assets		198,617,529	184,294,498	198,667,783	184,344,406
Current assets					
Inventories	19	5,950,222	6,127,981	5,950,222	6,127,981
Trade and other receivables	20a	11,315,718	1,083,732	11,315,718	1,083,411
Pledged assets	20b	4,540,129	4,680,546	4,540,129	4,680,546
Cash and cash equivalents	21	337,347	394,007	336,207	391,599
Total current assets		22,143,416	12,286,266	22,142,276	12,283,537
Total assets		**220,760,945**	**196,580,764**	**220,810,059**	**196,627,943**
Equity					
Ordinary shares	22	806,033	806,033	806,033	806,033
Share premium		27,995,916	27,995,916	27,995,916	27,995,916
Asset revaluation reserves		63,961,570	67,228,176	63,961,570	67,228,176
Foreign currency translation reserve		544,995	517,374	-	-
Retained earnings	23	(29,125,437)	(25,898,532)	(29,216,926)	(26,008,587)
Treasury shares reserve		(1,080,831)	(1,080,831)	(1,080,831)	(1,080,831)
Total equity		63,102,246	69,568,136	62,465,762	68,940,707
Liabilities					
Non-current liabilities					
Borrowings	25a	89,669,185	53,871,913	89,669,185	53,871,913
Employee benefit obligation	24	1,620,322	817,250	1,620,322	817,250
Grant liability	25b	4,026,113	5,194,964	4,026,113	5,194,964
Deferred tax liability	14a	10,247,000	17,814,455	10,247,000	17,814,455
Total non-current liabilities		105,562,620	77,698,582	105,562,620	77,698,582
Current liabilities					
Borrowings	25a	18,681,317	26,102,775	18,681,317	26,102,775
Lease liability	7.2	135,120	-	135,120	-
Trade and other payables	26	32,076,683	21,974,203	32,762,281	22,648,811
Grant liability	25b	1,202,959	1,237,068	1,202,959	1,237,068
Current tax liabilities	14	-	-	-	-
Total current liabilities		52,096,079	49,314,046	52,781,677	49,988,654
Total liabilities		157,658,699	127,012,628	158,344,297	127,687,236
Total equity and liabilities		**220,760,945**	**196,580,764**	**220,810,059**	**196,627,943**

The financial statements on pages 20 to 78 were approved and authorised for issue by the board of directors on 30 December 2020 and signed on its behalf by:

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

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

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

The notes on pages 25 to 75 are an integral part of these financial statements.

NOTORE CHEMICAL INDUSTRIES PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

	Note	Group 30 Sept 2020 N'000	Group 30 Sept 2019 N'000	Company 30 Sept 2020 N'000	Company 30 Sept 2019 N'000
Revenue from contracts with customers	9	18,799,043	21,418,883	18,799,043	21,418,883
Cost of sales	10	(21,678,653)	(17,454,405)	(21,678,653)	(17,503,784)
Gross (loss)/profit		(2,879,610)	3,964,478	(2,879,610)	3,915,099
Administrative expenses	11	(5,923,860)	(6,613,785)	(5,905,294)	(6,498,166)
(Increase)/decrease in loss allowance	11a	(92,437)	8,416	(92,437)	8,416
Selling and distribution expenses	11b	(293,696)	(463,246)	(293,696)	(463,246)
Other income	12	18,675,245	6,522,664	18,675,245	6,522,664
Operating profit		9,485,642	3,418,527	9,504,208	3,484,767
Finance income	13a	1,074	19,690	1,074	19,690
Finance cost	13b	(23,409,290)	(13,688,691)	(23,409,290)	(13,688,691)
Finance costs - (net)		(23,408,216)	(13,669,001)	(23,408,216)	(13,669,001)
Loss before income tax		(13,922,574)	(10,250,474)	(13,904,008)	(10,184,234)
Income tax	14	7,525,938	4,499,883	7,525,938	4,499,883
Loss for the year		**(6,396,636)**	**(5,750,591)**	**(6,378,070)**	**(5,684,351)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Remeasurement of employee benefit obligations	24	(371,864)	1,696	(371,864)	1,696
Deferred tax credit/(charge) on actuarial loss/gain	14a	111,559	(509)	111,559	(509)
Revaluation surplus on property, plant and equipment	16	233,472	42,517,165	233,472	42,517,165
Deferred tax charge on revaluation surplus	14a	(70,042)	(12,542,633)	(70,042)	(12,542,633)
Total items that will not be reclassified to profit or loss		(96,875)	29,975,719	(96,875)	29,975,719
Items that may be subsequently reclassified to profit or loss					
Currency translation difference		27,621	108,437	-	-
Total items that may be reclassified to profit or loss		27,621	108,437	-	-
Other comprehensive (loss)/income for the year net of tax		**(69,254)**	**30,084,156**	**(96,875)**	**29,975,719**
Total comprehensive (loss)/ profit for the year		(6,465,890)	24,333,565	(6,474,945)	24,291,368
Total comprehensive (loss)/profit for the year attributable to:					
Equity holders of the parent company		(6,465,890)	24,333,565	(6,474,945)	24,291,368
Non-controlling interests		-	-	-	-
Earnings per share for loss attributable to the equity holders of the company					
Basic EPS (Naira)	15	(3.97)	(3.57)	(3.96)	(3.53)

The notes on pages 25 to 75 are an integral part of these financial statements.

NOTORE CHEMICAL INDUSTRIES PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

(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 2018		806,033	27,995,916	408,937	39,533,069	(22,428,553)	(1,080,831)	45,234,571
Loss for the period		-	-	-	-	(5,750,591)	-	(5,750,591)
Other comprehensive income:								-
PPE revaluation surplus, net of tax		-	-	-	29,974,532	-	-	29,974,532
Revaluation surplus released to retained earnings		-	-	-	(2,279,425)	2,279,425	-	-
Remeasurements of post-employment benefit obligations, net of tax		-	-	-	-	1,187	-	1,187
Currency translation difference		-	-	108,437	-	-	-	108,437
Total comprehensive loss for the period		-	-	108,437	27,695,107	(3,469,979)	-	24,333,565
Balance at 30 September 2019		806,033	27,995,916	517,374	67,228,176	(25,898,532)	(1,080,831)	69,568,136
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 year		-	-	-	-	(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 year		-	-	27,621	(3,266,606)	(3,226,905)	-	(6,465,890)
Transaction with owners		-	-	-	-	-	-	-
Balance at 30 September 2020		806,033	27,995,916	544,995	63,961,570	(29,125,437)	(1,080,831)	63,102,246

The notes on pages 25 to 75 are an integral part of these financial statements.

NOTORE CHEMICAL INDUSTRIES PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

	Note	Share capital	Share premium	Asset revaluation reserve	Retained earnings	Treasury shares reserve Restated	Total equity
		N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 October 2018		806,033	27,995,916	39,533,069	(22,604,848)	(1,080,831)	44,649,339
Loss for the year		-	-	-	(5,684,351)	-	(5,684,351)
Other comprehensive income:							-
PPE revaluation surplus, net of tax		-	-	29,974,532	-	-	29,974,532
Revaluation surplus released to retained earnings		-	-	(2,279,425)	2,279,425	-	-
obligations, net of tax		-	-	-	1,187	-	1,187
Total comprehensive income for the year		-	-	27,695,107	(3,403,739)	-	24,291,368
Transaction with owners		-	-	-	-	-	-
Balance at 30 September 2019		806,033	27,995,916	67,228,176	(26,008,587)	(1,080,831)	68,940,708
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 loss for the year		-	-	(3,266,606)	(3,208,339)	-	(6,474,945)
Balance at 30 September 2020		806,033	27,995,916	63,961,570	(29,216,926)	(1,080,831)	62,465,762

The notes on pages 25 to 75 are an integral part of these financial statements.

NOTORE CHEMICAL INDUSTRIES PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

	Note	Group		Company	
		30 Sept 2020	**30 Sept 2019**	**30 Sept 2020**	**30 Sept 2019**
		N'000	N'000	N'000	N'000
Cash flows from operating activities:					
Loss on ordinary activities before taxation		(13,922,574)	(10,250,474)	(13,904,008)	(10,184,234)
Adjustments for non-cash items :					
Depreciation	16	6,582,268	5,866,483	6,581,921	5,865,823
Depreciation of right of use assets	7.2	97,774	-	97,774	-
Property, plant and equipment written-off	16	-	826,939	-	826,939
Interest expense on leases	13b	21,216	-	21,216	-
Rights of use assets at date of initial application	7.2	(250,421)	-	(250,421)	-
Lease liabilities at date of initial application	7.2	279,604	-	279,604	-
Amortisation of intangible asset	18	12,717	12,613	12,717	12,613
Impairment of EEG Receivables and Negotiable Duty Credit Certificates	20b	140,417	-	140,417	-
Current service cost and interest on gratuity	24	435,912	415,194	435,912	415,194
Fair value adjustment on investment property	17	(16,729,990)	(3,302,652)	(16,729,990)	(3,302,652)
Grant income	25b	(1,202,960)	(1,305,148)	(1,202,960)	(1,305,148)
Modification gain	12	-	(1,306,297)	-	(1,306,297)
Interest accrued	25a	1,718,644	1,557,000	1,718,644	1,557,000
Decrease/(Increase) of gratuity plan assets	24	277,723	(34,713)	277,723	(34,713)
Currency translation difference		27,621	108,437	-	-
Net adjustments for non-cash items		(8,589,475)	2,837,856	(8,617,443)	2,728,759
Adjustments for non-cash items :					
Interest received	13a	(1,074)	(19,690)	(1,074)	(19,690)
Interest paid	13b	15,663,892	13,688,691	15,663,892	13,688,691
Net adjustments for non-operating cash flow items		15,662,818	13,669,001	15,662,818	13,669,001
Changes in working capital:					
Increase in inventories		177,759	(2,901,875)	177,759	(2,901,873)
Increase in trade and other receivables		(10,231,987)	143,366	(10,232,306)	143,484
Increase in trade and other payables		10,102,480	8,964,298	10,113,470	9,016,460
Cash (used in)/generated from operating activities		(6,800,978)	12,462,171	(6,799,710)	12,471,597
Gratuity paid	24	(282,427)	(323,680)	(282,427)	(323,680)
Income taxes paid	14	-	(20,596)	-	(20,596)
Net cash (used in)/generated from operating activities		(7,083,405)	12,117,895	(7,082,137)	12,127,321
Cash flows from investing activities:					
Purchases of property, plant and equipment	16	(3,801,907)	(4,968,795)	(3,801,907)	(4,968,794)
Investment in subsidiary		-	-	-	(10,000)
Interest received	13a	1,074	19,690	1,074	19,690
Net cash used in investing activities		(3,800,833)	(4,949,105)	(3,800,833)	(4,959,104)
Cash flows from financing activities:					
Proceeds from borrowings	25a	14,427,930	2,484,948	14,427,930	2,484,948
Repayments of borrowings	25a	(10,075,947)	(7,150,932)	(10,075,947)	(7,150,932)
Principal elements of lease payments	7.2	(144,484)	-	(144,484)	-
Changes in long term payables		-	(3,164,007)	-	(3,164,007)
Changes in term loan arising from reclassification (to)/from bank overdraft	25a	22,059,250	11,128,091	22,059,250	11,128,091
Interest paid on lease	13b	(21,216)	-	(21,216)	-
Interest paid	13b	(15,663,892)	(13,688,691)	(15,663,892)	(13,688,691)
Net cash generated from/(used in) financing activities		10,581,641	(10,390,591)	10,581,641	(10,390,591)
Net (decrease) in cash and cash equivalents		(302,597)	(3,221,801)	(301,329)	(3,222,374)
Cash and cash equivalents at beginning of period		(2,625,033)	596,768	(2,627,441)	594,933
Cash and cash equivalents at end of the year	21	(2,927,630)	(2,625,033)	(2,928,770)	(2,627,441)

The notes on pages 25 to 75 are an integral part of these financial statements.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

(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 30 December 2020.

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.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

4.4 **Cash and cash equivalents**

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

4.5 **Inventories**

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

4.6 **Non-current assets held for sale**

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

4.7 **Trade payables**

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

4.8 **Provisions and contingent liabilities**

Provisions

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

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

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

Contingent liabilities

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

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

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

4.9 **Property, plant and equipment**

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

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

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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

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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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6.0 **Financial risk management**

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

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

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

(a) **Market risk**

(i) Foreign exchange risk

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

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

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

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

A 10 percent strengthening/weakening of Nigerian Naira against the following currencies as at 30 September 2020 and 30 September 2019 would have increased/(decreased) group's profit before tax by the amount shown below. This analysis assumes that all other variables remains constant.

