

PFI-NPK Limited

Annual report and financial statements

For the year ended 31 December 2023

PFI-NPK Limited
Annual report and financial statements
For the year ended 31 December 2023
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PFI-NPK Limited
Annual report and financial statements
For the year ended 31 December 2023
Corporate information

Directors

Mr. Tajuddeen Ahmed
Mr. Femi Ogunseinde

Company secretary

Mr. Abdulqawil Bello
The Clan Place
4th Floor
Plot 1386A, Tigris Crescent
Maitama
Abuja, Nigeria

Registered office

The Clan Place
4th Floor
Plot 1386A, Tigris Crescent
Maitama
Abuja, Nigeria

Bankers

Central Bank of Nigeria
United Bank for Africa Plc
Unity Bank Plc
Zenith Bank Plc
Union Bank of Nigeria Plc
JP Morgan Chase & Co
Sterling Bank Plc

Auditors

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

PFI-NPK Limited

Annual report and financial statements

For the year ended 31 December 2023

Directors' report

1 Financial statements

The Directors present their annual report on the affairs of PFI-NPK Limited ("the Company"), together with the audited financial statements and independent auditor's report for the year ended 31 December 2023.

2 Principal activities

PFI-NPK Limited (formerly known as NAIC-NPK Limited) was established to stimulate local production of NPK fertilizer by reviving the local blending fertilizer industry, making fertilizer available for Nigerian farmers at affordable prices, and ensuring NPK fertilizer is available for farmers in time for wet season farming. PFI-NPK Limited was set up by the Nigeria Sovereign Investment Authority of Nigeria (NSIA) through its subsidiaries NSIA Agricultural Investment Company Limited (NAIC) and NSIA Property Investment Company Limited.

The Company is now fully (100% equity) owned by the Ministry of Finance Incorporated (MOFI), following the transfer of ownership to the Ministry of Finance Incorporated, which became effective on 30 September 2021. The transfer of ownership necessitated the change of name from NAIC-NPK Limited to PFI-NPK Limited.

The principal activities of PFI-NPK for the year under review were sales of fertilizers, purchase, and sales of raw materials i.e., DAP, MOP, GAS, and urea.

3 Operating results

The following is the summary of the Company's results:

	31 December 2023	31 December 2022
	N'000	N'000
Revenue	182,204,199	178,539,354
Gross profit	25,295,502	22,392,147
Operating profit	17,844,457	17,417,933
Profit for the year	9,422,850	11,314,429
Total comprehensive income for the year	9,422,850	11,314,429

4 Directorate

The directors in office during the year and as at the date of this report are as follows:

Directors	Designation	Nationality
Mr. Tajuddeen Ahmed	Non - executive director	Nigerian
Mr. Femi Ogunseinde	Non - executive director	Nigerian

5 Directors' interests in contracts

For the purpose of Section 303 of the Companies and Allied Matters Act of Nigeria 2020, none of the Directors had direct or indirect interest in contracts or proposed contracts with the Company during the period.

PFI-NPK Limited
Annual report and financial statements
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Directors' report

6 Dividends

There was no dividend declared for the financial year ended 31 December 2023 (31 December 2022: Nil).

7 Auditors

The Company's auditors, Messrs PricewaterhouseCoopers have expressed their willingness to continue in office as the Company's auditors in accordance with Section 401(2) of the Companies and Allied Matters Act of Nigeria 2020.

8 Employee information

The Company has no employees during the years ended 31 December 2023 and 31 December 2022. All Company's activities are undertaken by consultants. In 2021, The Company entered into a management agreement with the Nigeria Sovereign Investment Authority (NSIA) to help manage its activities. This agreement also covers the management activities provided by NSIA in the year 2023. Expenses incurred for services rendered by consultants and managers have been disclosed in Note 11.

9 Subsequent events

There are no subsequent events or transactions that have occurred since the date of the statement of financial position or are pending that would have a material effect on the financial statement for the year ended 31st December 2023.

10 Donations

There were no donations during the year ended 31st December 2023 (31 December 2022: Nil).



Mr. Abdulqawil Bello
Company Secretary
FRC/2024/PRO/DIR/003/462455

.....²³..... December 2024

PFI-NPK Limited
Annual report and financial statements
For the year ended 31 December 2023
Corporate responsibility for financial reporting

In compliance with the requirements of section 405(1) of the Companies and Allied Matters Act (CAMA), we hereby certify that the Directors have reviewed the audited financial statements for the year ended 31 December 2023 and to the best of their knowledge:


- (i) the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made;
- (ii) the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for the period covered by the audited financial statements;
- (iii) the Directors are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company are disclosed, particularly during the period in which the audited financial statement is being prepared;
- (iv) the Directors have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of its audited financial statements, and certify that the Company's internal controls are effective as of that date;
- (v) the Directors have disclosed to the Company's auditors and audit committee;
 - that there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The audited financial statements for the year ended 31 December 2023, were approved and authorised for issue by the Directors on²³.....December 2024.

Signed on behalf of the directors by:



Mr. Tajuddeen Ahmed
Director
FRC/2024/PRO/DIR/003/991041



Mr. Femi Ogunseinde
Director
FRC/2024/PRO/OTHERS/002/926034

PFI-NPK Limited

Annual report and financial statements

For the year ended 31 December 2023

Statement of Directors' responsibilities

The Companies and Allied Matters Act 2020, requires the Directors to prepare annual report and financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and its profit or loss. The responsibilities include ensuring that the Company:

- i. Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act 2020 (CAMA);
- ii. Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- iii. Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, that are consistently applied.

The Directors accept responsibility for the annual report and financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Financial Reporting Standards as well as the requirements of the Companies and Allied Matters Act 2020 and the Financial Reporting Council of Nigeria (Amendment) Act.

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

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:



Mr. Tajuddeen Ahmed

Director

FRC/2024/PRO/DIR/003/991041

.....23 December 2024



Mr. Femi Ogunseinde

Director

FRC/2024/PRO/OTHERS/002/926034

.....23.. December 2024



Independent auditor's report

To the Members of PFI-NPK Limited

Report on the audit of the financial statements

Our opinion

In our opinion, PFI-NPK Limited's ("the company's") financial statements give a true and fair view of the financial position of the company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with international financial reporting standards as issued by the International Accounting Standards Board ("*IFRS Accounting Standards*") and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

What we have audited

PFI-NPK Limited's financial statements comprise:

- the statement of comprehensive income for the year then ended;
 - the statement of financial position as at 31 December 2023;
 - the statement of changes in equity for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of material 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 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 Company 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.

Other information

The directors are responsible for the other information. The other information comprises the *Corporate Information, Director's Report, Corporate responsibility for financial reporting, Statement of Directors' Responsibilities, Statement of Value added and Five-Year Financial Summary*, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the 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 financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



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

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

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria (Amendment) Act, 2023, 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.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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.

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 and returns adequate for our audit have been received from branches not visited by us;
- iii) the company's statement of financial position and statement of comprehensive income are in agreement with the books of account and returns.

Tolu Adeleke

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

Engagement Partner: Tolulope Adeleke
FRC/2014/PRO/ICAN/004/00000008319



03 January 2025

PFI-NPK Limited

Annual report and financial statements

Statement of comprehensive income

For the year ended 31 December 2023

	Notes	31 December 2023 N'000	31 December 2022 N'000
Revenue	7	182,204,199	178,539,354
Cost of sales	8	(156,908,697)	(156,147,207)
Gross profit		25,295,502	22,392,147
Net foreign exchange loss	9	(1,339,024)	(333,743)
Impairment (charge)/ credit on financial assets	10	(3,053,553)	1,217,973
Administrative expenses	11	(3,058,468)	(5,858,444)
Operating expenses		(7,451,045)	(4,974,214)
Operating profit		17,844,457	17,417,933
Investment income	12	122,009	35,260
Other income	13	1,471,227	3,513,960
Interest expense	14	(5,719,619)	(4,220,774)
		(4,126,383)	(671,554)
Profit before tax		13,718,074	16,746,379
Income tax expense	15.1	(4,295,224)	(5,431,950)
Profit for the year		9,422,850	11,314,429
Other comprehensive income:			
Net gain/loss on financial asset at fair value through other comprehensive income		-	-
Other comprehensive loss for the year		-	-
Total comprehensive income for the year		9,422,850	11,314,429
Total comprehensive income for the year attributable to equity holders of the company		9,422,850	11,314,429

The accompanying notes on pages 15 to 46 form an integral part of these financial statements.