	30 Sept 2020	30 Sept 2019
	USD '000	USD '000
Financial assets		
Trade and other receivables	17,307	390
Cash and cash equivalents	170	428
	17,477	818
Financial liabilities		
Borrowings	119,639	78,642
Trade and other payables	12,047	9,696
	131,686	88,338
Net exposure in statement of financial position	(114,209)	(87,520)

	Reporting date exchange rates & translation	Sensitivity of profit to 10% strengthening of Naira	Sensitivity of profit to 10% weakening of Naira
30 September 2020			
Nigerian Naira ('000)	(44,084,512)	4,408,451	(4,408,451)
30 September 2019			
Nigerian Naira ('000)	(27,321,304)	2,732,130	(2,732,130)

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

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

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6.0 **Financial risk management (cont'd)**

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

(a) **Market risk (cont'd)**

(ii) Interest rate risk

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

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

(b) **Credit risk**

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

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

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

	30 Sept 2020	30 Sept 2019
	N'000	N'000
Trade receivables (Note 20)	640,311	633,266
Employee receivable (Note 20)	15,181	13,601
Other receivables (excluding non-financial instruments) (Note 20)	252,341	52,559
Cash and cash equivalents (excluding overdraft) (Note 21)	337,347	394,007
	1,245,180	1,093,433

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

	30 Sept 2020	30 Sept 2019
	N'000	N'000
Trade receivables (Note 20)	640,311	633,266
Employee receivable (Note 20)	15,181	13,601
Other receivables (excluding non-financial instruments) (Note 20)	252,341	52,559
Cash and cash equivalents (excluding overdraft) (Note 21)	336,207	391,599
	1,244,040	1,091,025

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

30 September 2020	Neither past due nor impaired	Past due but not impaired			Total
		Up to 3 months	3 months to 6 months	6 months and above	
	N'000	N'000	N'000	N'000	N'000
Trade receivables	4,805	-	-	-	4,805
Employee receivable	15,269	-	-	(88)	15,181
Other receivables	-	252,341	-	2,000	254,341
Cash and cash equivalents (excluding overdraft)	337,347	-	-	-	337,347

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(b) **Credit risk (cont'd)**

6.0 **Financial risk management (cont'd)**

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

30 September 2019	Neither past due nor impaired	Past due but not impaired			Total
		Up to 3 months	3 months to 6 months	6 months and above	
	N'000	N'000	N'000	N'000	N'000
Trade receivables	-	-	-	-	-
Employee receivable	-	-	150	13,451	13,601
Other receivables	-	-	52,559	-	52,559
Cash and cash equivalents (excluding overdraft)	394,007	-	-	-	394,007

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

30 September 2020	Neither past due nor impaired	Past due but not impaired			Total
		Up to 3 months	3 months to 6 months	6 months and above	
	N'000	N'000	N'000	N'000	N'000
Trade receivables	4,805	-	-	-	4,805
Employee receivable	15,269	-	-	(88)	15,181
Other receivables (excluding non-financial instruments)		252,341		2,000	254,341
Cash and cash equivalents (excluding overdraft)	336,207	-	-	-	336,207

30 September 2019	Neither past due nor impaired	Past due but not impaired			Total
		Up to 3 months	3 months to 6 months	6 months and above	
	N'000	N'000	N'000	N'000	N'000
Trade receivables	-	-	-	-	-
Employee receivable	-	-	150	13,451	13,601
Other receivables (excluding non-financial instruments)	-	-	52,559	-	52,559
Cash and cash equivalents (excluding overdraft)	391,599	-	-	-	391,599

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

	Group & Company	
	30 Sept 2020	30 Sept 2019
Impaired trade receivable:	N'000	N'000
At the beginning of the year	633,266	644,260
Increase during the year (Note 11a)	2,240	831
Decrease during the year (Note 11a)	-	(11,825)
At end of the year	635,506	633,266
Provision for impairment	(635,506)	(633,266)
Net impaired trade receivables with no provision	-	-

	30 Sept 2020	30 Sept 2019
	N'000	N'000
Provisions for impairment of trade receivables:		
Balance at the beginning of the year	633,266	644,260
Charged for the year (Note 11a)	2,240	831
Reversed during the year (Note 11a)	-	(11,825)
Balance at the end of the year (Note 20)	635,506	633,266

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

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6.0 **Financial risk management (cont'd)**

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

(b) **Credit risk (cont'd)**

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

	30 Sept 2020	30 Sept 2019
Nigerian Naira (in '000s)	622,341	618,772
US Dollars (in '000s)	47	47

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

	30 Sept 2020	30 Sept 2019
Nigerian Naira (in '000s)	622,341	618,772
US Dollars (in '000s)	47	47

Credit quality of financial assets

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

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

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
B	337,347	394,007	336,207	391,599

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

(c) **Liquidity risk**

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

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

At 30 September 2020	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	N'000	N'000	N'000	N'000	N'000
Borrowings	32,947,271	28,541,071	70,357,667	26,529,353	158,375,362
Trade payables (Note 26)	5,925,005	-	-	-	5,925,005
Interest and fees payable (Note	435,915	-	-	-	435,915
Accrued expenses (excluding non-financial instruments) (Note	4,163,775	-	-	-	4,163,775
Amount due to related parties	10,828,520	-	-	-	10,828,520

At 30 September 2019	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	N'000	N'000	N'000	N'000	N'000
Borrowings	31,954,134	21,308,223	51,484,478	12,297,038	117,043,873
Trade payables (Note 26)	6,311,521	-	-	-	6,311,521
Interest and fees payable (Note	146,686	-	-	-	146,686
Accrued expenses (excluding non-financial instruments) (Note	1,496,784	-	-	-	1,496,784
Amount due to related parties	7,403,205	-	-	-	7,403,205

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6.0 **Financial risk management (cont'd)**

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

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

At 30 September 2020	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings	32,947,271	28,541,071	70,357,667	26,529,353	158,375,362
Trade payables (Note 26)	5,925,005	-	-	-	5,925,005
Interest and fees payable (Note	435,915	-	-	-	435,915
Accrued expenses (excluding non-financial instruments) (Note	4,161,268	-	-	-	4,161,268
Amount due to related parties	11,516,625	-	-	-	11,516,625
At 30 September 2019					
Borrowings	31,954,134	21,308,223	51,484,478	12,297,038	117,043,873
Trade payables (Note 26)	6,311,521	-	-	-	6,311,521
Interest and fees payable (Note	146,686	-	-	-	146,686
Accrued expenses (excluding non-financial instruments) (Note	1,496,784	-	-	-	1,496,784
Amount due to related parties	7,403,205	-	-	-	7,403,205

6.2 **Capital risk management**

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

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

The gearing ratios at 30 September 2020 and 30 September 2019 for the group were as follows:

	Group	
	30 Sept 2020	30 Sept 2019
Total borrowings (Note 25)	108,350,502	79,974,689
Less: Cash in hand and at bank (Note 21)	(337,347)	(394,007)
Net debt	108,013,155	79,580,682
Total equity	63,102,246	69,568,136
Total capital employed	171,115,401	149,148,818
Gearing ratio	63%	53%

The gearing ratios at 30 September 2020 and 30 September 2019 for the company were as follows:

	Company	
	30 Sept 2020	30 Sept 2019
Total borrowings (Note 25)	108,350,502	79,974,689
Less: Cash in hand and at bank (Note 21)	(336,207)	(391,599)
Net debt	108,014,295	79,583,090
Total equity	62,465,762	68,940,707
Total capital employed	170,480,057	148,523,797
Gearing ratio	63%	54%

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6.0 **Financial risk management (cont'd)**

6.3 **Financial instruments by category**

The Group's financial instruments are categorised as follows:

	Group	
	30 Sept 2020	30 Sept 2019
Financial assets at amortised cost		
Trade and other receivables (excluding non-financial instruments)	272,327	66,160
Cash in hand and at bank	337,347	394,007
	609,674	460,167
Liabilities at amortised cost		
Borrowings	108,350,502	79,974,689
Trade and other payables (excluding non-financial instruments)	21,353,215	15,358,196
	129,703,717	95,332,884

The Company's financial instruments are categorised as follows:

	Company	
	30 Sept 2020	30 Sept 2019
Financial assets at amortised cost		
Trade and other receivables (excluding non-financial instruments)	272,327	66,160
Cash in hand and at bank	336,207	391,599
	608,534	457,759
Liabilities at amortized cost		
Borrowings	108,350,502	79,974,689
Trade and other payables (excluding non-financial instruments)	22,038,813	16,052,013
	130,389,315	96,026,701

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

	Group			
	Carrying amount		Fair value	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Non-current borrowings (Note 25)	89,669,185	53,871,913	67,643,074	50,963,798

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

	Company			
	Carrying amount		Fair value	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Non-current borrowings (Note 25)	89,669,185	53,871,913	67,643,074	50,963,798

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

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6.0 **Financial risk management (cont'd)**

6.4 Fair value hierarchy

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

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
30 September 2020	N'000	N'000	N'000	N'000
Trade receivables (Note 20a)	-	4,805	-	4,805
Employee receivable (Note 20a)	-	15,181	-	15,181
Other receivables (excluding non-financial instruments) (Note 20a)	-	252,341	-	252,341
Cash and cash equivalents (excluding overdraft) (Note 21)	-	337,347	-	337,347
	-	609,674	-	609,674
30 September 2019	N'000	N'000	N'000	N'000
Trade receivables (Note 20a)	-	-	-	-
Employee receivable (Note 20a)	-	13,601	-	13,601
Other receivables (excluding non-financial instruments) (Note 20a)	-	52,559	-	52,559
Cash and cash equivalents (excluding overdraft) (Note 21)	-	394,007	-	394,007
	-	460,167	-	460,167

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

	Company			
	Level 1	**Level 2**	**Level 3**	**Total**
30 September 2020	N'000	N'000	N'000	N'000
Trade receivables (Note 20a)	-	4,805	-	4,805
Employee receivable (Note 20a)	-	15,181	-	15,181
Other receivables (excluding non-financial instruments) (Note 20a)	-	252,341	-	252,341
Cash and cash equivalents (excluding overdraft) (Note 21)	-	336,207	-	336,207
	-	608,534	-	608,534
30 September 2019	N'000	N'000	N'000	N'000
Trade receivables (Note 20a)	-	-	-	-
Employee receivable (Note 20a)	-	13,601	-	13,601
Other receivables (excluding non-financial instruments) (Note 20a)	-	52,559	-	52,559
Cash and cash equivalents (excluding overdraft) (Note 21)	-	391,599	-	391,599
	-	457,759	-	457,759

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

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7.0 **Impact of the adoption of IFRS 16**

Notore Chemical Industries Plc has applied IFRS 16 Leases with a date of initial application of 1 October 2019 and has changed its accounting policies for lease contracts disclosed in note 4.18. The Group has applied IFRS 16 using the modified retrospective approach explained in note 7.2a

7.1 **Leases - Accounting policy from 1 October 2019**

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

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

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

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

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

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

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

(i) The Group is a lessee

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

(a) Lease liabilities

At the commencement date of a lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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7.0 **Impact of the adoption of IFRS 16 (cont'd)**

7.1 **Leases - Accounting policy from 1 October 2019 (cont'd)**

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

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

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

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

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

(b) Right of use assets

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

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

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

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

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

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

(d) Extension and termination options

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

(ii) Leases in which the Group is a Lessor

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

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

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7.0 **Impact of the adoption of IFRS 16 (cont'd)**

7.2 **Changes in accounting policies**

(a) Impact of adoption of IFRS 16

This note explains the impact of the adoption of IFRS 16: Leases on the Group's financial statements.

The Group has adopted IFRS 16 retrospectively from 1 October 2019, but has not restated comparatives for the period ended 30 September 2019, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance of equity on 1 October 2019. The new accounting policies are disclosed in note 7.1

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The incremental borrowing rate applied to the lease liabilities on 1 October 2019 was an average of 14.56%.

The Group had no leases previously classified as finance leases.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There was no onerous contract as at 1 October 2019.

- elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an arrangement contains a Lease.

- elected to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The Group also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an arrangement contains a Lease.

For lease contracts where the Group is the lessor, the Group reassessed the classification of some of the existing sublease contracts previously classified as operating leases under the previous reporting Standard (IAS 17).

(i) Impact on the financial statements

The following table summarises the impact of the transition to IFRS 16 on the statement of financial position as at 1 October 2019 for each affected individual line item. Line items that were not affected by the changes have not been included.

GROUP	As at 30 September 2019	Impact of IFRS 16		As at 1 October 2019
		Reclassification	Remeasurement	
	N'000	N'000	N'000	N'000
Assets				
Right-of-use assets	-	(29,183)	279,604	250,421
Prepayment	150,282	(5,400)	-	144,882
Liabilities				
Non-current				
Lease liabilities	-	-	135,120	135,120
Current				
Lease liabilities	-	-	144,484	144,484
Accruals	1,496,784	(34,583)	-	1,462,201
Equity				
Accumulated loss	(25,898,532)	-	-	(25,898,532)

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7.0 **Impact of the adoption of IFRS 16 (cont'd)**

7.2 **Changes in accounting policies**

COMPANY	As at 30 September 2019	Impact of IFRS 16 Reclassification	Impact of IFRS 16 Remeasurement	As at 1 October 2019
	N'000	N'000	N'000	N'000
Assets				
Right-of-use assets	-	(29,183)	279,604	250,421
Prepayment	150,282	(5,400)	-	144,882
Liabilities				
Non-current				
Lease liabilities	-	-	135,120	135,120
Current				
Lease liabilities	-	-	144,484	144,484
Accruals	1,496,784	(34,583)	-	1,462,201
Equity				
Accumulated loss	(26,008,587)	-	-	(26,008,587)

(ii) Measurement of lease liabilities

	1 October 2019 Group N'000	**1 October 2019 Company N'000**
Operating lease commitments disclosed as at 30 September 2019	-	-
Discounted using the lessee's incremental borrowing rate at the date of initial application		
Add: adjustments as a result of a different treatment of extension options	279,604	279,604
Lease liabilities recognised as at 1 October 2019	279,604	279,604

(iii) Right of use assets as at 1 October 2019

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments and accrued lease amounts relating to that lease recognised in the statement of financial position as at 30 September 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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7.0 **Impact of the adoption of IFRS 16**

7.2 **Changes in accounting policies (cont'd)**

The recognised right-of-use assets relate to leases for office spaces.

(b) Leases

This note provides information for leases where the Group is a lessee.

Amounts recognised in the statement of financial position

(i) Right of use assets

GROUP	**Building N'000**	**Total N'000**
Opening balance as at 1 October 2019	-	-
IFRS 16 transition adjustment	250,421	250,421
Restated opening balance as at 1 October 2019	250,421	250,421
Additions during the year	-	-
Closing balance	250,421	250,421
Depreciation		
Opening balance as at 1 October 2019	-	-
Charge for the year (Note 11)	97,774	97,774
Closing balance	97,774	97,774
Net book value as at 30 September 2020	152,647	152,647

COMPANY	**Building N'000**	**Total N'000**
Opening balance as at 1 October 2019	-	-
IFRS 16 transition adjustment	250,421	250,421
Restated opening balance as at 1 October 2019	250,421	250,421
Additions during the year	-	-
Closing balance	250,421	250,421
Depreciation		
Opening balance as at 1 October 2019	-	-
Charge for the year (Note 11)	97,774	97,774
Closing balance	97,774	97,774
Net book value as at 30 September 2020	152,647	152,647

(ii) Lease liabilities

	Group N'000	**Company N'000**
Opening balance as at 1 October 2019	-	-
IFRS 16 transition adjustment	279,604	279,604
Restated opening balance as at 1 October 2019	279,604	279,604
Additions	-	-
Interest expense (Note 13b)	21,216	21,216
Payments made during the period	(165,700)	(165,700)
Net book value as at 30 September 2020	135,120	135,120
Current	135,120	135,120
Non-current	-	-

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7.0 **Impact of the adoption of IFRS 16**

7.2 **Changes in accounting policies (cont'd)**

(iii) Amounts recognised in the statement of profit or loss

	Group N'000	Company N'000
Depreciation charge on right of use assets (includede in administrative expenses)	97,774	97,774
Interest expense (included in finance cost)	21,216	21,216
Expense relating to variable lease payments not included in lease liabilities (include operating expenses)	137,607	137,607

(iv) Amounts recognised in the statement of cash flow

	Group N'000	Company N'000
Non cash adjustment		
Depreciation of right of use assets	97,774	97,774
Interest expense	21,216	21,216
Financing activities		
Principal elements of lease payments	(144,484)	(144,484)
Interest paid	(21,216)	(21,216)

(v) Liquidity risk (maturity analysis of lease liabilities)

	Group N'000	Company N'000
Lease liability - Undiscounted cashflows		
0-3 months	34,500	34,500
3-12 months	108,500	108,500
1-2 years	-	-
Above 2 years	-	-

(c) This note provides information for leases where the Group is a lessor.

The Group has investment properties rented out to non related parties. They are classified as operating leases.

Lease rental recognised in profit or loss as rental income in which the Group acts as a lessor is as shown below:

	Group N'000	Company N'000
(i) Other income		
Rental income on operating lease for the year ended 30 September 2020 (Note 12)	624,257	624,257

(ii) Lease commitment

The investment properties are leased to tenants with rentals receivable annually. Minimum lease payments receivable on leased properties are as follows:

	Group N'000	Company N'000
Within one year	50,976	50,976
1-3 years	588,195	588,195
3-5 years	54,990	54,990
	694,161	694,161

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8.0 **Impairment of financial assets IFRS 9**

(a) **Trade receivables**

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

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

The expected loss rates as at 30 September 2020 are as follows:

Group & Company

Age of trade receivables	0-30 days	31-90 days	91-180 days	181-365 days	After 365 days	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Gross carrying amount	4,185	2,860	-	-	633,266	640,311
Default rate	16.92%	53.57%	64.68%	87.27%	100.00%	
Lifetime ECL	(708)	(1,532)	-	-	(633,266)	(635,506)
Total	3,477	1,328	-	-	-	4,805

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

	₦'000
Gross carrying amount as at 1 October	633,266
Additions during the year	3,322,029
Receipts for the year	(3,314,984)
Gross carrying amount as at 30 September	640,311

The expected loss rates as at 30 September 2019 are as follows:
Group & Company

Age of trade receivables	0-30 days	31-90 days	91-180 days	181-365 days	After 365 days	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Gross carrying amount	-	-	-	-	633,266	633,266
Default rate	19%	57%	68%	91%	100%	
Lifetime ECL	-	-	-	-	633,266	633,266
Total	-	-	-	-	-	-

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

	₦'000
Gross carrying amount as at 1 October 2018	645,091
Additions during the year	-
Decrease for the year	(11,825)
Gross carrying amount as at 30 September 2019	633,266

(b) **Other receivables**

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

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

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8.0 **Impairment of financial assets IFRS 9 (cont'd)**

(b) **Other receivables (cont'd)**

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

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

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

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

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

	Other receivables	
	Rent receivables	**Employee receivables**
Probability of Default (PD)	The credit rating of the counterparty determined by external rating agencies was used to reflect the assessment of the probability of default on this receivable. This was supplemented with external data from S&P to arrive at a 12-month PD and life time PD for stage 1 and stage 2. PD of 6.75% was used for B- rated facilities and 26.89% for CCC/C rated facilities . The PD for stage 3 is 100%.	The credit rating of the counterparty determined by external rating agencies was used to reflect the assessment of the probability of default on this receivable. This was supplemented with external data from Fitch to arrive at a 12-month PD and life time PD for stage 1 and stage 2. PD of 25.23% and 100% was used for CCC+ and D rated facilities respectively . The PD for stage 3 and exited staff is 100%
Loss Given Default (LGD)	The LGD was determined using the average recovery rate for Moody's senior unsecured bonds. This was adjusted with the federal reserve formulae to reflect downturn LGD.	The LGD was determined using the average recovery rate for Moody's senior unsecured loans . This was adjusted with the federal reserve formulae to reflect downturn LGD.
Exposure at Default (EAD)	The EAD is the maximum exposure of the receivable to credit risk without taking account of any collateral.	The EAD is the maximum exposure of the receivable to credit risk without taking account of any collateral.
Forward Looking Information	The Nigerian inflation rate and Gross Domestic Product (GDP) were identified as economic variables affecting the credit risk	The Group used the Nigerian inflation rate, Unemployment rate and Gross Domestic Product (GDP) growth rate in prior year. However, due to lack of statistical date for unemployment rate, the Group has used the Nigerian inflation rate and Gross Domestic Product (GDP) growth rate as the macro-economic variable affecting the credit risk.
Probability weightings	The Z score was used to calculate the probability of having a best, downturn and optimistic scenarios by comparing Nigeria GDP and inflation rate historical experience from 2000 - 2019. 42.5% weight was assigned to best case, 27.5% for optimistic and 30% for downturn.	The Z score was used to calculate the probability of having a best, downturn and optimistic scenarios by comparing Nigeria GDP and inflation rate historical experience from 2000 – 2019 42.5% weight was assigned to best case, 27.5% for optimistic and 30% for downturn.

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8.0 **Impairment of financial assets IFRS 9 (cont'd)**

(b) **Other receivables (cont'd)**

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

Group & Company

(i) Rent receivables

				30-Sep-20
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'000	₦'000	₦'000	₦'000
Gross EAD	145,920	40,697	144,872	331,489
Loss allowance	(570)	(162)	(78,416)	(79,148)
Net EAD	**145,350**	**40,535**	**66,456**	**252,341**

				30 Sept 2019
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'000	₦'000	₦'000	₦'000
Gross EAD	50,196	-	-	50,196
Loss allowance	(83)	-	(1,123)	(1,206)
Net EAD	50,113	-	(1,123)	48,990

Note: Loss allowance on rent receivable has been captured in Note 11ai. The net rent receivable is included as part of other receivable in Note 20.

(ii) Employee Receivables

				30-Sep-20
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'000	₦'000	₦'000	₦'000
Gross EAD	15,269	-	3,262	18,531
Loss allowance	(1,485)	-	(1,865)	(3,350)
Net EAD	**13,784**	**-**	**1,397**	**15,181**

				30 Sept 2019
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'000	₦'000	₦'000	₦'000
Gross EAD	11,323	430	3,220	14,973
Loss allowance	(641)	(35)	(697)	(1,372)
Net EAD	10,682	395	2,523	13,601

Note: Loss allowance on employee receivable has been captured in Note 11ai. The net employee receivable is included as part of trade and other receivables in Note 20.

(iii) Ex-staff Receivables

				30-Sep-20
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	₦'000	₦'000	₦'000	₦'000
Gross EAD	-	-	10,277	10,277
Loss allowance	-	-	(10,277)	(10,277)
Net EAD	**-**	**-**	**-**	**-**

Note: There was nil ex-staff receivable as at 30 September 2019. Also, loss allowance on ex-staff receivable for 2020 has been captured in Note 11ai. The net ex-staff receivable is included as part of other receivables in Note 20.

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8.0 **Impairment of financial assets IFRS 9 (cont'd)**

(c) **Cash and cash equivalents**

The Group also assessed the cash and cash equivalents to determine their expected credit losses. Based on this assessment, they identified the expected losses on cash as at 30 September 2020 to be insignificant, as the loss rate is deemed immaterial. Cash and cash equivalents are assessed to be in stage 1.

8.1 **Reconciliation of impairment loss on financial assets**
Movements in the provision for impairment of trade and other receivables that are assessed for impairment are as follows:

(a) **Trade receivables**

	30-Sep-20	30-Sep-19
	₦ 000	₦ 000
At 1 October	633,266	645,091
Movement in ECL in profit or loss due to:		
New trade receivables recognised	2,240	(11,825)
At 30 September	**635,506**	**633,266**

(b) **Other receivables**

(i) Rent receivables

	30-Sep-20	30-Sep-19
	₦ 000	₦ 000
At 1 October	1,206	-
Movement in ECL in profit or loss due to:		
New financial assets added	79,033	1,206
Financial assets recovered	(1,091)	-
At 30 September	**79,148**	**1,206**

(ii) Employee receivables

	30-Sep-20	30-Sep-20
	₦ 000	₦ 000
At 1 October	1,372	2,335
Movement in ECL in profit or loss due to:		
New financial assets recognized	1,992	-
Financial assets derecognized	(14)	(963)
At 30 September 2020	**3,350**	**1,372**

(iii) Ex-staff receivables

	30-Sep-20	30-Sep-19
	₦ 000	₦ 000
At 1 October	-	-
Movement in ECL in profit or loss due to:		
Financial assets recognized	10,277	-
At 30 September	**10,277**	**-**

8.2 **The cumulative impact of impairment allowance on profit are as follows**

	2020	2019
	₦ 000	₦ 000
At 1 October	635,844	646,595
Increase/(decrease) in impairment losses on trade receivables	2,240	(10,994)
Increase in impairment losses on rent receivables	77,942	1,206
Increase/(decrease) in impairment losses on employee receivables	1,978	(963)
Increase in impairment losses on ex-staff receivables	10,277	-
At 30 September	**728,281**	**635,844**

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8.0 **Impairment of financial assets IFRS 9 (cont'd)**

8.3 **Sensitivity of estimates used in IFRS 9 ECL**

Estimation uncertainty in measuring impairment loss
In establishing sensitivity to ECL estimates for trade receivables and other receivables, two variables (GDP growth rate and Inflation rate) were

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

(a) **Trade receivables**

Expected cash flow recoverable

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

	Effect on profit before tax 2020 (₦'000)	Effect on profit before tax 2019 (₦'000)
(Increase)/decrease in estimated cash flows		
10%	(79,792)	(63,327)
-10%	79,792	63,327

(b) **Other receivables**

The table below demonstrates the sensitivity to movements in the following inputs for other receivables with all other variables held constant:

The table below demonstrates the sensitivity to movements in the probability of default (PD) and loss given default (LGD) for financial assets classified as stage 1 financial assets, with all other variables held constant:

(i) Rent receivables

	Effect on profit before tax 2020 (₦'000)	Effect on profit before tax 2019 (₦'000)
(Increase)/decrease in PD		
10%	(73)	8,299
-10%	73	(8,299)

	Effect on profit before tax 2020 (₦'000)	Effect on profit before tax 2019 (₦'000)
(Increase)/decrease in LGD		
10%	(2,490)	20,353
-10%	2,490	(20,353)

Significant unobservable inputs:

(ii) Employee receivables

	Effect on profit before tax 2020 (₦'000)	Effect on profit before tax 2019 (₦'000)
(Increase)/decrease in PD		
10%	(134)	55
-10%	134	(57)

	Effect on profit before tax 2020 ₦'000	Effect on profit before tax 2019 ₦'000
(Increase)/decrease in LGD		
10%	(105)	52
-10%	(105)	(52)

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8.3 **Sensitivity of estimates used in IFRS 9 ECL (cont'd)**

(b) **Other receivables (cont'd)**

(iii) Ex-staff receivables

The sensitivity analysis for ex-staff receivables is restricted to the upward movement in the LGD as both LGD and PD are 100% (fully impaired).