PFI-NPK Limited**Annual report and financial statements****Statement of financial position****As at 31 December 2023**

Assets	Notes	31 December 2023 N'000	31 December 2022 N'000
Current assets			
Cash and cash equivalents	16	52,651,265	30,073,741
Trade receivables	17	22,273,996	52,741,781
Other receivables	18	8,657,216	2,746,076
Inventories	19	29,748,459	45,266,405
Deferred tax assets	15.4	1,007,807	-
Total assets		114,338,743	130,828,003
Liabilities			
Non-current liabilities			
Borrowings	23	-	5,171,706
		-	5,171,706
Current liabilities			
Trade payables	21	261,085	302,929
Other payables	22	45,025,528	49,638,565
Deferred tax liabilities	15.4	-	192,165
Borrowings	23.5	32,997,703	53,998,944
Current tax liabilities	15.2	10,377,063	5,269,180
		88,661,379	109,401,783
Total liabilities		88,661,379	114,573,489
Equity			
Share capital	24	1,000	1,000
Accumulated profit	25	25,676,364	16,253,514
Total equity		25,677,364	16,254,514
Total equity and liabilities		114,338,743	130,828,003

The accompanying notes on pages 15 to 46 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 23. December 2024 and signed on its behalf by:



Mr. Tajuddeen Ahmed
Director

FRC/2024/PRO/DIR/003/991041

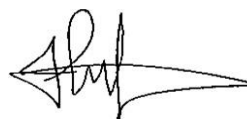
Additionally certified by:



Mr Sesere Victor

Fund Manager Financial Controller

FRC/2015/PRO/ICAN/001/00000012317



Mr. Femi Ogunseinde
Director

FRC/2024/PRO/OTHERS/002/926034

PFI-NPK Limited

Annual report and financial statements

Statement of changes in equity

For the year ended 31 December 2023

	Share capital N'000	Accumulated profit N'000	Fair value reserves N'000	Total equity N'000
	24	25		
31 December 2023				
Balance at 1 January 2023	1,000	16,253,514	-	16,254,514
Profit for the year	-	9,422,850	-	9,422,850
Total comprehensive income for the year	1,000	25,676,364	-	25,677,364
Transactions with equity owners of the Company				
Dividends declared	-	-	-	-
Balance at 31 December 2023	1,000	25,676,364	-	25,677,364
31 December 2022				
Balance at 1 January 2022	1,000	4,939,085	-	4,940,085
Profit for the year	-	11,314,429	-	11,314,429
Total comprehensive income for the year	1,000	16,253,514	-	16,254,514
Transactions with equity owners of the Company				
Dividends declared	-	-	-	-
Balance at 31 December 2022	1,000	16,253,514	-	16,254,514

The accompanying notes on pages 15 to 46 form an integral part of these financial statements.

PFI-NPK Limited
Annual report and financial statements
Statement of cash flows
For the year ended 31 December 2023

		31 December 2023 N'000	31 December 2022 N'000
Cash flows from operating activities	Notes		
Profit before tax		13,718,074	16,746,379
Adjustments for:			
Other income			
Impairment charge/(writeback) on trade receivables	10	3,053,553	(1,217,973)
Net foreign exchange loss	9	1,339,024	333,743
Interest expense	14	5,719,619	4,220,774
Movements in operating assets/liabilities			
Decrease in trade receivables		27,414,231	2,430,756
(Increase)/decrease in other receivables		(5,911,140)	13,750,283
Decrease/(increase) in inventories		15,517,946	(35,630,202)
Decrease in trade payables		(41,844)	(327,345)
Decrease in other payables		(4,613,037)	(17,451,295)
Net cash used in operating activities		56,196,426	(17,144,881)
Cash flows from investing activities		-	-
Net cash from investing activities		-	-
Cash flows from financing activities			
Proceeds from short-term borrowings	23	-	73,188,836
Repayment of long-term borrowings	23.2	(27,387,313)	(37,447,025)
Repayment of short-term borrowings	23	(3,203,648)	(36,324,871)
Interest paid	23.2	(1,688,917)	(2,071,015)
Net cash used in financing activities		(32,279,878)	(2,654,075)
Net cash movement for the year		23,916,548	(19,798,955)
Cash and cash equivalents at the beginning of the year		30,073,741	50,206,439
Effect of exchange rate movement		(1,339,024)	(333,743)
Cash and cash equivalents at the end of the year	16	52,651,265	30,073,741
Cash and cash equivalents comprise:			
Cash and cash equivalent		52,651,265	30,073,741
		52,651,265	30,073,741

The accompanying notes on pages 15 to 46 form an integral part of these financial statements.

PFI-NPK Limited
Annual report and financial statements
Notes to the financial statements
For the year ended 31 December 2023

1 General information

PFI-NPK Limited ('the Company') is domiciled in Nigeria. PFI-NPK Limited was incorporated as NAIC-NPK Limited in Nigeria under the Companies and Allied Matters Act (CAMA) 2020. The Company's registered address cum business address is the Clan Place, 4th floor, Plot 1386A, Tigris Crescent, Maitama, Abuja.

The Company was established to stimulate local production of NPK fertilisers by reviving the local fertiliser blending industry, so as to make fertilisers available to Nigerian farmers at affordable prices and to ensure NPK fertiliser is available to farmers in time for wet season farming.

The Federal Government of Nigeria through the office of the Chief of Staff subsequently restructured the company's business to include sales of fertilisers and special blends. Following an approval issued by the Office of the Chief of Staff of the President of the Federal Republic of Nigeria to restructure the Presidential Fertilizer Initiative for which NAIC-NPK was established. The business operations of NAIC-NPK, which is the sale and delivery of fertilizers to agro dealers, has been transferred to the Ministry of Finance Incorporated (MOFI).

Consequently, the name of the entity changed to PFI-NPK Limited and is no longer a subsidiary of NSIA but is now wholly owned by MOFI effective 30th September 2021.

The principal activities of the Company for the year under review include sales of fertilisers, and sales of raw materials i.e., DAP, MOP, GAS, and urea.

2 Structure and contents of the financial statements

The financial statements comprise:

- (a) A statement of comprehensive income for the year;
- (b) A statement of financial position at the end of the year;
- (c) A statement of changes in equity for the year;
- (d) A statement of cash flows for the year; and
- (e) Notes, comprising a summary of material accounting policies and other explanatory information.

3 Basis of preparation

3.1 Statement of compliance

The financial statements of PFI-NPK have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards), including the Interpretations issued by the IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS Accounting Standards. Further standards may be issued by the International Accounting Standards Board (IASB) and may be subject to the interpretations issued by the IFRIC.

The preparation of financial statements in conformity with IFRS accounting standards requires the use of accounting estimates. It also requires the Company to exercise its judgement in the process of applying the Company's accounting policies and making any estimates. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements are fairly presented. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.15.

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which have been measured at amortised costs and fair value.

3.3 Foreign currency translation

i) Functional and presentation currency:

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Company's functional currency is the Nigerian Naira. The financial statements are presented in Naira which is the Company's presentation currency. All financial information presented in Naira have been rounded to the nearest thousands (NGN'000), except otherwise indicated.

3.3 Foreign currency translation (continued)

ii) Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

3.4 Changes in accounting policy

The Company has consistently applied the accounting policies as set out in Note 4 to all periods presented in the financial statements.

The Company has adopted the following new standards and amendments including any consequential amendments to other standards.

3.5 New Standards, amendments and Interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated).

3.5.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

3.5.2 IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply.

The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by: a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts. The new standard had no impact on the Company's financial statements.

3.5.3 Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's financial statements.

3.5.4 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

3.5.5 Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company's financial statements.

3.5.6 International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 The amendments to IAS 12 have been introduced in response to the OECD’s BEPS Pillar Two rules and include:

- * A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- * Disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date. The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. The amendments had no impact on the Company’s financial statements.

3.6 Standards and interpretations not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3.6.1 Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have any impact on the Company’s financial statements.

3.6.2 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

3.6.3 Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Company’s financial statements.

3.6.4 Amendments to IAS 21 - Lack of Exchangeability [Effective from January 1 2025]

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. These amendments will require companies to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide. The amendment is not expected to have a material impact on the financial statements of the Foundation as the Foundation has foreign currency transactions in US Dollars that are readily exchangeable.

3.6.5 IFRS S1, 'General requirements for disclosure of sustainability-related financial information' [Effective 1 January 2024]

This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain. IFRS S1 requires entities to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reporting in making decisions relating to providing resources to the entity. This Standard is not expected to have a material impact on the financial statements of the entity as it may not influence the entity's cash flows, access to finance or cost of capital over the short, medium or long term through current and/or anticipated effects.

3.6.6 IFRS S2, 'Climate-related disclosures' [Effective 1 January 2024]

This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. IFRS S2 requires an entity to identify and disclose climate-related risks and opportunities that could affect the entity's prospects over the short, medium and long term.

To achieve this objective, an entity is required to refer to and consider the applicability of industry-based disclosure topics as defined in the Industry-Based Guidance on Implementing IFRS S2. This Standard is not expected to have a material impact on the financial statements of the entity as it would not be expected to disclose metrics on greenhouse gas emissions and other climate-related risks and opportunities.

3.6.7 IFRS 18: Presentation and disclosure in financial statements

In April 2024, the IASB issued IFRS 18, 'Presentation and Disclosure in Financial Statements' in response to investors' concerns about comparability and transparency of entities' performance reporting. The new presentation requirements introduced in IFRS 18 will increase comparability of the financial performance of similar entities, especially related to how 'operating profit or loss' is defined. The new disclosure requirements for 'management-defined performance measures' will enhance transparency.

IFRS 18 introduces a defined structure for the statement of profit or loss. The goal is to reduce diversity, so as to help investors understand the information and make better comparisons between entities. The structure is composed of categories and required subtotals. Items in the statement of profit or loss will be classified into one of five categories: operating; investing; financing; income taxes and discontinued operations. IFRS 18 provides guidance for entities to classify the items among these categories. Operating, investing and financing are the three main categories.

IFRS 18 requires entities to assess whether their main business activities include investing in assets and/or providing financing to customers. If so, some specific income and expenses that would otherwise be outside of the operating category are classified in the operating category. The standard replaces IAS 1: presentation of financial statements and apply to reporting periods beginning on or after 1 January 2027 (with a requirement to restate comparative information).

4 Material accounting policies

The principal accounting policies applied in the preparation of these annual report and financial statements are set out below:

4.1 Revenue

Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to the customer. An asset is transferred when (or as) the customer obtains control of that asset. The Company determines whether a performance obligation is satisfied (and revenue is recognised) over time, or whether a performance obligation is satisfied (and revenue is recognised) at a point in time for all contracts. All revenue derived by the Company are recognised at a point in time because it has met all indicators of transfer of control which should be considered.

This includes the following:

- The Company has a present right to payment for the asset
- The legal title of the asset has been transferred to the customer
- The customer has taken physical possession of the asset
- The customer has the significant risks and rewards of ownership of the asset and;
- The customer has accepted the asset

4 Material accounting policies (continued)

4.1 Revenue

In order to meet the core principle of recognising revenue to depict the transfer of promised goods or services to customers in an amount that reflects the amount of consideration to which an entity expects to be entitled in exchange for those goods or services, a five-step model is adopted; this five steps are:

- Identify the contract with the customer;
- Identify the distinct goods or services;
- Determine the transaction price;
- Allocate the transaction price;
- Determine when to recognise revenue;

Sale of raw materials (fertilizer)

Revenue is recognised when control of the goods has transferred, being when the goods are issued to the offtaker at the designated Warehouses and Ports.

There are no provision to deliver the raw materials to the customers. A receivable is recognised by the Company when the goods have been issued out by the Company and lifted by the Offtakers/agro dealers, as this represents the point in time at which the right to consideration becomes unconditional based on the contract of sale the company has with its customers, as only the passage of time is required before payment is due.

No element of financing is deemed present as the sales are made with credit terms of 90-365 days which is consistent with market practice with exception from special approvals for extension of bank guarantees. There are no return policies and warranties granted to customers under the contract. The goods are sold directly to customers, there is no form of intermediary.

The pricing of raw materials for fertilizers is determined through a pricing template that involves calculating the direct costs associated with procuring the raw materials. These direct costs include the cost of raw materials, clearing costs, cost of funds, management fees, demurrage charges, marine insurance, LC charges, storage fees, and any other expenses directly linked to the procurement of the materials.

The pricing template ensures that all relevant costs are considered in establishing the sales price of the raw materials for fertilizers.

Determining the transaction price for sale of raw materials (fertilizer)

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes).

In determining the transaction price, the company considers the nature nature, timing and amount of consideration promised by a customer affect the estimate of the transaction price. The Company considers the effects of all of the following, if applicable, when determining its transaction price :

Determining the transaction price for sale of raw materials (fertilizer)

- (a) variable consideration
- (b) constraining estimates of variable consideration
- (c) the existence of a significant financing component in the contract
- (d) non-cash consideration
- (e) consideration payable to a customer

4.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.2.1 Financial assets

A financial asset is initially measured at fair value plus, for an item not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to its acquisition or issue. The Company initially recognises cash and bank balances, money market placements, investment securities, other financial assets, other liabilities and borrowings on the date on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

4.2.2 Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. All financial assets currently recognised in the financial statements are classified as measured at amortised cost.

(i) Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes: the stated policies and objectives for the portfolio and the operation of those policies in practice.

In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities funding those assets or realizing cash flows through the sale of the assets.

- how the performance of the portfolio is evaluated and reported to the Company's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

(ii) Assessment whether contractual cash flows are solely payments of principal and interest

In this case, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk, other basic lending risks, and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements);
- features that modify consideration of the time value of money - e.g. periodical reset of interest rates.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Subsequent measurement

Subsequent measurement of financial instruments depends on the Company'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 financial instruments:

4.2.2 Classification (continued)

Subsequent measurement

- Amortised 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 interest 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.

- Fair value through other comprehensive income (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 income. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in the foreign exchange gains and impairment expenses are presented as separate line item in the statement of profit or loss.

- Fair value through profit or loss (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 income in the period in which it arises.

4.2.3 Financial liabilities (borrowings and payables)

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include borrowings, trade payables, and other payables.

Financial liabilities of the Company are subsequently measured at amortised cost.

4.3 Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the company is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

4.4 Offsetting

Financial assets and liabilities are offset and the net amounts are presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.5 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

4.6 Fair value measurement

Fair value is the price that will be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

4.6 Fair value measurement (continued)

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the company establishes fair value using a valuation technique.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price - i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different from its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date from a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the reporting date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting a price.

4.7 Cost of sales

Cost of sales is primarily comprised of direct materials consumed in the manufacture of product, as well as blending fees and direct overhead expense necessary to acquire and convert the purchased materials into finished product. Cost of sales also includes the cost of haulage.

4.8 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling. Impairment loss on inventories are recognised in cost of sales in the year in which they occur while subsequent recoveries on the impairment are recognised in other income in the year in which the recoveries are made.

4.9 Transaction costs

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction costs are expensed in the income statement. They include fees and commissions paid to agents, custodians and advisers.

4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash, fixed deposits with banks, and highly liquid financial instruments with original maturities of less than three months from the acquisition date, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are measured at fair value on initial recognition and are subsequently measured at amortised cost.

4.11 Trade receivables

Trade receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Trade receivables are measured at the transaction price.

When the fair value of financial instruments at initial recognition differs from the transaction price, the receivables are recognised at fair value with the Day 1 gain or loss recognised in the income statement. Trade receivables are subsequently measured at amortised cost.