	Effect on profit before tax	Effect on profit before tax
	2020 (₦'000)	2019 (₦'000)
(Increase)/decrease in LGD		
-10%	308	-

Forward looking macroeconomic indicators

(i) Rent receivables

		Effect on expected credit loss 2020		
		GDP growth rate		
		-10%	Held Constant	10%
		₦'000	₦'000	₦'000
	10%	43	35	28
Inflation Rate	Held Constant	8	-	(8)
	-10%	(28)	(35)	(43)

		Effect on expected credit loss 2019		
		GDP growth rate		
		-10%	Held Constant	10%
		₦'000	₦'000	₦'000
	10%	3	4	5
Inflation Rate	Held Constant	(1)	-	1
	-10%	(5)	(4)	(3)

(ii) Employee receivables

		Effect on expected credit loss 2020		
		GDP growth rate		
		-10%	Held Constant	10%
		₦'000	₦'000	₦'000
	10%	74	69	63
Inflation Rate	Held Constant	6	-	(6)
	-10%	(63)	(69)	(74)

		Effect on expected credit loss 2019		
		GDP growth rate		
		-10%	Held Constant	10%
		₦'000	₦'000	₦'000
	10%	36	36	37
Inflation Rate	Held Constant	-	-	-
	-10%	(38)	(37)	(37)

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9 **Revenue from contracts with customers**

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

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
9a Revenue by product line				
NPK	249,620	-	249,620	-
Urea and other chemicals	18,250,825	21,240,556	18,250,825	21,240,556
Ammonia	298,598	178,327	298,598	178,327
Total	18,799,043	21,418,883	18,799,043	21,418,883
9b Analysis by geographical location:				
Within Nigeria	15,582,225	20,185,873	15,582,225	20,185,873
Outside Nigeria	3,216,818	1,233,010	3,216,818	1,233,010
	18,799,043	21,418,883	18,799,043	21,418,883

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.

9c **Assets and liabilities related to contracts with customers**

The Group has recognised the following liabilities related to contracts with customers:

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Contract liabilities - Sale of goods (Note 26)	9,622,771	5,330,686	9,622,771	5,330,686

The Group has no contract assets as it did not recognise a provision for services ahead of the agreed payment schedules.

9d **Revenue recognised in relation to contract liabilities**

The following table shows how much of the revenue recognised in the current reporting period that relates to carried-forward contract liabilities.

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Sale of goods	4,710,066	5,275,898	4,710,066	5,275,898

10 **Cost of sales**

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Raw materials and other chemicals cost	6,711,887	8,055,517	6,711,887	8,104,896
Overheads	6,597,224	1,912,691	6,597,224	1,912,691
Depreciation	6,200,195	5,470,225	6,200,195	5,470,225
Staff cost (Note 11d)	2,168,144	2,211,152	2,168,144	2,211,152
Haulage cost	1,203	315	1,203	315
Export Expansion Grant (EEG)	-	(195,495)	-	(195,495)
Total	21,678,653	17,454,405	21,678,653	17,503,784

Analysis of depreciation charged

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Total depreciation charged on cost of sales	6,200,195	5,470,225	6,200,195	5,470,225
Total depreciation charged on admin expenses (Note 11)	382,073	396,258	381,726	395,598
Total depreciation charged on PPE (Note 16)	6,582,268	5,866,483	6,581,921	5,865,823

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11 Administrative expenses

The following balances are included as part of administrative expenses:

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Employee benefit expense	2,715,358	2,666,012	2,707,173	2,628,320
Repair and maintenance	130,436	133,118	117,979	133,118
Consultancy	337,102	331,522	337,102	331,522
Transportation & Travel	106,038	247,853	100,720	229,007
Depreciation (Note 10)	382,073	396,258	381,726	395,598
Depreciation of right of use asset (Note 7.2b)	97,774	-	97,774	-
Amortisation of intangible assets (Note 18)	12,717	12,613	12,717	12,613
Corporate promotion expenses	198,377	55,434	198,377	55,434
Directors fees (Note 27c)	617,903	691,817	617,903	691,817
Board expenses	27,051	67,587	27,051	67,587
Foreign currency exchange (gain)/loss	(218,511)	334,589	(228,430)	334,589
Bank charges	49,767	48,545	49,629	48,545
Business development	86,999	213,695	86,999	213,695
Housing estate maintenance expenses	240,808	209,207	240,808	209,207
Rent and rates expenses	31,088	143,333	31,088	143,333
Insurance expenses	107,491	107,135	107,491	107,135
Outsourced services	53,566	80,127	53,566	80,127
Community relations	60,042	100,915	60,042	100,915
Telephone expenses	27,491	34,672	27,491	34,672
Internet data link	32,021	36,632	32,021	36,632
Statutory fees	100,916	128,008	100,916	128,008
Seminars and workshops	5,768	15,478	5,768	15,478
Office stationery	8,689	16,460	8,689	16,460
Other admin and general expenses	670,996	501,029	690,694	444,357
Auditor's renumeration provision	41,900	41,747	40,000	40,000
	5,923,860	6,613,785	5,905,294	6,498,166

11a Administrative expenses (cont'd)

i Total (decrease)/increase in allowance

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
Increase in impairment allowance for trade receivables (Note 6.1b)	2,240	831	2,240	831
Decrease in impairment allowance for trade receivables (Note 6.1b)	-	(11,825)	-	(11,825)
Net increase in impairment allowance for rent receivables (Note 8.2)	77,942	1,206	77,942	1,206
Net increase in impairment allowance for employee receivables (Note	1,978	1,372	1,978	1,372
Increase in impairment allowance for ex-staff receivables (Note 8.2)	10,277	-	10,277	-
	92,437	(8,416)	92,437	(8,416)

11b Selling and distribution expenses

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Marketing expenses	293,696	463,246	293,696	463,246

11c Employee benefits expense

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Salaries and wages	2,854,593	3,076,262	2,846,408	3,038,569
Other employee benefits	1,224,927	1,087,682	1,224,927	1,087,682
Termination benefits	138,749	37,940	138,749	37,940
Employer's pension contribution - defined contributions	265,027	297,453	265,027	297,453
Gratuity charge (Note 24)	400,206	377,828	400,206	377,828
	4,883,502	4,877,165	4,875,317	4,839,472

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11d Analysis of employee benefits expense charged to:

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Cost of sales	2,168,144	2,211,152	2,168,144	2,211,152
Administrative expenses	2,715,358	2,666,012	2,707,173	2,628,320
	4,883,502	4,877,164	4,875,317	4,839,472

12 Other income

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Fair value adjustment on investment property (Note 17)	16,729,990	3,302,652	16,729,990	3,302,652
Grant Income (Note 25b)	1,202,960	1,305,148	1,202,960	1,305,148
Modification gain (Note 25a)	-	1,306,297	-	1,306,297
Housing estate income (Note 17)	624,257	414,196	624,257	414,196
Others	118,038	194,370	118,038	194,370
	18,675,245	6,522,664	18,675,245	6,522,664

13 Finance income and costs

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
13a Finance income				
Interest income on short-term bank deposits	1,074	19,690	1,074	19,690
13b Finance costs				
– Interest and fees on borrowings	(15,663,892)	(13,688,691)	(15,663,892) -	13,688,691
– Interest expense on lease liability	(21,216)	-	(21,216)	-
– Exchange difference on bank borrowings	(7,724,182)	-	(7,724,182)	-
	(23,409,290)	(13,688,691)	(23,409,290)	(13,688,691)
Net finance costs	(23,408,216)	(13,669,001)	(23,408,216)	(13,669,001)

The exchange difference relates to exchange loss suffered on restatement of Dollar denominated loan as a result of Naira devaluation by Central Bank of Nigeria from N360/$ to N380/$ during the year ended 30 September 2020.

14 Income tax expense

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Profit or loss account:				
Education tax	-	-	-	-
Deferred tax charge for the year	1,690,058	1,395,188	1,690,058	1,395,188
Prior year under provision for deferred tax charge	-	1,182,684	-	1,182,684
Prior year under provision for deferred tax credit	-	(1,682,025)	-	(1,682,025)
Deferred tax credit for the year	(9,215,996)	(5,395,730)	(9,215,996)	(5,395,730)
Income tax expense	(7,525,938)	(4,499,883)	(7,525,938)	(4,499,883)

Notore has a free zone developer status as granted by the Oil and Gas Free Zones Authority. In addition, the Company obtains annual Free Zone Enterprise License. Accordingly, the Company is exempted from all Federal, States and Local Governments taxes, levies and rates. Notwithstanding the exemption, the Company's revenue earned from sales of goods and services into Nigeria territory will be subjected to taxation to the extent that the sales did not pass through the custom control processes. There is no tax charged during the year due to nil taxable profit as well as exemption from minimum tax.

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14 Income tax expense (cont'd)
Reconciliation of statutory and effective tax rates

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

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Loss before income tax	(13,922,574)	(10,250,474)	(13,904,008)	(10,184,234)
Tax calculated at the rate of 30% (2018: 30%)	(4,176,772)	(3,075,142)	(4,171,202)	(3,055,270)
Effect of:				
Education tax	-	-	-	-
Tax rate differential	(3,345,998)	-	(3,345,998)	-
Prior year under provision for deferred tax charge	-	1,182,684	-	1,182,684
Prior years unrecognised deferred tax credit	-	(1,682,025)	-	(1,682,025)
Non chargeable income	(3,168)	(925,400)	(8,738)	(945,272)
Non deductible expenses	-	-	-	-
Total income tax expense in statement of profit or loss	(7,525,938)	(4,499,883)	(7,525,938)	(4,499,883)

The applicable tax rates used for the 2020 and 2019 reconciliations above is the corporate tax rate of 30% payable by taxable entities in Nigeria on taxable profits under tax law in Nigeria.