4.12 Other receivables

Other receivables comprise cash advances, prepayments, and amount receivables arising from transactions that are not within the scope of IFRS 15. Other receivables that qualify as financial assets are initially measured at their fair values and are subsequently measured at amortised cost.

4.13 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. As at the end of the financial year there were no financial assets or liabilities measured at fair value.

4.14 Share Capital

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

4.15 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting judgments in applying the Company's accounting policies

Critical accounting judgements made in applying the Company's accounting policies include:

4.15.1 Valuation of financial instruments

The Company's accounting policy on fair value measurements is discussed under Note 6. The Company measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

4.15 Critical accounting estimates and judgments (continued)

4.15.1 Valuation of financial instruments

This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using inputs that are not based on observable market data. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4.15.2 Financial assets and liabilities classification

The Company's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances: Details of the Company's classification of financial assets and liabilities are given in Note 6.1.

4.16 Recognition of revenue

Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods/services. The Company has generally concluded that it is the principal in its revenue arrangements.

The Company recognises revenue for goods that have been transferred in accordance to agreed upon specifications. Based on experience, control is deemed to be transferred when the goods are transferred in the required specification.

This is supported by its experience in previous sales of goods that were transferred at the agreed upon specifications.

4.17 Below market borrowings (Government grants)

The Company benefits from the Central Bank of Nigeria's Real Sector Support Facility (RSSF) Scheme where the government/Central Bank of Nigeria, through some commercial banks, provide finance to companies in certain industries at subsidised interest rates.

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

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

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5 Financial risk management

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

5.1 Approach to risk management

With a global outlook, the Company's strategy for managing risks is to understand risk within the invested universe and the externalities that can affect this, with the aim of monitoring, controlling and mitigating against undesired events.

The Company has adopted, wherever possible, recommended best practice in the identification, evaluation and cost effective control of risks to ensure, as far as possible, that they are eliminated or reduced to a level that is acceptable to the Company.

The Company's Risk Framework seeks to explain the Company's underlying approach to risk management, documents the roles and responsibilities of the Directors, risk management department and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

5.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company. It arises principally from trade receivables and cash and cash equivalents.

The credit quality of trade receivables which are neither past due nor impaired is assessed by reference to historical information about counterparty default rates. The counterparties have historically not defaulted on past obligations and there is no expectation of default as at the end of the reporting period.

5.2.1 Management of credit risk

The Company's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting credit standards. Hence the Company only deals with counterparties that meet set credit ratings.

5.2.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure per credit rating.

As at 31 December 2023 and 31 December 2022, all financial assets are neither past due nor impaired. The credit quality of these financial assets are disclosed in the table below:

(i) Cash and Cash equivalent	31 December	31 December
	2023	2022
	N'000	N'000
Counter parties with external credit ratings		
A- (S&P)	44,568	490,745
B- (S&P)	17,865,617	10,287,378
B (Fitch)	30,243,789	8,551,767
Bb- (Agusto)	327	8,143,851
B- (S&P)	4,496,965	2,600,000
Total bank balance (Note 16)	52,651,266	30,073,741

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5.2.2 Exposure to credit risk (continued)

(ii) Trade receivables	31 December 2023 N'000	31 December 2022 N'000
Counter parties without external credit ratings		
Trade receivables (gross)	25,623,651	53,037,883
Total trade receivables (Financial assets) (Note 17)	25,623,651	53,037,883
(iii) Other assets	31 December 2023 N'000	31 December 2022 N'000
Counter parties without external credit ratings		
Receivables from NSIA	1,000	1,000
Total other assets (financial assets) (Note 18)	1,000	1,000

5.2.3 Concentration of risk of financial assets

Geographical sectors

The following table breaks down the Company's risk exposure at their carrying amounts, as categorised by geographical region as at 31 December 2023 and 31 December 2022. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties.

	Nigeria N'000	Foreign N'000	Total N'000
31 December 2023			
Cash and cash equivalents	52,606,698	44,568	52,651,266
Trade receivables (gross)	25,623,651	-	25,623,651
Other receivables (excluding advances to suppliers and staff)	1,000	-	1,000
	78,231,349	44,568	78,275,917
31 December 2022	N'000	N'000	N'000
Cash and cash equivalents	29,582,996	490,745	30,073,741
Trade receivables (gross)	53,037,883	-	53,037,883
Other receivables (excluding advances to suppliers and staff)	1,000	-	1,000
	82,621,879	490,745	83,112,624

5.2.4 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- other assets and receivables

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5.2.4 Impairment of financial assets (continued)

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than other receivables) on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade' or it is a sovereign debt issued in the local currency e.g. Treasury bills and Bonds issued by the Nigerian Government.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Life time ECL are credit losses that result from all possible default events over the expected life of a financial instrument.

5.2.5 Measurement of ECL

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Default definition

Under IFRS 9, the Company will consider a financial asset to be in default when contractual payments are 90 days past due.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

5.2.6 Significant increase in credit risk

The Company has established a framework that considers qualitative, quantitative, and 'backstop' (90 days past due presumption) indicators to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Company's internal credit risk management process.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include backstop based on delinquency.

In determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company's historical experience, expert credit assessment and forward-looking information.

5.2.6 Significant increase in credit risk (continued)

The Company will primarily assess whether a significant increase in credit risk has occurred for an exposure in line with its staging criteria by comparing:

- the risk of default on the exposure as at the reporting date; with
- the risk of default on the exposure as at the date of initial recognition

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. Modifying the contractual terms of a financial instrument may also affect this assessment.

Details of the qualitative and quantitative factors used to determine the significant increase in credit risk are highlighted in the next sub-head.

5.2.7 Quantitative Criteria

The use of quantitative criteria requires the Company to refresh its quantitative metrics at least annually. The Company adopted the following quantitative criteria for the purpose of assessing Significant Increase in Credit Risk (SICR), vis-à-vis stage allocation:

i. External Rating Parameter:

The Company monitors changes in external ratings of obligors to assess significant increase/decrease in credit risk. Evidence of Significant Increase in Credit Risk (SICR) depends on rating at initial recognition and the extent of movement (number of notches downgrade/upgrade) as at reporting date.

The Company applies different notches movement across each rating grade as evidence of SICR. Generally, obligors with higher credit rating would require more notches downgrade to evidence SICR, when compared with obligors with lower credit rating.

The logic is that PD exponentially increases with movement down the rating grades. For instance, while a one-notch movement is deemed significant for a financial instrument rated CCC at origination, a three-notch movement is deemed significant for an AAA rated financial instrument.

5.2.8 Qualitative Criteria

The Company uses a wide range of qualitative criteria for staging purposes, leveraging on IFRS 9 recommendations and a range of other factors.

The Company shall override the stage allocation using quantitative assessment if the financial instrument meets the qualitative criteria for a different impairment stage.

Expected credit loss for trade receivables

IFRS 9 states that an entity shall always measure the loss allowance at an amount equal to the lifetime expected credit losses for trade receivables or contract assets that result from transactions that are within the scope of IFRS 15 and lease receivables that result from transactions in the scope of IFRS 16.

In line with this, PFI-NPK Limited shall use a loss default definition of 360 days and estimate the ECL for its trade receivables using the historical loss rate approach.

PFI-NPK Limited has segmented its trade receivables into delinquency buckets based on the days past due information as illustrated below:

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5.2.8 Qualitative Criteria (continued)

Expected credit loss for trade receivables

S/N	Delinquency Buckets
1	Current - 29 days past due
2	30 - 59 days past due
3	60 - 89 days past due
4	90 - 119 days past due
5	120 - 149 days past due
6	150 - 179 days past due
7	180 - 209 days past due
8	210 - 239 days past due
9	240 - 269 days past due
10	270 - 299 days past due
11	300 - 329 days past due
12	330 - 359 days past due
13	360 days and above

For each bucket list, PFI-NPK Limited shall estimate loss rates using its historical loss experience on facilities which have been booked at least 360 days prior to the reporting date.

In estimating the loss rates, PFI-NPK Limited shall make adjustments to reflect information about current conditions, and reasonable and supportable forecasts of future economic conditions.