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

	Group and Company	
	30 Sept 2020	30 Sept 2019
	N'000	N'000
At start of the period	-	20,596
Charge for the period - Income tax	-	-
Charge for the period - Education tax	-	-
Payment during the period	-	(20,596)
Total current income tax liabilities	-	-

14a Deferred income tax

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

	Group and Company	
	30 Sept 2020	30 Sept 2019
	N'000	N'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	39,361,042	30,033,487
– Deferred tax assets to be recovered within 12 months	276,072	276,072
	39,637,114	30,309,559
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	46,044,785	47,668,911
– Deferred tax liabilities to be recovered within 12 months	3,839,329	455,103
	49,884,114	48,124,014
Deferred tax (liability)/asset - (net)	(10,247,000)	(17,814,455)

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	
	30 Sept 2020	30 Sept 2019
	N'000	N'000
Deferred tax assets:		
Deferred income tax asset:		
Balance at the beginning of the year	30,309,559	23,231,804
Credit to profit or loss for the year	9,215,996	7,077,755
Credit to other comprehensive income for the year	111,559	-
Total deferred tax asset	39,637,114	30,309,559
Deferred tax liabilities:		
Deferred income tax liabilities:		
Balance at the beginning of the year	48,124,014	33,003,000
Charge to profit or loss for the year	1,690,058	2,577,872
Charge to other comprehensive income for the year	70,042	12,543,142
Total deferred tax liabilities	49,884,114	48,124,014

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14a Deferred income tax (cont'd)

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

	Property, plant and equipment	Employee benefit obligation	Provisions	Tax losses	Total
	N'000	N'000	N'000	N'000	N'000
Deferred tax assets					
At 1 October 2018	16,490,930	574,990	251,698	5,914,186	23,231,804
Prior year under provision for deferred tax credit	1,550,345	-	(1,392)	133,072	1,682,025
Credit to profit or loss for the year	1,759,747	-	25,766	3,610,217	5,395,730
At 30 September 2019	19,801,022	574,990	276,072	9,657,475	30,309,559
At 1 October 2019	19,801,022	574,990	276,072	9,657,475	30,309,559
Credited to profit or loss for the year	1,976,688	127,839	-	7,111,469	9,215,996
Credit to other comprehensive income for the year	-	111,559	-	-	111,559
At 30 September 2020	21,777,710	814,388	276,072	16,768,944	39,637,114

	Property, plant and equipment	Employee benefit obligation	Provisions	Investment property	Total
	N'000	N'000	N'000	N'000	N'000
Deferred tax liabilities					
At 1 October 2018	32,241,728	94,096	28,154	639,022	33,003,000
Prior year under provision for deferred tax charge	1,093,157	-	89,527	-	1,182,684
Charged to profit or loss for the year	727,501	-	337,422	330,265	1,395,188
Charged to other comprehensive income for the year	12,542,633	509	-	-	12,543,142
At 30 September 2019	46,605,019	94,605	455,103	969,287	48,124,014
At 1 October 2019	46,605,019	94,605	455,103	969,287	48,124,014
Charged to profit or loss for the year	2,112	-	1,687,946	-	1,690,058
Charged to other comprehensive income for the year	70,042	-	-	-	70,042
Reclassifications	(726,993)	-	1,696,280	(969,287)	-
At 30 September 2020	45,950,180	94,605	3,839,329	-	49,884,114
Net deferred tax liability - 30 September 2019	**(26,803,997)**	**480,385**	**(179,031)**	**8,688,188**	**(17,814,455)**
Net deferred tax liability - 30 September 2020	**(24,172,470)**	**719,783**	**(3,563,257)**	**16,768,944**	**(10,247,000)**

15 **Earnings per share (EPS)**

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

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Loss for the year attributable to shareholders	(6,396,636)	(5,750,591)	(6,378,070)	(5,684,351)
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)	(3.97)	(3.57)	(3.96)	(3.53)

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16 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 2018	2,904,391	11,434,341	108,501,246	744,472	272,326	441,263	5,334,343	129,632,381
Additions	-	71,162	293,076	61,499	58,684	57,897	4,426,476	4,968,795
Reclassification to intangible assets (Note 18)	-	-	-	-	-	-	(37,839)	(37,839)
Write-off	-	-	-	-	-	-	(826,939)	(826,939)
Disposal	-	-	-	(123,302)	-	-	-	(123,302)
Reclassification	-	282,286	1,205,953	-	-	-	(1,488,239)	-
Revaluation surplus	1,062,582	(195,716)	20,094,785	-	-	-	-	20,961,651
At 30 September 2019	3,966,973	11,592,073	130,095,060	682,669	331,010	499,160	7,407,802	154,574,747
Accumulated depreciation								
At 1 October 2018	-	470,779	15,348,760	489,771	218,894	360,308	-	16,888,512
Charge for the year	-	265,750	5,470,225	61,902	32,634	35,972	-	5,866,483
Disposal	-	-	-	(123,302)	-	-	-	(123,302)
Depreciation written off upon revaluation	-	(736,529)	(20,818,985)	-	-	-	-	(21,555,514)
At 30 September 2019	-	-	-	428,371	251,528	396,280	-	1,076,179
Net Book Value								
At 30 September 2019	3,966,973	11,592,073	130,095,060	254,298	79,482	102,880	7,407,802	153,498,568
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 17)	(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

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16 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
Cost/valuation								
At 1 October 2018	2,904,391	11,434,341	108,501,246	744,472	267,876	441,263	5,334,343	129,627,932
Additions	-	71,162	293,076	61,499	58,684	57,897	4,426,476	4,968,794
Reclassification to intangible assets (Note 18)	-	-	-	-	-	-	(37,839)	(37,839)
Write-off	-	-	-	-	-	-	(826,939)	(826,939)
Disposal	-	-	-	(123,302)	-	-	-	(123,302)
Reclassification	-	282,286	1,205,953	-	-	-	(1,488,239)	-
Revaluation surplus	1,062,582	(195,716)	20,094,785	-	-	-	-	20,961,651
At 30 September 2019	3,966,973	11,592,073	130,095,060	682,669	326,560	499,160	7,407,802	154,570,297
Accumulated depreciation								
At 1 October 2018	-	470,779	15,348,760	489,771	215,451	360,308	-	16,885,069
Charge for the year	-	265,750	5,470,225	61,902	31,974	35,972	-	5,865,823
Disposal	-	-	-	(123,302)	-	-	-	(123,302)
Depreciation written off upon revaluation	-	(736,529)	(20,818,985)	-	-	-	-	(21,555,514)
At 30 September 2019	-	-	-	428,371	247,425	396,280	-	1,072,077
Net Book Value								
At 30 September 2019	3,966,973	11,592,073	130,095,060	254,298	79,135	102,880	7,407,802	153,498,221
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 17)	(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

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

Revaluation surplus recognised during the year ended 30 September 2020 represents fair value gain as at 1 October 2019 on items of property, plant and equipment (PPE) reclassified to Investment propery on that date. The revaluation surplus was included in the valuation report issued by Knight Frank for the year ended 30 September 2019 but was not recognised then because the related items were not accounted for in PPE using the revaluation model. Having been reclassified to Investment property, the revaluation surplus on the date of the reclassification has been accounted for in the other comprehensive income in accordance with IAS 40.

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17 Investment property

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Cost				
Opening balance	30,770,704	27,468,052	30,770,704	27,468,052
Transfer (from PPE note 16)	5,673,424	-	5,673,424	-
Fair value adjustment (Note 12)	16,729,990	3,302,652	16,729,990	3,302,652
	53,174,118	30,770,704	53,174,118	30,770,704

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

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

Included in Other income in the statement of profit or loss is the sum of N624.26 million (2019: N414.20 million) being rental income from the commercial property per Note 11, N240.81 million (2019: N209.21 million) was incurred as direct operating expense during the year in generating the income.

During the year ended 30 September 2020, the company reclassified the housing estate from property plant and equipment to investment property having met the required conditions. The reclassification is influenced by the change in the usage pattern occasioned by the insignificant owner occupier percentage of the estate, driven by the activation of the company's Free Zone Developer status which resulted to influx of tenants from other companies into the housing estate.

The future minimum lease payments under the non-cancellable operating leases is N694.16 million (Note 7.2) as at 30 September 2020

Recognised fair value measurement

Fair value hierarchy

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

At 30 September 2020	**Notes**	**Level 1 N'000**	**Level 2 N'000**	**Level 3 N'000**	**Total N'000**
Investment property	17	-	53,174,118	-	53,174,118
Total non-financial assets		-	53,174,118	-	53,174,118
At 30 September 2019	**Notes**	**N'000**	**N'000**	**N'000**	**N'000**
Investment property	17	-	30,770,704	-	30,770,704
Total non-financial assets		-	30,770,704	-	30,770,704

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

An analysis of the hierarchy levels has been presented below:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

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

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

Valuation techniques used to determine level 2 fair value

The Group obtains independent valuations for its investment properties at least annually and for its land & buildings and plant & machinery (classified as property, plant and equipment) at least every three years. The valuation is based on market value using the depreciated replacement cost method of valuation

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

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Investment property (cont'd)

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

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

Fair value measurements using significant observable inputs (level 2)

The following table presents the changes in level 2 items for the periods ended 30 September 2019 and 30 September 2020 for recurring fair value

	Land & buildings N'000	Plant & machinery N'000	Investment property N'000	Total N'000
Opening balance 1 October 2018	13,867,952	93,152,486	27,468,052	134,488,490
Additions	71,162	293,076	-	364,238
Amounts recognised in profit or loss:				
Depreciation and impairment	(265,750)	(5,470,225)	-	(5,735,975)
Gains recognised in other income	-	-	3,302,652	3,302,652
Reclassification	282,286	1,205,953	-	1,488,239
Revaluation surplus	1,603,395	40,913,770	-	42,517,165
Closing balance 30 September 2019	15,559,046	130,095,060	30,770,704	176,424,809
Opening balance 1 October 2019	15,559,046	130,095,060	30,770,704	176,424,809
Additions	48,865	-	-	48,865
Amounts recognised in profit or loss:				
Depreciation and impairment	(257,278)	(6,200,195)	-	(6,457,473)
Gains recognised in other income	-	-	16,729,990	16,729,990
Reclassification		713,755		713,755
Revaluation surplus	-		-	-
Transfer to Investment Property	(4,685,908)	(435,780)	5,673,424	551,736
Closing balance 30 September 2020	10,664,725	124,172,840	53,174,118	188,011,682

Valuation inputs and relationships to fair value

The following table summarises quantitative information about significant unobservable inputs (level 3) considered by the directors in fair value measurements where current prices (level 2) are not available. See above for the valuation techniques adopted.

Asset Class	**Financial year**	**Valuation technique**	**Significant Unobservable Inputs**	**Range (weighted average)**	**Sensitivity of the input to fair value**
Buildings, Plant & Machinery					
Buildings	2019	Depreciated replacement cost	Cost per square metre	N2b – N5bilion (average cost N5 million per square metre)	Significant increase (decrease) in the cost per unit would result in a significantly higher (lower) fair value
			Useful life of the building	30-50 years (average – 40 years)	Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value
Ammonia plant	2019	Depreciated replacement cost	Production capacity	N 1b - N5b (average cost N2.5b per MTPD)	Significant increase (decrease) in the cost per unit would result in a significantly higher (lower) fair value
			Useful life of the specialised asset	10-20 years (Average – 15 years)	Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value
Urea plant	2019	Depreciated replacement cost	Production capacity	N 1b - N5b (average cost N2.5b per MTPD)	Significant increase (decrease) in the cost per unit would result in a significantly higher (lower) fair value
			Useful life of the specialised asset	10-20 years (Average – 15 years)	Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value
Service plant	2019	Depreciated replacement cost	Capacity	N 0.1b - N1 b (average cost N0.5b per sevicing)	Significant increase (decrease) in the cost per unit would result in a significantly higher (lower) fair value
			Useful life of the specialised asset	10-20 years (Average – 15 years)	Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value

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Asset Class	Financial year	Valuation technique	Significant Unobservable Inputs	Range (weighted average)	Sensitivity of the input to fair value
Investment property					
Land and building	2017	Depreciated replacement cost	Cost per square metre	N0.1b – N16b (average cost N4 million per square metre)	Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value
			Useful life of the building	30-50 years (Average – 40 years)	Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value
Land and building	2018	Depreciated replacement cost	Cost per square metre	N0.1b – N16b (average cost N5 million per square metre)	Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value
			Useful life of the building	30-50 years (Average – 40 years)	Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value
Land and building	2019	Depreciated replacement cost	Cost per square metre	N0.6b – N16b (average cost N6 million per square metre)	Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value
			Useful life of the building	30-50 years (Average – 40 years)	Significant increase (decrease) in the useful life would result in a significantly higher (lower) fair value

Valuation processes

The Group's Land & Building and Plant & Machinery were valued at 30 September 2016 and 30 September 2019 while investment properties were valued at each year end by independent professionally qualified valuers, Knight Frank (FRC/2013/0000000000584), who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the assets valued. In addition to Knight Frank, the firms of Toyin Aguda & Co (FRC/2016/NIESV/00000013772) and Laoye Adeyemi & Associates (FRC/2012/NIESV/00000000133) were also engaged to perform the valuation of the investment properties for the year ended 30 September 2020. The valuation amount advised by the three valuers approximates one another and management adopted the least valuation amount out of the three. For all assets valued, their current use equates to the highest and best use. The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the CFO, AC, the valuation team and the independent valuers at every reporting period.

At each financial year end, the finance department:
- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report;
- holds discussions with the independent valuer.

18 Intangible assets

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Cost				
Opening balance	92,800	54,961	92,800	54,961
Reclassification from Work-in-progress (Note 16)	-	37,839	-	37,839
Closing balance	92,800	92,800	92,800	92,800
Accumulated amortisation				
Opening balance	(67,574)	(54,961)	(67,574)	(54,961)
Charge for the period (Note 11)	(12,717)	(12,613)	(12,717)	(12,613)
Closing balance	(80,291)	(67,574)	(80,291)	(67,574)
Net book value	12,509	25,226	12,509	25,226

Intangible assets relate to cost of software. Amortisation expense of N12.7 million (Sept 2019:N12.6 million) has been recognised in administrative expenses.

19 Inventories

	Group		Company	
Group	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Raw materials	2,020,158	1,103,801	2,020,158	1,103,801
Finished goods	316,127	577,476	316,127	577,476
Goods in transit	-	959,983	-	959,983
Spare parts inventories	3,613,937	3,486,721	3,613,937	3,486,721
	5,950,222	6,127,981	5,950,222	6,127,981

The cost of inventories included in cost of sales for the year ended 30 September 2020 is N6.71 billion (2019: N8.1 billion)

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20a Trade and other receivables

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
Financial instruments	N'000	N'000	N'000	N'000
Trade receivables	640,311	633,266	640,311	633,266
Less: Impairment of trade receivables	(635,506)	(633,266)	(635,506)	(633,266)
Net trade receivables	4,805	-	4,805	-
Employee receivables	15,181	13,601	15,181	13,601
Other receivables	252,341	52,559	252,341	52,559
	272,327	66,160	272,327	66,160
Non-financial instruments				
Advances to prepaid suppliers	10,474,146	243,557	10,474,146	243,557
Prepayments	125,306	150,282	125,306	150,282
Withholding tax receivables	394,464	321,364	394,464	321,364
Other receivables	49,475	302,369	49,475	302,048
Total	11,043,391	1,017,572	11,043,391	1,017,251
Total trade and other receivables	11,315,718	1,083,732	11,315,718	1,083,411

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

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

All trade and other receivables are current.

20b Pledged assets

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Export Expansion Grant Receivables and Negotiable Duty Credit Certificates	4,540,129	4,680,546	4,540,129	4,680,546

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.

The decrease in Export Expansion Grant Receivables and Negotiable Duty Credit Certificates as at 30 September 2020 compared to 30 September 2019 represents impairment charge of NGN140.4 million. This is driven by the discounting effect of the anticipated Promisory Notes to be issued for the settlement of the Export Expansion Grant Receivables and Negotiable Duty Credit Certificates. The impairment charge is included in the Other admin and general expenses in Note 11 to the financial statements.

21 Cash and cash equivalents

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Cash at bank and in hand (excluding overdrafts)	337,347	394,007	336,207	391,599
Cash and cash equivalents (excluding overdrafts)	337,347	394,007	336,207	391,599

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	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Cash and cash equivalents (excluding overdrafts)	337,347	394,007	336,207	391,599
Bank overdrafts (Note 25)	(3,264,977)	(3,019,040)	(3,264,977)	(3,019,040)
Cash and cash equivalents (including overdrafts)	(2,927,630)	(2,625,033)	(2,928,770)	(2,627,441)

22 Share capital

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
Authorised:	N'000	N'000	N'000	N'000
2020: 4 billion (2019: 2 billion) ordinary shares of 50 Kobo each	2,000,000	1,000,000	2,000,000	1,000,000
Issued and fully paid:				
1.61 billion ordinary shares of 50 Kobo each	806,033	806,033	806,033	806,033

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23 **Retained earnings**

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Balance at the beginning	(25,898,532)	(22,428,553)	(26,008,587)	(22,604,848)
Loss for the period	(6,396,636)	(5,750,591)	(6,378,070)	(5,684,351)
Remeasurements of post employment benefit	(260,305)	1,187	(260,305)	1,187
Revaluation reserve released on depreciation of	3,430,036	2,279,425	3,430,036	2,279,425
Balance at the end	(29,125,437)	(25,898,532)	(29,216,926)	(26,008,587)

24 **Employee benefit obligations**

(a) **Defined benefit scheme**

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

	Group & Company	
	30 Sept 2020	30 Sept 2019
	N'000	N'000
Statement of financial position obligations for:		
Post-employment benefit	1,620,322	817,250
Liability in the balance sheet	1,620,322	817,250
Statement of profit or loss charge included in employee benefits expense for:		
Post-employment benefit	435,912	415,194
	435,912	415,194
Remeasurements for:		
Change in financial assumption and experience adjustment	371,864	(1,696)
	371,864	(1,696)

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, Ernst & Young (FRC/2012/NAS/00000000738), 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 30 September 2020, fair value of the plan asset stood at N478.03 million (30 September 2019: N755.76 million).

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

	Group & Company	
	30 Sept 2020	30 Sept 2019
	N'000	N'000
Present value of obligations (funded)	2,098,357	1,573,008
Fair value of plan assets	(478,035)	(755,758)
Deficit of funded plan	1,620,322	817,250

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24 **Employee benefit obligations (cont'd)**

	Group & Company	
	30 Sept 2020	30 Sept 2019
	N'000	N'000
Balance at the beginning of the period	1,573,008	1,483,190
Charge during the period:		
Current service cost	208,159	204,385
Interest cost	227,753	210,809
	435,912	415,194
	2,008,920	1,898,384
Remeasurements:		
Actuarial losses - change in financial assumption	418,257	61,334
Actuarial (gains) - experience adjustment	(46,393)	(63,030)
Total	371,864	(1,696)
Payments from plans:		
Benefits paid by the employer	(282,427)	(323,680)
Total	(282,427)	(323,680)
Balance at the end of the period	2,098,357	1,573,008
Charge during the year is recognised as follows:		
Employee benefits expense (Note 11c)	400,206	377,828
Key management compensation (Note 27)	35,706	37,366
	435,912	415,194

The breakdown of the plan assets is shown below:

Asset mix:	Group & Company			
	30 Sept 2020		30 Sept 2019	
	N'000	%	N'000	%
Treasury bills	189,502	39.64	530,254	70.16
Local currency sovereign bonds	71,006	14.85	55,293	7.32
Local currency corporate bonds	2,913	0.61	4,606	0.61
Fixed deposits and commercial papers	214,614	44.90	165,605	21.91
	478,035	100.00	755,758	100.00

The maturity profiles of future benefits payment is as follows:

	Group & Company	
Year	30 Sept 2020	30 Sept 2019
	N'000	N'000
2021	231,986	222,420
2022	448,354	232,607
2023	241,314	451,978
2024	276,629	246,510
2025 – 2029	2,096,617	2,314,941

The significant actuarial assumptions were as follows:

	Group & Company	
	30 Sept 2020	30 Sept 2019
Discount rate (p.a.)	10.0%	14.8%
Future average pay increase (p.a.)	10.0%	12.0%
Average rate of inflation (p.a.)	12.0%	12.0%
Expected Return on Plan Assets (p.a.)	10.0%	14.8%
Interest credit (p.a)	0.0%	0.0%

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24 **Employee benefit obligations (cont'd)**

The sensitivity analysis on the accrued liability as at 30 September 2020 is as follows:

	Group & Company	Accrued liability N'000
Base		2,098,357
Discount rate	+1%	1,970,981
Discount rate	-1%	2,241,994
Salary increase rate	+1%	2,164,263
Salary decrease rate	-1%	2,038,348
Mortality experience	Improved by 1 year	2,100,993
Mortality experience	Worsened by 1 year	2,095,977

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

(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 2020 was N265 million (30 September 2019: N297 million) while the employee contribution is included in salaries and wages amount - Note 11c.

In addition, the employer pension contribution expensed for the period ended 30 September 2020 was N23.8 million (30 September 2019: N23.8 million) - Note 27- for the directors while the directors contribution is included in the directors salaries and other emoluments.

25a **Borrowings**

	Group	
	30 Sept 2020	30 Sept 2019
	N'000	N'000
Non-current		
Bank borrowings	89,669,185	53,871,913
Total non-current borrowings	89,669,185	53,871,913
Current		
Bank overdrafts (Note 21)	3,264,977	3,019,040
Bank borrowings	15,416,340	23,083,735
Total current borrowings	18,681,317	26,102,775
Total borrowings (non-current & current)	108,350,502	79,974,688

	Company	
	30 Sept 2020	30 Sept 2019
	N'000	N'000
Non-current		
Bank borrowings	89,669,185	53,871,913
Total non-current borrowings	89,669,185	53,871,913
Current		
Bank overdrafts (Note 21)	3,264,977	3,019,040
Bank borrowings	15,416,340	23,083,735
Total current borrowings	18,681,317	26,102,775
Total borrowings (non-current & current)	108,350,502	79,974,689

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25a **Borrowings (cont'd)**

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

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Opening balance	76,955,648	70,242,836	76,955,648	70,242,836
Additions	14,427,930	2,484,948	14,427,930	2,484,948
Interest accrued	1,718,644	1,557,000	1,718,644	1,557,000
Modification gain (Note 12)	-	(1,306,297)	-	(1,306,297)
Reclassification from bank overdraft	22,059,250	11,128,091	22,059,250	11,128,091
Repayments	(10,075,947)	(7,150,932)	(10,075,947)	(7,150,932)
Closing balance	105,085,525	76,955,648	105,085,525	76,955,648

Bank borrowings are categorised as follows

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Bank of Industry (BoI) borrowings	16,798,602	18,838,307	16,798,602	18,838,307
Other bank borrowings	88,286,923	58,117,341	88,286,923	58,117,341
	105,085,525	76,955,648	105,085,525	76,955,648

The bank borrowings are secured over the assets of the Group and as at the reporting date there are no undrawn borrowing lines.
Outstanding borrowings at period end is made up of:

i) BOI-CBN intervention (1st tranche) loan balance of N0.78 billion out of which N0.25 billion is repayable within one year and N0.53 billion is repayable after one year. The duration of the loan is 78 months and the annual interest rate is 7%. The last repayment date of the facility is 31 March 2026.

ii) BOI-CBN intervention (2nd tranche) loan balance of N10.04 billion out of which N1.94 billion is repayable within one year and N8.10 billion is repayable after one year. The duration of the facility is 69 months and the annual interest rate is 7%. The last repayment date of the facility is 31 June 2025

iii) BOI-CBN intervention (3rd tranche) loan balance of N5.97 billion out of which N1.08 billion is repayable within one year and N4.89 billion is repayable after one year. The duration of the facility is 69 months and the annual interest rate is 7%. The last repayment date of the facility is 6 September 2025.

iv) Other NGN term loans balance of N44.46 billion out of which N6.97 billion is repayable within one year and N37.49 billion is repayable after one year. The duration of the loan is 84 months and the annual interest rate is 23%. The last repayment date of the facility is 31 July 2027.

v) Afrexim USD term loans balance of $38.22 million (N14.75 billion) out of which $5.17 million (N1.99 billion) is repayable within one year and $33.05 million (N12.76 billion) is repayable after one year. The duration of the loan is 84 months and the annual interest rate is 12.7%. The last repayment date of the facilities is 31 December 2026.

vi) USD term loans balance of $72.86 million (N29.08 billion) out of which $5.85 million (N3.18 billion) is repayable within one year and $67.01 million (N25.90 billion) is repayable after one year. The duration of the loan is 84 months and the annual interest rate is 12.7%. The last repayment date of the facilities is 31 July 2027.

25b **Grant liability**

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Non-current	4,026,113	5,194,964	4,026,113	5,194,964
Current	1,202,959	1,237,068	1,202,959	1,237,068
Total grant liability	5,229,072	6,432,032	5,229,072	6,432,032
Movement in grant liability is presented as follows:				
At 1 October	6,432,032	7,737,180	6,432,032	7,737,180
Grant income recognised in profit or loss (Note 12)	(1,202,960)	(1,305,148)	(1,202,960)	(1,305,148)
At 30 September	5,229,072	6,432,032	5,229,072	6,432,032

The grant liability arose from below market rate interest bearing loan obtained from Bank of Industry (BoI).

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26 **Trade and other payables**

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Current				
Financial Instrument				
Trade payables	5,925,005	6,311,521	5,925,005	6,311,521
Interest and fees payable	435,915	146,686	435,915	146,686
Accrued expenses	4,163,775	1,496,784	4,161,268	1,496,784
Amounts due to related parties (Note 27)	10,828,520	7,403,205	11,516,625	8,097,022
	21,353,215	15,358,196	22,038,813	16,052,013
Non-financial instruments				
Accrued expenses	1,100,697	1,285,321	1,100,697	1,266,112
Contract liabilities (Note 9c)	9,622,771	5,330,686	9,622,771	5,330,686
	10,723,468	6,616,007	10,723,468	6,596,798
Total trade and other payables	32,076,683	21,974,203	32,762,281	22,648,811

27 **Related party transactions**

Parent and ultimate controlling entity

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

As at 30 September 2019, Notore Chemical Industries (Mauritius) Limited owned 76.55% of the issued share capital of the company.