In the event that there is no sufficient historical data to estimate historical loss rate, PFI-NPK Limited shall apply assumed loss rates for the different past due buckets as illustrated below:

Period	Rate
<30Days	1%
>30Days <90 Days	2%
>90Days <180 Days	2%
>180Days <270Days	7%
>270Days <365Days	17%
>365Days	100%

5.2.9 Credit-impaired financial asset

The Company considers a financial asset to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties; or
- f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired.

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5.2.10 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Company’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.
- LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the financial asset.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed.

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the financial asset amortised cost. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which depends on the contractual terms of the instrument.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by instrument type. Refer to the Forward-looking information incorporated in the ECL models" subhead for an explanation of forward- looking information and its inclusion in ECL calculations.

There have been no significant changes in estimation techniques or significant assumptions between when the company first implemented IFRS 9 and the reporting period.

5.2.11 Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

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5.2.11 Forward-looking information incorporated in the ECL models (continued)

IFRS 9 [B5.5.51] states that an entity need not undertake an exhaustive search for information but shall consider all reasonable and supportable information that is available without undue cost or effort and that is relevant to the estimate of expected credit losses. In addition, an entity is not required to incorporate forecasts of future economic conditions over the entire life of a financial instrument. Rather, it suffices for an entity to extrapolate projections for periods that are far in the future from available information.

5.2.12 Incorporating Forward-looking information into Multi-year PD Estimation

The Company has financial instruments originating from different regions of the world, and as such, it may be impracticable to obtain information on future economic conditions for all the relevant regions. The Company has therefore incorporated FLI into multi-year PD estimation using a two-step approach:

Step 1:

Convert Through-the-Cycles (TTC) PDs to Point-in-Time (PIT) PDs using logistic regression with global historical default rates and global macroeconomic variables (i.e. global GDP growth rate, global inflation rate and oil price). This is based on the fact that external rating grades are comparable across industries and jurisdictions.

Step 2:

Incorporate the impact of local economic conditions by analysing the likelihood of change in the rating of each financial instrument based on obligor specific information. This analysis will be conducted at every reporting date by considering the following information:

- i. Rating outlook from external rating agencies for the obligor or the related sovereign
- ii. The expected impact of local macroeconomic forecasts (e.g. local GDP growth rate, exchange rate, inflation rate, unemployment rate etc.) on the obligor
- iii. Other obligor specific qualitative information that may provide an indication of future change in ratings.

5.2.13 Incorporating FLI into Multi-year EAD and LGD Estimation

Due to data constraints, the Company will manually adjust the base case EAD and LGD estimates for periods where these parameters are expected to be significantly different from their historical averages based on forward-looking macroeconomic information. The rationale for arriving at the decision whether the forecast EADs and LGDs are expected to be significantly different from the base case or not, as well as the process for arriving at the adjustment factor must also be documented.

5.2.14 Macro economic variable affecting the ECL allowance

The real historical gross domestic product (GDP) growth rate in Nigeria, inflation and crude oil price were identified as the key economic variables impacting the credit risk of the Company. Historical data on these variables for the last ten years were used to determine the three economic scenarios (base, optimistic and downturn) and their scenario weightings.

5.2.15 Economic variable assumptions

One of the most significant period-end assumptions used for the ECL estimate as at 31 December 2023 are set out below. The scenarios “best”, “optimistic” and “downturn” were used for all portfolios.

		2024	2025	2026	2027	2028
a) GDP growth rate(%)	Base	4%	3%	3%	3%	3%
	Optimistic	5%	4%	4%	4%	4%
	Downturn	3%	2%	2%	2%	2%
b) Inflation rate (%)	Base	7%	7%	7%	7%	7%
	Optimistic	5%	5%	5%	5%	5%
	Downturn	13%	13%	13%	13%	13%
c) Oil price (USD)	Base	81	78	88	88	88
	Optimistic	88	85	95	95	95
	Downturn	76	73	83	83	83

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5.2.15 Economic variable assumptions (continued)

Sensitivity analysis on ECL Model

The most significant forward looking information with impact on the ECL allowance of the Group include:

- Growth rate
- Inflation rate
- Oil prices

The table below demonstrates the sensitivity of the ECL allowance to movements in the significant forward looking indicators for financial assets, with all other variables held constant:

	2023		2022	
	ECL allowance	Net effect	ECL allowance	Net effect
	N'000	N'000	N'000	N'000
Growth rate				
10% increase	3,349,782	127	266,492	(29,610)
No change	3,349,655	-	296,102	-
10% decrease	3,349,529	(127)	325,712	29,610
Oil prices				
5% increase	3,349,638	(17)	281,297	(14,805)
No change	3,349,655	-	296,102	-
5% decrease	3,349,672	17	310,907	14,805

5.2.16 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and

There were no assets written off during the period.

Set out below is the information about the credit risk exposure on the Company’s trade receivables using a provision matrix.

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5.2.16 Loss allowance - continued
31 December 2023

Days past due	Loss rate %	Total gross carrying amount N '000	Expected credit loss N '000
0 - 29 days	5.38%	14,131,445	759,881
30 - 59 days	11.43%	305,856	34,947
60 - 89 days	14.93%	311,311	46,487
90 - 119 days	20.62%	3,435,081	708,256
120 - 149 days	22.23%	1,137,920	253,009
150 - 179 days	27.59%	859,253	237,074
180 - 209 days	0.00%	-	-
210 - 239 days	34.27%	308,987	105,895
240 - 299 days	40.78%	62,307	25,409
300 - 359 days	42.22%	51,789	21,864
Above 360 days	100.00%	1,156,833	1,156,833
Total		25,623,651	3,349,655

Note 17.1

31 December 2022

Days past due	Loss rate %	Total gross carrying amount N '000	Expected credit loss N '000
0 - 29 days	0.25%	12,717,844	31,173
30 - 59 days	0.32%	10,575,873	33,897
60 - 89 days	0.40%	17,293,327	69,792
90 - 119 days	0.49%	3,250,474	15,860
120 - 149 days	0.67%	1,034,581	6,950
150 - 179 days	0.89%	25,497	226
180 - 209 days	1.06%	5,611,441	59,675
210 - 239 days	1.10%	118,894	1,308
240 - 299 days	2.90%	2,376,222	68,837
300 - 359 days	6.16%	27,010	1,664
Above 360 days	100.00%	6,720	6,720
Total		53,037,883	296,102

Note 17.1

5.2.17 Write-off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- (i) ceasing enforcement activity and
- (ii) where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. Currently, there were no outstanding contractual amounts on such financial assets during the year ended 31 December 2023 (2022: nil).

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5.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity categories based on the remaining period at the balance sheet date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2023	Up to 6 Months N'ooo	Between 6 months and 1 year N'ooo	Between 1 and 2 years N'ooo	Greater than 2 years N'ooo	Total N'ooo
Trade payables	261,085	-	-	-	261,085
Payables to NSIA	3,639,186	-	-	-	3,639,186
Other payables	3,664,514	-	-	-	3,664,514
Borrowings	3,524,204	21,381,299	-	-	24,905,503
Total liabilities	7,564,785	-	-	-	32,470,288

31 December 2022	Up to 6 Months N'ooo	Between 6 months and 1 year N'ooo	Between 1 and 2 years N'ooo	Greater than 2 years N'ooo	Total N'ooo
Trade payables	302,929	-	-	-	302,929
Payables to NSIA	-	-	23,741,812	-	23,741,812
Other payables	3,741,345	-	-	-	3,741,345
Borrowings	3,500	49,003,500	20,008,500	3,741,812	72,757,312
Total liabilities	4,047,774	49,003,500	43,750,312	3,741,812	100,543,398

5.4 Market risk

Market risk is the risk of loss from unfavorable changes in the fair values of financial instruments caused by adverse moves in market variables, such as foreign exchange rates, interest rates, equity prices, commodity prices, credit spreads and implied volatilities of the market rates. Market risk losses could result in a loss of earning and/or capital to the Company.

The Company is exposed to market risk through its proprietary investments and can experience capital erosion from its own direct investments in the market.

Market risk - comprising equity, currency and interest rate risk.