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

Transactions with related parties

Transactions with related parties are mainly in relation to supply of goods and services with subsidiaries and other related companies. These transactions are an integral part of the ordinary course of the company's business. All transactions were carried out for the mutual benefit of the parties involved. During the year, the company transacted business with related parties on terms similar to such transactions entered into with third parties. The transactions during the year and year end balances with related parties are shown below:

(a) **Transactions with related parties:**

	Company	
	30 Sept 2020	30 Sept 2019
	N'000	N'000
Purchase of goods from related parties		
Purchase of goods from Eroton Exploration and Production Company Limited	6,632,846	5,010,155
Commission paid to related parties		
Commission paid to Notore Supply and Trading Mauritius Limited	-	42,140
Exchange loss on related parties transactions		
Exchange loss on Notore Supply and Trading Mauritius Limited	31,231	-
Payments to related parties		
Payments to Notore Supply and Trading Mauritius Limited	46,865	97,247
Payments to Eroton Exploration and Production Company Limited	2,337,700	1,261,856
	2,384,565	1,359,103

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

27 **Related party transactions (cont'd)**

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

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
			N'000	N'000
Notore Supply and Trading Mauritius Limited	-	-	638,105	643,816
Notore Power Limited	-	-	10,000	10,000
Notore Foods Limited	-	-	10,000	10,000
Notore Seeds Limited	-	-	10,000	10,000
Notore Industrial City Limited	-	-	10,000	10,000
Notore Train II Limited (Inactive)	-	-	10,000	10,000
Walstrand Limited	-	869,832	-	869,832
Eroton Exploration and Production Company Limited	10,828,520	6,533,373	10,828,520	6,533,374
	10,828,520	7,403,205	11,516,625	8,097,022

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.

(c) **Key management compensation**

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Salaries and other emoluments	263,559	263,628	263,559	263,628
Pension	23,804	23,804	23,804	23,804
Gratuity charge (Note 24)	35,706	37,366	35,706	37,366
	323,069	324,798	323,069	324,798

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

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Fees for services as directors	294,834	367,019	294,834	367,019
Other emoluments as management	323,069	324,798	323,069	324,798
	617,903	691,817	617,903	691,817

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Chairman	42,750	35,289	42,750	35,289
The highest paid director	150,089	150,089	150,089	150,089

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

		Group Number		Company Number	
		30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
N	**N**				
Above	25,000,000	2	4	2	4
Below	25,000,000	10	14	10	14
		12	18	12	18

i Employee costs during the year comprise:

	Group		Company	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
	N'000	N'000	N'000	N'000
Salaries and wages	2,854,593	3,076,262	2,846,408	3,038,569
Other employee benefits	1,224,927	1,087,682	1,224,927	1,087,682
Termination benefits	138,749	37,940	138,749	37,940
Employer's pension contribution - defined contributions	265,027	297,453	265,027	297,453
Gratuity charge (Note 24)	400,206	377,828	400,206	377,828
	4,883,502	4,877,165	4,875,317	4,839,472

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

27 **Related party transactions (cont'd)**

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

	Group Number		Company Number	
	30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
Administration	211	247	210	246
Technical and production	249	266	249	266
Sales and marketing	31	35	30	34
	491	548	489	546

iii Higher-paid employees of the Company, other than directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration in excess of N500,000 (excluding pension contributions) in the following ranges:

		Group Number		Company Number	
		30 Sept 2020	30 Sept 2019	30 Sept 2020	30 Sept 2019
N	N				
Above	10,500,000	59	66	57	64
9,000,001	10,500,000	23	26	23	26
7,500,001	9,000,000	59	60	59	60
6,500,001	7,500,000	10	11	10	11
5,000,001	6,500,000	59	59	59	59
3,500,001	5,000,000	35	34	35	34
2,000,001	3,500,000	152	155	152	155
500,000	2,000,000	93	93	93	93
Below	500,000	1	44	1	44
		491	548	489	546

28 **Contingent liabilities**

As at 30 September 2020, the Company was involved in various legal proceedings. Of the 12 (Twelve) pending suits that the Company is involved in, the Company is a sole defendant in 5 (five) and a co-defendant in 5 (five) suits including a pending appeal at the Supreme Court where it is one of the respondents. The Company is the appellant in 2 (two) which are currently before the Court of Appeal. The number of pending suits reduced from 17 (seventeen) as at 30th September, 2019 to 12 (twelve) as at 30 September, 2020 following the out-of-court settlements of some of the suits and for which adequate provisions have been made in this financial statements.

The total claims by all Claimants in all these lawsuits as of the reporting date is N7,256,944,415.00 (as of 30 September 2019, the figure was N2,966,270,488.00). The increase in the total liabilities is due to (i) the exchange rate of the US$ to Naira; (ii) interests on Naira and Dollar claims respectively; and (iii) the amendments made to the monetary claims in some of the suits.

The Directors of the Company believe, based on legal advice that no significant loss will eventuate on the part of the Company, from all these suits (i.e. cases co-defending and cases solely defending). Hence, no provision has been made in the accounts for these claims.

29 **Investments in subsidiaries**

Principal subsidiaries

The group had the following subsidiaries as at 30 September 2020

Name	Investment Amount	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by group	Proportion of ordinary shares held by non-controlling interests
	N'000			%	%	%
Notore Supply and Trading Mauritius Limited	255	Mauritius	Sale of fertilisers and other chemical products	100.00	100.00	-
Notore Supply and Trading Limited BVI	-	British Virgin Islands		100.00	100.00	-
Notore Power & Infrastructure Limited	10,000	Nigeria	Power generation, distribution and sale	99.99	99.99	0.01

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

29 **Investments in subsidiaries (cont'd)**

Name	Investment Amount	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by group	Proportion of ordinary shares held by non-controlling interests
	N'000			%	%	%
Notore 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	
	30 Sept 2020	30 Sept 2019
	N'000	N'000
Opening balance	50,255	40,255
Increase during the period	-	10,000
Closing balance	50,255	50,255

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

30 **Going concern**

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

The Group and Company recorded net losses of ₦6.40 billion and ₦6.38 billion respectively during the year ended 30 September 2020 and the net current liabilities as of that date were ₦29.95 billion and ₦30.64 billion respectively. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

As part of measures to return the Group and the Company to profitability and improve working capital, the Directors took the following steps:

Turn-Around Maintenance Program ("TAM")

The Company achieved several important milestones to position it for a great future starting with the disbursement of USD $37million (₦13.32 billion) Afrexim Bank loan facility on 31st December 2019. This set the stage for the commencement of the Turn Around Maintenance programme (TAM) of the Company's manufacturing plant. The TAM is a critical activity required to improve the plant reliability and increase production output to meet and sustain its 500,000MT per annum nameplate design capacity.

A significant part of all the equipment and spares ordered during the year for the TAM programme have been delivered, while some others are in transit or under production. The TAM programme is on course and expected to be completed at the end of January 2021, barring any further delays occasioned by the impact of global Covid-19 pandemic emergency response measures.

Achieving the 500,000MT per annum level of production output, will not only lead to significant improvements in the company's cash flows from operations, but it will also increase its annual revenue post-TAM. It is worth noting that about 70% of the expected additional post-TAM revenue will contribute straight to the company's bottom line, a major key to returning the Company to profitability.

Debt Restructure

The company successfully restructured part of its short-term loans into fixed long-term loans effective from October 2020, thereby considerably reducing its financing costs.

The Company also applied for the Central Bank of Nigeria (CBN) low interest COVID-19 Intervention Facility for the Manufacturing sector. The application is currently under consideration and if successful, will be used to refinance a substantial portion of the Company's more expensive commercial Naira loans to significantly reduce finance costs.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

30 **Going concern (cont'd)**

Capital Restructure

The Company plans to restructure its capital structure by raising some additional equity capital in Q2 2021. The proceeds will be applied to deleverage its balance sheet to achieve an optimal mix of debt and equity and to fund part of planned expansion activities with a view to further re-position the Company for growth.

Expansion of product offerings.

The Company commissioned a 2,000 MT per day capacity NPK Blending plant during the year ended 30 September 2020 to produce non-urea fertilizer (NPK specialty blends). Production of Notore NPK fertilizers has begun to ramp up gradually with some local market introduction achieved in Q4 of the Company's 2020 financial year, including participation in the Presidential Fertilizer Initiative (PFI) scheme, under a blending agreement with NAIC-NPK Limited. The Company anticipates significant increase in NPK production output which will result to increase in revenue and cash flows in the coming years, thereby contributing to the Company's return to profitability.

The Notore Industrial City Oil & Gas Free Zone

By leveraging on its Oil and Gas Free Zone Developer Licensee status, the Company took certain key steps during the year in furtherance of its plan to develop its 560 hectares industrial complex into a gas hub, as part of a gas monetization programme and the promotion of an integrated logistics service provider to companies operating in West Africa, along the entire oil and gas value chain.

The Notore Industrial City Oil & Gas Free Zone is a brownfield industrial location for new projects, because of its access to reliable and abundant natural gas reserves of about 5 trillion standard cubic feet. Aside from the attraction of financial and fiscal benefits it offers potential businesses in the free trade zone, there is the advantage of access to international markets for imports and exports goods through the existing 3,600sqm of Notore jetty dock and its over 2km of shoreline. Furthermore, as a licensed independent power producer, Notore generates Electricity for own use. Of the total generating capacity of 59MW and an own use requirement of between 8MW-13MW, the excess capacity will be available for sale to other industrial off-takers within the free zone.

Conclusion

The Directors are of the firm belief that upon implementation of the measures mentioned above, there would be significant reduction in the Company's debts, whilst also improving the reliability of the plant, resulting to significant increases in revenue and cashflows, thereby returning the Company to profitability.

Based on the foregoing, the Directors are confident that the Group and the Company would be in a position to settle their obligations in the normal course of business and consider it appropriate to prepare the consolidated financial statements based on accounting policies applicable to a going concern.

In the event that the measures highlighted above do not crystalize (either in part or all) as planned, and the Group and the Company is not returned to profitability, this may impact the ability of the Group and the Company to continue as a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the Group and the Company were unable to realize their assets and settle their liabilities as a going concern in the normal course of business. Such adjustments could be material.

31 Impact of Covid-19

In the first quarter of 2020, there was a COVID -19 outbreak which has spread globally. The outbreak has been declared a Public Health Emergency of International concern by World Health Organisation (WHO) in March 2020. As at the date of this report, several cases have been confirmed in Nigeria by the Nigerian Centre for Disease Control.

The disease has caused a significant reduction in social interaction, with a shutdown of public facilities and physical interaction. Measures taken to contain the virus have affected economic activity. Really, the pandemic has had a negative impact on businesses globally and many businesses are learning to acclimatize to the changing environment and re-strategize on their various objectives. Notore continues to weather the storm during this period and has continued to produce and make sales during its 2020 financial year.

The disruptions to global economies, especially supply chains and foreign exchange volatility, had impacted Notore in the following ways:

• Supply chain and logistics challenges particularly with respect to procurement of equipment spares and international travels occasioned by the various restrictions and health advisories put in place by various countries.

• Volatility in foreign exchange and Naira devaluation against the US Dollar on our cost of production as some of our production inputs are largely either priced in US Dollar or import dependent. Also, the company's USD denominated borrowings had to be revalued to reflect the prevailing USD exchange rate to Naira thereby resulting to borrowings related exchange loss of N7.7 billion included in the finance cost for the year.

• Costs incurred in relation to unplanned Corporate social responsibility in providing Covid-19 palliatives to Governments and our host communities.

The Company adopted some measures to mitigate the impact of the pandemic and these include:

• Exploring alternative supply sources and the use of available substitutes.
• Obtaining appropriate Government permits and waivers where possible to reduce the impact of disruptions in supply chain.
• Renegotiation of some contract terms and prioritizing fund allocation based on critical need to avoid inability to meet obligations as they fall due.

NOTORE CHEMICAL INDUSTRIES PLC
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

31 **Impact of Covid-19 (cont'd)**

Despite the foregoing, the impact of the pandemic on the local fertilizer market and the company in particular remains minimal. For the year under review, the company sold all the fertilizers that it produced. Also, our Turn Around Maintenance (TAM) programme is also on course and it is expected to be completed by the end of January 2021 barring any further unforeseen disruptions that could emanate from the impact of the pandemic. With the classification of our company by the Federal Government as an “essential goods industry operator”, coupled with our robust distribution channels and market reach, we are well positioned to continue to serve our customers in all our markets.

Furthermore, while the cost of production has increased in response to the impact of the pandemic, it has also provided opportunities to grow our portfolio of businesses. Having installed and commissioned a brand new 2,000 metric tons per day NPK Blending Plant with ability to produce various crop specialty blends of NPK fertilizer, the Company is consolidating customer loyalty by expanding its product offerings. The NPK Plant has now commenced commercial production and sale of bulk dry blended NPK fertilizer varieties.