5.4.1 Equities securities price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Company is not exposed to equity price risk.

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5.4.2 Currency exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency. The tables below shows the sensitivity of the Company's total comprehensive income to appreciation or depreciation of the naira in relation to other currencies.

Concentration of foreign currency exposure

31 December 2023	Naira N '000	USD N '000	Total N '000
Cash and cash equivalents	52,606,698	44,568	52,651,266
Total monetary financial assets	52,606,698	44,568	52,651,266
Trade payables	261,085	-	261,085
Other payables	3,664,514	-	3,664,514
Borrowings	28,432,466	-	28,432,466
Total monetary financial liabilities	32,358,065	-	32,358,064
Net financial asset FCY exposure	20,248,633	44,568	20,293,202
Sensitivity at 5% appreciation	(1,012,432)	(2,228)	(1,014,660)
Sensitivity at 5% depreciation	1,012,432	2,228	1,014,660

Concentration of foreign currency exposure

31 December 2022	Naira N '000	USD N '000	Total N '000
Cash and cash equivalents	29,582,996	490,745	30,073,741
Total monetary financial assets	29,582,996	490,745	30,073,741
Trade payables	302,929	-	302,929
Other payables	3,741,345	-	3,741,345
Borrowings	51,401,764	-	51,401,764
Total monetary financial liabilities	55,446,038	-	55,446,038
Net financial asset FCY exposure	(25,863,042)	490,745	(25,372,297)
Sensitivity at 5% appreciation	1,293,152	(24,537)	1,268,615
Sensitivity at 5% depreciation	(1,293,152)	24,537	(1,268,615)

5.4.3 Interest rate risk

Interest rate risk is the risk of loss to net interest income (Nil) arising from changes in market interest rates on rate sensitive assets and liabilities.

5.4.3 Interest rate risk (continued)

Net interest income sensitivity

There are two types of scenarios that give rise to interest rate risk. These are where the Company holds variable rate instruments susceptible to cash flow interest rate risk due to a change in market interest rates or the Company holds debts instruments measured at fair value which will be exposed to fair value interest rate risk. The Company does not hold debts instruments measured at fair value which are exposed to fair value interest rate risk.

5.4.4 Management of market risk

The Company manages market risk by actively controlling positions taken by investment managers in accordance with the investment strategy for each fund. The investment strategy outlines permissible asset classes, asset allocation limits and other position limits according to the portfolio risk appetite and risk profile. Exceptions are escalated and investment managers are expected to provide a plan of action that would bring portfolios within limits. There were no investments as at the end of the financial year.

5.4.5 Non-trading assets Non-financial assets

Key performance measures are set and a robust monitoring and reporting framework is put in place to monitor performance of the Company's investment in alternative and unlisted securities. There were none of this type of investments as at the end of the financial year.

6 Fair value hierarchy

The Company classifies financial instruments measured at fair value in the investment portfolio according to the following hierarchy:

Level	Fair value input description	Financial instrument
Level 1	Quoted prices (unadjusted) from active markets	Quoted instruments
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).	Equity instruments quoted in over-the-counter (OTC) markets.
Level 3	Inputs that are not based on observable market data(that is, unobservable inputs).	Unquoted equity instruments and debt instruments.

a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices as at 31 December 2023. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

b) Financial instruments in level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. They include investments in equity securities that are not traded in an active market but for which a trading platform exists on which a price can be determined for which market participants would pay in order to purchase the asset as at the reporting date i.e. at the Over-the-Counter alternative markets.

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6 Fair value hierarchy - continued

c) Financial instruments in level 3

Level 3 inputs are unobservable inputs that have been applied in valuing the respective asset or liability. The determination of what constitutes 'observable' requires significant judgment by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. There were no transfers between levels during the year.

6.1 Fair value hierarchy of financial assets and financial liabilities not measured at fair value

The following tables analyse within the fair value hierarchy the Company's financial assets (by class) measured at fair value at 31 December 2023. All fair value measurements disclosed are recurring fair value measurements.

31 December 2023 <i>In thousands of Naira</i>	Carrying value	level 1	level 2	level 3	Fair value
Financial assets					
Intercompany receivable	1,000	-	-	1,000	1,000
Trade receivables	25,623,651	-	-	25,623,651	25,623,651
	25,624,651	-	-	25,624,651	25,624,651
Financial liabilities					
Other payables	3,664,514	-	-	3,664,514	3,664,514
Borrowings	28,432,466	-	-	28,432,466	28,432,466
Trade payables	261,085	-	-	261,085	261,085
	32,358,065	-	-	32,358,065	32,358,065

31 December 2022 <i>In thousands of Naira</i>	Carrying value	level 1	level 2	level 3	Fair value
Financial assets					
Intercompany receivable	1,000	-	-	1,000	1,000
Trade receivables	53,037,883	-	-	53,037,883	53,037,883
	53,038,883	-	-	53,038,883	53,038,883
Financial liabilities					
Other payables	3,741,345	-	-	3,741,345	3,741,345
Borrowings	51,401,764	-	-	51,401,764	51,401,764
Trade payables	302,929	-	-	302,929	302,929
	55,446,038	-	-	55,446,038	55,446,038

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7 Revenue	31 December 2023 N'000	31 December 2022 N'000
Sale of fertilizer	-	52,104
Sale of special blends	182,204,199	178,487,250
	182,204,199	178,539,354

Revenue from sale of fertilizer represents proceeds from sale of finished and packaged fertilizer to Agro-dealers and State Governments while revenue from sale of special blends represents proceeds from sale of raw materials to fertilizer blending plants.

8 Cost of sales	31 December 2023 N'000	31 December 2022 N'000
Fertilizers		
Raw materials consumed	136,035,630	146,103,626
Insurance	175,046	177,734
Restacking and rebagging	713	332,468
Inventory management services	41,675	65,488
Blending plant fees	-	5,384
Letter of credit charge and clearing cost	20,167,896	8,267,401
Demurrage	-	930,211
Raw materials storage	487,737	264,895
	156,908,697	156,147,207

9 Net foreign exchange loss	31 December 2023 N'000	31 December 2022 N'000
Net foreign exchange loss	(1,339,024)	(333,743)
	(1,339,024)	(333,743)

10 Impairment credit/ (charge) on financial assets	31 December 2023 N'000	31 December 2022 N'000
Impairment credit/ (charge) on financial assets	(3,053,553)	1,217,973
	(3,053,553)	1,217,973

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10 Impairment credit/ (charge) on financial assets (continued)

The following tables explain the changes in the loss allowance of financial assets between the beginning and the end of the annual period:

	2023		2022	
	Stage 1		Stage 1	
	12-month ECL	Total	12-month ECL	Total
	N '000	N '000	N '000	N '000
Trade receivables (Note 17.1)	(3,053,553)	(3,053,553)	949,714	949,714
Other receivables (Note 18)	-	-	268,259	268,259
Total impairment loss	(3,053,553)	(3,053,553)	1,217,973	1,217,973

11 Administrative expenses

	31 December 2023	31 December 2022
	N'000	N'000
Audit fees	45,000	36,941
Licensing and fees	19,354	648
General administrative expenses	152,389	19,061
Advertisement and publicity	-	24,435
Bank charges	11,171	7,661
Custody fees	-	-
Consulting and professional fees	31,410	49,905
Travel expenses	41,259	31,295
Transportation expense	-	-
Operations management expense*	2,173,125	5,003,998
Monitoring expense	584,760	684,500
	3,058,468	5,858,444

*This expense relates to payment made to NSIA during the year for managing the operations of the Company.

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12 Investment income	31 December 2023 N'000	31 December 2022 N'000
Interest income from treasury bill investments	122,009	35,260
	122,009	35,260

Investment income relates to income earned on treasury bills.

13 Other income	31 December 2023 N'000	31 December 2022 N'000
Benefit from below market rate loan (<i>Note 13.1</i>)	431,898	1,294,758
Recovery on inventory loss (<i>Note 13.2</i>)	-	232,635
Income from bank guarantee extension	464,052	-
Others	575,277	1,986,567
	1,471,227	3,513,960

13.1 Benefit from below market rate loan arose from the unwinding effect in relation to straight line amortisation of the fair value of the benefit over the tenor of the borrowing. See Note 23 for additional information.

13.2 No recovery on inventory loss in 2023.

14 Interest expense	31 December 2023 N'000	31 December 2022 N'000
Interest expense on borrowings	5,719,619	4,220,774
	5,719,619	4,220,774

15 Income tax

The major components of income tax expense for the years ended 31 December 2023 and 2022 are:

15.1 Statement of profit or loss

	31 December 2023 N'000	31 December 2022 N'000
Current income tax:		
Company income tax	4,995,009	4,505,566
Education tax	499,501	375,464
Police trust fund levy	686	837
Tax over-provisioning	-	-
	5,495,196	4,881,867
Deferred tax:		
Relating to origination of temporary differences	(1,199,972)	550,083
Income tax expense reported in the statement of profit or loss	4,295,224	5,431,950

As disclosed in the director's report, the Company is now fully (100% equity) owned by the Ministry of Finance Incorporated (MOFI), following the transfer of ownership to the Ministry of Finance Incorporated which became effective on 30 September 2021. Consequently, section 57 of the Act establishing the Nigeria Sovereign Investment Authority of Nigeria (NSIA) which exempts the NSIA and its subsidiaries from taxes ceased to apply.

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15	Income tax (continued)		
15.2	Statement of financial position	31 December 2023 N'000	31 December 2022 N'000
	Income tax payable		
	At the beginning of the year:	5,269,180	387,313
	Current income tax for the year	5,495,196	4,881,867
	Tax paid	(387,313)	-
	At the end of the year:	10,377,063	5,269,180
15.3	Reconciliation of income tax expenses with accounting profit		
	Reconciliation of tax expense and the accounting profit multiplied by PFI-NPK Limited's tax rate for 2023 and 2022 is presented below:		
		31 December 2023 N'000	31 December 2022 N'000
	Accounting profit before tax	13,718,074	16,746,379
	Non-(taxable)/deductible expenses in determining taxable profit	879,586	(518,348)
	Tax at Nigeria's statutory income tax rate of 30% (2022:30%)	4,115,423	5,023,914
	Police trust fund levy at 0.005% of profit before tax (2022: 0.005%)	686	837
	Education tax at 3% of assessable profit (2022: 2.5%)	499,501	375,464
	Changes in deferred taxes	(1,199,972)	550,083
	Total tax expense reconciled in statement of comprehensive income	4,295,224	5,431,950
15.4	Deferred tax balances		
	Deferred tax attributable to the following recognised in statement of profit or loss:		
	Provisions	1,007,807	(192,032)
	Unrealised exchange loss	-	(133)
		1,007,807	(192,165)
	Reflected in the statement of financial position as follows:		
	Deferred tax (liability)/asset	1,007,807	(192,165)
	Deferred tax (liabilities)/asset	1,007,807	(192,165)
	The analysis of deferred tax assets is as follows:		
	To be recovered after more than 12 months	-	-
	To be recovered within 12 months	1,007,807	(192,165)
16	Cash and cash equivalents	31 December 2023 N'000	31 December 2022 N'000
	Bank balances	48,154,300	27,473,741
	Short term deposits	4,496,965	2,600,000
		52,651,265	30,073,741
	Maturity analysis:		
	Current	52,651,265	30,073,741
		52,651,265	30,073,741

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17	Trade receivables	31 December 2023 N'000	31 December 2022 N'000
	Trade receivables	25,623,651	53,037,883
	ECL allowance on trade receivables receivables (Note 17.1)	(3,349,655)	(296,102)
		22,273,996	52,741,781

The Company's trade receivables are current in nature.

17.1 A reconciliation of changes in gross carrying amount and corresponding allowance for ECL on trade receivables using the simplified approach (lifetime ECL) is shown below.

	2023		2022	
	Simplified approach		Simplified approach	
	Gross carrying amount N '000	ECL N '000	Gross carrying amount N '000	ECL N '000
As at 1 January	53,037,883	296,102	55,468,639	1,245,816
New asset originated during the year	(27,414,232)	3,053,553	(2,430,756)	(949,714)
As at 31 December	25,623,651	3,349,655	53,037,883	296,102

18	Other receivables	31 December 2023 N'000	31 December 2022 N'000
	Financial assets at amortised cost:		
	Receivables from NSIA	1,000	1,000
	Interest Income receivable	-	35,260
	Total financial assets before impairment	1,000	36,260
	ECL allowance on other receivables	-	-
		1,000	36,260
	Non-financial assets:		
	Other advances	4,276	-
	Advance for supply of raw materials (Note 18.1)	8,651,940	2,709,816
		8,657,216	2,746,076
	Maturity analysis:		
	Current	8,657,216	2,746,076
		8,657,216	2,746,076

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL on other receivables using the general approach is shown below.

	2023		2022	
	Stage 1		Stage 1	
	Gross carrying amount N '000	ECL N '000	Gross carrying amount N '000	ECL N '000
As at 1 January	36,260	-	16,427,725	268,259
Asset derecognised/repaid	(35,260)	-	(16,391,465)	(268,259)
As at 31 December	1,000	-	36,260	-

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18 Other receivables (continued)

18.1 Advance for supply of raw materials refers to amount prepaid to the manufacturers of the raw materials.

19 Inventory	31 December 2023 N'000	31 December 2022 N'000
Raw materials	29,748,459	45,266,405
Finished goods	-	-
	29,748,459	45,266,405
Maturity analysis:		
Current	29,748,459	45,266,405
	29,748,459	45,266,405

Raw materials consumed amount to N136 billion (2022: N146 billion). Please see Note 8. There is no inventory balance pledged as security for liabilities as at the year ended (2022: Nil), and no inventory was written-off in the year (2022: Nil).

21 Trade payables	31 December 2023 N'000	31 December 2022 N'000
Financial liability:		
Trade payables	261,085	302,929
	261,085	302,929
Maturity analysis:		
Current	261,085	302,929
	261,085	302,929

22 Other payables	31 December 2023 N'000	31 December 2022 N'000
Financial liability:		
Other payables	3,664,514	3,741,345
Dividends payable	-	-
Non financial liability (Accruals):		
Contract liabilities	34,807,835	41,810,546
Deferred income on RSSF borrowing (Note 22.1)	85,924	695,048
Accruals	6,467,255	3,312,094
Blending fees accruals	-	79,532
	45,025,528	49,638,565
	31 December 2023 N'000	31 December 2022 N'000
Maturity analysis:		
Non-current	-	-
Current	45,025,528	49,638,565
	45,025,528	49,638,565

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22 Other payables (continued)

22.1 Government grant on Real Sector Support Facility (RSSF) borrowing relates to the deferred income on below the market rate loan obtained from Union Bank of Nigeria Plc and United Bank for Africa Plc. The loan was secured for the Federal Government of Nigeria's Presidential Fertilizer Initiative Scheme under the Central Bank of Nigeria's Real Sector Support Facility(RSSF) scheme.

The fair value of the loan was recognised initially on the grant date and subsequently amortized on a straight line basis over the tenor of the loan. There were no unfulfilled conditions relating to the borrowing as at the reporting date. The total amount drawn down to date is N35 billion.

Interest expense relating to this facility together with interest on other borrowings by the Company amounting to N1.10 billion (2022: N1.88 billion) has been disclosed in the statement of comprehensive income. See notes 13.1 and 14 for additional details.