As of the date of approving these annual financial statements, the Directors have assessed that the carrying value of the company's assets, as presented in these annual financial statements, is not impacted by the pandemic. However, the Directors are unable to quantify at this time, the likely impact of the pandemic on the carrying value of the company's assets in its future annual financial statements.

However, its reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions used for some estimates and judgements, could require material adjustments to the carrying amount of the assets or liabilities affected.

32 **Events after the statement of financial position date**

There are no significant events, which could have had a material effect on the state of affairs of the Group and the Company as at 30 September 2020 that have not been adequately provided for or disclosed in these financial statements.

OTHER NATIONAL DISCLOSURES

NOTORE CHEMICAL INDUSTRIES PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF VALUE ADDED
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

	Note	GROUP 2020	%	GROUP 2019	%	COMPANY 2020	%	COMPANY 2019	%
Turnover	9	18,799,043		21,418,883		18,799,043		21,418,883	
Other income	12	18,675,245		6,522,664		18,675,245		6,522,664	
Less bought in goods and services									
- Local		(16,511,310)		(13,769,726)		(16,501,283)		(13,741,859)	
- Foreign		(11,566)		(9,646)		(11,559)		(9,626)	
Value created		20,951,412	100	14,162,174	100	20,961,446	100	14,190,062	100
Applied as follows;									
Salaries, wages and other benefits	11c	4,883,502	23	4,877,165	34	4,875,317	23	4,839,472	34
Finance cost - net	13	23,408,216	112	13,669,001	97	23,408,216	112	13,669,001	96
Taxation	14	(7,525,938)	(35)	(4,499,883)	(32)	(7,525,938)	(36)	(4,499,883)	(31)
Depreciation property, plant and equipment	16	6,582,268	31	5,866,483	41	6,581,921	31	5,865,823	41
Loss for the year		(6,396,636)	(31)	(5,750,591)	(41)	(6,378,070)	(30)	(5,684,351)	(40)
Value created		20,951,412	100	14,162,174	100	20,961,446	100	14,190,062	100

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

NOTORE CHEMICAL INDUSTRIES PLC
FIVE YEAR FINANCIAL SUMMARY - GROUP
AS AT 30 SEPTEMBER 2020

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

	30 Sept 2020	30 Sept 2019	30 Sept 2018	30 Sept 2017	30 Sept 2016
Total assets					
Non-current assets	198,617,529	184,294,498	140,211,923	139,871,223	147,110,578
Current assets	22,143,416	12,286,266	11,543,973	6,263,226	6,234,450
	220,760,945	196,580,764	151,755,896	146,134,449	153,345,028
Total equity and liabilities					
Ordinary shares	806,033	806,033	806,033	806,033	806,033
Share premium	27,995,916	27,995,916	27,995,916	27,995,916	27,995,916
Foreign currency translation reserve	544,995	517,374	408,937	407,580	406,962
Asset revaluation reserves	63,961,570	67,228,176	39,533,069	42,779,506	46,090,430
Retained loss	(29,125,437)	(25,898,532)	(22,428,553)	(23,800,288)	(33,331,063)
Treasury shares	(1,080,831)	(1,080,831)	(1,080,831)	(1,080,831)	-
Non-current liabilities	105,562,620	77,698,582	84,353,659	39,904,521	54,368,417
Current liabilities	52,096,079	49,314,046	22,167,666	59,122,012	57,008,333
	220,760,945	196,580,764	151,755,896	146,134,449	153,345,028

REVENUE AND PROFIT	30 Sept 2020	30 Sept 2019	30 Sept 2018	30 Sept 2017	30 Sept 2016
Turnover	18,799,043	21,418,883	26,823,881	35,893,598	25,201,505
Loss before taxation	(13,922,574)	(10,250,474)	(3,522,965)	(2,148,135)	(11,835,606)
Taxation	7,525,938	4,499,883	1,616,295	10,800,569	(181,256)
(Loss)/profit after taxation	(6,396,636)	(5,750,591)	(1,906,670)	8,652,434	(12,016,862)
PER ORDINARY SHARE					
Earnings per share (Naira)	(3.97)	(3.57)	(1.18)	5.37	(7.45)

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

NOTORE CHEMICAL INDUSTRIES PLC
FIVE YEAR FINANCIAL SUMMARY - COMPANY
AS AT 30 SEPTEMBER 2020

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

	30 Sept 2020	30 Sept 2019	30 Sept 2018	30 Sept 2017	30 Sept 2016
Total assets					
Non-current assets	198,667,783	184,344,406	140,251,171	139,910,166	147,138,972
Current assets	22,142,276	12,283,537	11,541,937	6,252,349	6,224,605
	220,810,059	196,627,943	151,793,108	146,162,515	153,363,577
Total equity and liabilities					
Ordinary shares	806,033	806,033	806,033	806,033	806,033
Share premium	27,995,916	27,995,916	27,995,916	27,995,916	27,995,916
Asset revaluation reserves	63,961,570	67,228,176	39,533,069	42,779,506	46,090,430
Retained loss	(29,216,926)	(26,008,587)	(22,604,848)	(24,082,526)	(33,677,857)
Treasury shares	(1,080,831)	(1,080,831)	(1,080,831)	(1,080,831)	-
Non-current liabilities	105,562,620	77,698,582	84,353,659	39,904,521	54,368,417
Current liabilities	52,781,677	49,988,654	22,790,110	59,839,896	57,780,638
	220,810,059	196,627,943	151,793,108	146,162,515	153,363,577

REVENUE AND PROFIT	30 Sept 2020	30 Sept 2019	30 Sept 2018	30 Sept 2017	30 Sept 2016
Turnover	18,799,043	21,418,883	26,823,881	35,893,598	25,201,505
Loss before taxation	(13,904,008)	(10,184,234)	(3,417,022)	(2,083,579)	(11,836,893)
Taxation	7,525,938	4,499,883	1,616,295	10,800,569	(181,256)
(Loss)/profit after taxation	(6,378,070)	(5,684,351)	(1,800,727)	8,716,990	(12,018,149)
PER ORDINARY SHARE					
Earnings per share (Naira)	(3.96)	(3.53)	(1.12)	5.41	(7.46)

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

BUREAU VERITAS
Certification

NOTORE CHEMICAL INDUSTRIES PLC
NOTORE INDUSTRIAL COMPLEX, ONNE, RIVERS STATE, NIGERIA

Bureau Veritas Certification Holding SAS – UK Branch certifies that the Management System of the above organisation has been audited and found to be in accordance with the requirements of the management system standards detailed below

ISO 9001:2015

Scope of certification

MANUFACTURING AND DISTRIBUTION OF CHEMICAL FERTILIZERS (AMMONIA & UREA)

Original cycle start date:	02-MAY-2014
Expiry date of previous cycle:	14-MAY-2020
Recertification Audit date:	28-FEB-2020
Recertification cycle start date:	01-JUN-2020

Subject to the continued satisfactory operation of the organization's Management System, this certificate expires on: **14-MAY-2023**

Certificate No. **AFR 20.00119** Version: **No.1** Revision date: **01-JUN-2020**

Certification body address: *5th Floor, 66 Prescot Street, London E1 8HG, United Kingdom*
Local office: *11 Niger Street, Park View Estate, Ikoyi, Lagos, Nigeria*

UKAS MANAGEMENT SYSTEMS
0008

Further clarifications regarding the scope of this certificate and the applicability of the management system requirements may be obtained by consulting the organisation. To check this certificate validity please call: +234 - 8099904340

Proxy Form

Notore

I/We ....

of ....

being a Member/Members of the above-named Company, hereby appoint

(i) ....

of ....

or failing whom, appoint

(i) ....

of ....

as my/our proxy to act and vote for me/us and on my/our behalf, at the Annual General Meeting of the Company, to be held on Friday, 25th June 2021, at the Oduduwa Hall, Southern Sun Hotel, 47, Alfred Rewane Road, Ikoyi, Lagos, in respect of the Resolutions listed below.

It is a requirement of the law under the Stamp Duties Act, Cap S8, Laws of the Federation of Nigeria, 2004, that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must be stamped by the Commissioner for Stamp Duties. However, in compliance with the CAC Guidelines for conduct of AGM by Proxy, the Company has made arrangement at its cost, for the stamping of the duly completed and signed proxy forms submitted to the Company's Registrars.

PROPOSED RESOLUTIONS	FOR	AGAINST	ABSTAIN
1. To receive and consider the Audited Financial Statements of the Company and of the Group for the year ended 30th September 2020, together with the Reports of the Directors, Auditors and Audit Committee thereon			
2. To appoint Deloitte & Touche, as the Company's External Auditors and to authorize the Directors of the Company to fix the remuneration of the External Auditors			
3. To re-elect the following Directors who in accordance with Section 285(2) of the Companies and Allied Matters Act ("CAMA"), 2020 are retiring by rotation, but are eligible and have offered themselves for re-election: (i) Engr. Mike Orugbo (ii) Mr. Bashir Lebada (iii) Mr. Femi Agbaje (iv) Mr. Seyi Hammond			
4. To disclose the Remuneration of Managers in accordance with Sections 257 of CAMA			
5. To elect the Shareholders Representatives of the Statutory Audit Committee			
6. That the accounting reference date and financial year-end of the Company be and is hereby changed from 30th September to 31st December			

PROPOSED RESOLUTIONS	FOR	AGAINST	ABSTAIN
7. That in view of the newly enacted Companies and Allied Matters Act ("CAMA"), 2020, and in accordance with Section 53 of CAMA, the Company's Memorandum and Articles of Association ("MemArts") be amended by aligning all references to the Companies and Allied Matters Act, 2004 with the corresponding section in CAMA 2020 and that the successive Articles be re-numbered serially			
8. That the Company Secretary be and is hereby authorized to take all such necessary steps to give effect to the above resolutions, including filing and certifying the relevant forms and returns at the Corporate Affairs Commission			

Please indicate with an "X" in the appropriate column how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his/her discretion

Dated this________day of ________________, 2021

Signature of Shareholder: ________________________________

Name of Shareholder: ________________________________

Signature of Person attending (*if applicable*): ________________________________

NOTES:

a. If executed by a corporation, the Proxy should be sealed with the common seal of the corporation.

b. This Proxy is sent for the convenience of Shareholders who are unable to attend the Meeting.

c. For the Proxy to be effective, it must be received by the ***Registrars, DataMax Registrars Limited, 2C, Gbagada Expressway, Anthony Oke Bus Stop, (by Beko Ransome Kuti Park), Shomolu Lagos*** not later than forty-eight (48) hours before the time fixed for the Meeting.

ADMISSION CARD

**TO THE 7TH ANNUAL GENERAL MEETING TO BE HELD AT NOTORE CHEMICAL INDUSTRIES PLC,
6TH FLOOR, KEYSTONE BANK BUILDING, 1, KEYSTONE BANK CRESCENT, OFF ADEYEMO ALAKIJA STRET,
VICTORIA ISLAND, LAGOS.**

On _______________ , __________________, 2021 at 11:00 am

Name of Shareholder

____

____

Signature of person attending

Note: The Shareholder or his/her proxy must roduce this admission card in order to be admitted to the meeting.

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Affix Current Passport Photo

[illegible]

DataMax

DataMax Registrars Limited

[illegible]

SHAREHOLDER'S DATA UPDATE FORM

Notore Chemical Industies Limited ☐

Shareholder Account Number:

Date (DD/MM/YYYY) __/__/____

Bank Verification Number

Bank Name

Bank Account Number

* [illegible]

* [illegible]

DETAILS OF INVESTORS/SIGNATORY

*Surname/Company's Name:

*Other Names (Individual Shareholders) :

*E-mail Address :

*Mobile (GSM) Phone Numbers :

*Present Postal Address :

*City :

*State :

CHN (if any)

[illegible]

*Signature

*Joint Signatory

Note: Asterisked boxes must be completed by Shareholders

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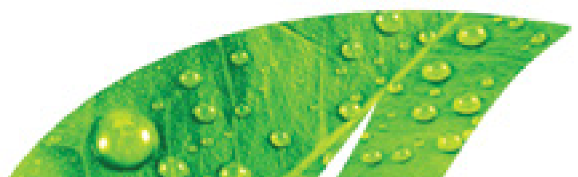
Notore

The **King** is Here!




Notore

NOTES

Notore

Corporate Office
Notore Industrial Complex, Onne, Rivers State

Lagos Office
6th Floor, Keystone Bank Building,
1, Keystone Bank Crescent, Off Adeyemo Alakija Street,
Victoria Island, Lagos

Abuja Office
2nd Floor, The Clan Place
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