23 Borrowings

	31 December 2023 N'000	31 December 2022 N'000
Real Sector Support Facility (RSSF) loan NESI Loan	19,855,000	19,000,000
Real Sector Support Facility (RSSF) loan - NESI Loan interest accrued	3,524,204	855,000
Real Sector Support Facility (RSSF) loan - UBA Plc	-	4,684,321
Real Sector Support Facility (RSSF) loan - Union Bank Plc	1,414,076	3,120,631
NSIA loan	3,639,186	23,741,812
	28,432,466	51,401,764

23.1 Maturity analysis:

Non-current	-	5,171,706
Current	28,432,466	46,230,058
	28,432,466	51,401,764

23.2 Movement in borrowings

	31 December 2023 N'000	31 December 2022 N'000
Opening balance	51,401,764	13,510,194
Additions (23.1.1)	-	73,188,836
Interest expense (Note 14)	5,719,619	4,220,774
Repayment of interest during the year	(1,688,917)	(2,071,015)
Repayment of capital during the year	(27,000,000)	(37,447,025)
Closing balance	28,432,466	51,401,764

23.2.1 Details of additions to borrowings is as show below:

	31 December 2023 N'000	31 December 2022 N'000
Real sector support facility loan NESI Loan 2	-	19,000,000
Nigeria Sovereign Investment Authority loan	-	33,741,812
Real sector support facility loan NESI Loan 1	-	20,000,000
Nigeria Infrastructure Fund Loan	-	447,024
	-	73,188,836

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23	Borrowings (continued)		31 December 2023 N'000	31 December 2022 N'000
23.3	Total amount of N35 billion was approved as borrowings, and the Company has drawn down the N35 billion at the end of reporting Year 2021. The tenor of the loan is 6 years inclusive of 1 year moratorium of principal only. The interest rate paid on the facility by the Company ranges between 5% and 9%.			
	The benefit on the facility as a result of the below-market rate of interest granted to the Company on the borrowings accumulates to the deferred income portion of the facility, which is amortised over the life of the facility. The deferred income element of N86 million (2022:N695 million) is shown in Note 22.			
	Repayments of the principal and interest portion of the loan are made quarterly and repayment is from proceeds from the sale of fertilizer and raw materials.			
23.4	Other short-term borrowings		31 December 2023 N'000	31 December 2022 N'000
	Letters of credit		4,565,238	7,768,886
			4,565,238	7,768,886
	Short-term borrowings comprises deferred letters of credit (LCs) obtained from the Central Bank of Nigeria. These facilities have maturities of 60 days to 180 days with interest rate range of 0.5% to 1.2%.			
23.5	Total current borrowings		31 December 2023 N'000	31 December 2022 N'000
	Borrowings	Note 23.1	28,432,466	46,230,058
	Letters of credit	Note 23.4	4,565,238	7,768,886
			32,997,703	53,998,944
24	Share capital		31 December 2023 N'000	31 December 2022 N'000
	Minimum share capital:			
	1 million ordinary shares at N1.00 each		1,000	1,000
			1,000	1,000
	Issued but not paid			
	1 million ordinary shares at N1.00 each		1,000	1,000
			1,000	1,000
25	Accumulated profit		31 December 2023 N'000	31 December 2022 N'000
	Opening balance		16,253,514	4,939,085
	Profit for the year		9,422,850	11,314,429
			25,676,363	16,253,514

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26 Capital management

The company manages its capital with the objective to sustain development for the business and maximise shareholders' value. Management monitors the return on capital by reviewing monthly performance of its operations.

The Company monitors capital using a ratio of adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities, comprising payables to counterparties and other obligations, less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Company's adjusted net debt to equity ratio at 31 December 2023 was as follows:

	31 December 2023 N '000	31 December 2022 N '000
Cash and cash equivalents	52,651,265	30,073,741
Less: Total liabilities	(88,661,379)	(114,573,489)
Net deficit	(36,010,114)	(84,499,748)
Total equity	25,677,364	16,254,514
Adjusted equity	25,677,364	16,254,514
Net deficit to adjusted equity ratio	(1.40)	(5.20)

27 Directors' emoluments

There were no emoluments paid to the directors or any individuals holding a prescribed office during the year.

The directors waived their rights to receive compensation from the company for the years ended 31 December 2023 and 31 December 2022.

27.1 Key management personnel

Key management personnel are those persons with authority and responsibility for planning, directing, and controlling the activities of an entity, directly or indirectly. Key management personnel are the directors of the Company.

28 Contingent liabilities and commitments

There were no contingent liabilities or commitments as at the reporting date (31 December 2022: Nil).

29 Events after the reporting period

There are no subsequent events or transactions that have occurred since the date of the statement of financial position or are pending that would have a material effect on the financial statement for the year ended 31 December 2023.

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Other national disclosures

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Statement of value added

For the year ended 31 December 2023

	31 December 2023		31 December 2022	
	N'000	%	N'000	%
Revenue	182,204,199		178,539,354	
Other income	1,593,236		3,549,220	
	183,797,435		182,088,574	
Brought in materials and services	(161,306,189)		(162,339,394)	
Value added	22,491,246	100%	19,749,180	100%
Value distributed				
To pay providers of capital				
Finance costs	5,719,619	25%	4,220,774	21%
	5,719,619	25%	4,220,774	21%
To government				
Income tax expense	4,295,224	19%	5,431,950	28%
	4,295,224	19%	5,431,950	28%
Value retained				
Retained profit	9,422,850	42%	11,314,429	57%
Impairment charge/(credit) on financial assets	3,053,553	14%	(1,217,973)	-6%
	12,476,403	56%	10,096,456	51%
Value added	22,491,246	100%	19,749,180	100%

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Five-year financial summary
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Statement of financial position	31 December 2023	31 December 2022	31 December 2021	31 December 2020	31 December 2019
	N'000	N'000	N'000	N'000	N'000
Assets					
Cash and cash equivalents	52,651,265	30,073,741	50,206,439	34,886,799	26,596,256
Trade receivables	22,273,996	52,741,781	54,223,823	16,189,041	222,419
Other receivables	8,657,216	2,746,076	16,228,100	32,898,982	16,607,306
Inventories	29,748,459	45,266,405	9,636,203	10,516,884	4,615,647
Investments	-	-	-	-	9,302,663
Deferred tax assets	1,007,807	-	357,918	-	-
Total assets	114,338,743	130,828,003	130,652,483	94,491,706	57,344,291
Non current liabilities					
Other payables	-	-	-	9,264,159	3,906,885
Borrowings	-	5,171,706	-	16,184,977	17,824,107
	-	5,171,706	-	25,449,136	21,730,992
Current liabilities					
Trade payables	261,085	302,929	630,274	15,140,301	211,893
Other payables	45,025,528	49,638,565	67,089,860	50,055,063	30,091,131
Current tax liabilities	10,377,063	5,269,180	387,313	-	-
Borrowings	32,997,703	53,998,944	49,790,896	3,846,206	5,309,275
Deferred tax liabilities	-	192,165	-	-	-
	88,661,379	109,401,783	117,898,343	69,041,570	35,612,299
Equity					
Share capital	1,000	1,000	-	1,000	1,000
Accumulated profit/(loss)	25,676,364	16,253,514	-	-	-
	25,677,364	16,254,514	-	1,000	1,000
Total equity and liabilities	114,338,743	130,828,003	130,651,483	94,491,706	57,344,291
Statement of comprehensive income					
	31 December 2023	31 December 2022	31 December 2021	31 December 2020	31 December 2019
	N '000	N '000	N '000	N '000	N '000
Revenue	182,204,199	178,539,354	174,425,807	86,974,424	31,965,979
Cost of sales	(156,908,697)	(156,147,207)	(163,706,576)	(98,768,513)	(35,678,551)
Gross profit/(loss)	25,295,502	22,392,147	10,719,231	(11,794,089)	(3,712,572)
Net foreign exchange loss	(1,339,024)	(333,743)	(2,657,021)	(2,516,083)	265
Impairment (charge)/write back on financial assets	(3,053,553)	1,217,973	(627,103)	(711,711)	2,168,886
Administrative expenses	(3,058,468)	(5,858,444)	(3,662,658)	(168,599)	(284,880)
Operating profit/(loss)	17,844,456	17,417,934	3,772,449	(15,190,482)	(1,828,301)
Interest income	122,009	35,260	-	518,112	727,590
Other income	1,471,227	3,513,960	8,730,916	18,052,069	6,177,310
Finance cost	(5,719,619)	(4,220,774)	(2,507,182)	(3,379,699)	(4,539,030)
Income tax expense	(4,295,224)	(5,431,950)	(29,395)	-	-
Profit/(loss) for the year	9,422,850	11,314,430	9,966,788	-	537,569