



**PRESCO PLC**

Condensed interim financial statements  
for the nine months ended  
30 September 2016

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## A. GENERAL INFORMATION

Presco is a fully integrated agro-industrial establishment with oil palm plantations, palm oil mill, palm kernel crushing plant and vegetable oil refining plant. It is at present the only one of such in Nigeria.

Presco specialises in the cultivation of oil palm and in the extraction, refining and fractionation of crude palm oil into finished products.

Presco supplies speciality fats and oils of outstanding quality to customers' specification and assures a reliability of supply of its products all year round. This is made possible by the integrated nature of the company's production process.

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## B. PRESCO PLC – CONDENSED FINANCIAL STATEMENTS

We are pleased to present below the 3<sup>rd</sup> Quarter report for the nine months ended September 30<sup>th</sup>, 2016 in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements of Presco Plc as at September 30<sup>th</sup>, 2016 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as issued by the IASB.

The following condensed interim financial statements have not been audited and will only be in the context of the publication of the previous annual financial statements in accordance with IFRS.

### CONDENSED STATEMENT OF FINANCIAL POSITION


<i>in Thousands NGN</i>	Notes	30/09/2016	31/12/2015 Restated	01/01/2015 Restated
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>58,338,413</b>	<b>49,464,915</b>	<b>45,438,426</b>
Intangible assets		968,376	183,581	147,933
Biological assets	3	33,699,732	29,291,215	28,297,091
Property, plant and equipment		23,670,195	19,990,009	16,993,292
Other non-current assets		110	110	110
<b>Current assets</b>		<b>6,938,551</b>	<b>6,013,083</b>	<b>4,380,064</b>
Inventories		1,289,346	1,105,632	1,363,929
Biological assets		1,773,120	1,252,379	1,184,273
Trade and other receivables		3,012,949	2,985,728	1,768,774
Cash and cash equivalents		863,136	669,344	63,088
<b>TOTAL ASSETS</b>		<b>65,276,964</b>	<b>55,477,998</b>	<b>49,818,490</b>

<i>in Thousands NGN</i>	Notes	30/09/2016	31/12/2015 Restated	01/01/2015 Restated
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>		<b>37,195,742</b>	<b>30,395,473</b>	<b>29,058,955</b>
<i>Share capital</i>		500,000	500,000	500,000
<i>Share premium</i>		1,173,528	1,173,528	1,173,528
<i>Retained earnings</i>		35,463,490	28,663,221	27,342,427
<i>Other reserves</i>		58,724	58,724	43,000
<b>Non-current liabilities</b>		<b>22,497,925</b>	<b>18,656,463</b>	<b>16,240,327</b>
Provisions for employee benefits	4	279,890	271,481	234,897
Borrowings		4,171,031	4,042,077	2,354,727
Deferred income		127,476	224,191	111,787
Obligations under finance leases		158,236	521,249	949,480
Deferred tax liabilities		17,761,292	13,597,465	12,589,436
<b>Current liabilities</b>		<b>5,583,297</b>	<b>6,426,062</b>	<b>4,519,208</b>
Overdrafts		0	1,514,634	352,722
Borrowings		95,238	527,721	307,426
Trade and other payables		4,174,155	3,356,707	3,397,024
Current tax liabilities		1,215,208	905,058	399,453
Obligations under finance leases		21,137	27,541	26,883
Deferred income		77,559	94,401	35,700
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>65,276,964</b>	<b>55,477,998</b>	<b>49,818,490</b>

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

<i>in Thousands NGN</i>	Notes	30/09/2016	30/09/2015	01/07/2016 30/09/2016	01/07/2015 30/09/2015
Revenue		11,937,513	8,044,387	4,419,192	3,358,909
Cost of sales		-2,945,991	-2,848,158	-1,500,293	-999,335
<b>Gross profit</b>		<b>8,991,522</b>	<b>5,196,229</b>	<b>2,918,899</b>	<b>2,359,574</b>
Selling, general and administrative expenses		-2,240,620	-1,657,945	-733,799	-812,670
Distribution expenses		-166,713	-89,159	-58,661	-
Other operating income		78,404	123,777	30,248	39,753
<b>Operating profit before change in fair value of Biological Assets</b>		<b>6,662,594</b>	<b>3,572,903</b>	<b>2,156,688</b>	<b>1,586,658</b>
Gain/(loss) from changes in fair value of biological assets		4,408,517	2,231,177	3,750,390	2,134,132
<b>Operating profit including gain from biologicals assets</b>		<b>11,071,111</b>	<b>5,804,080</b>	<b>5,907,078</b>	<b>3,720,790</b>
Financial expenses		-422,767	-581,531	-119,468	-260,155
Exchange gains/(losses)		-933,673	-487,219	-199,541	-284,502
<b>Result before tax</b>		<b>9,714,671</b>	<b>4,735,330</b>	<b>5,588,069</b>	<b>3,176,133</b>
Income tax expense (-)		-2,914,401	-1,300,794	-1,800,219	-932,627
<b>RESULT OF THE PERIOD</b>		<b>6,800,270</b>	<b>3,434,536</b>	<b>3,787,851</b>	<b>2,243,506</b>
<b>Other comprehensive income</b>					
Actuarial gains (losses) on defined benefit plans		0	0	0	0
<b>Other comprehensive income, net of tax</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL COMPREHENSIVE INCOME OF THE PERIOD</b>		<b>6,800,270</b>	<b>3,434,536</b>	<b>3,787,851</b>	<b>2,243,506</b>
Basic		6.8	3.46	3.79	2.24
Diluted		6.8	3.46	3.79	2.24

  
 MD/CEO

  
 for CFO.

## CONDENSED STATEMENT OF CASH FLOWS

<i>in Thousands NGN</i>	01/01/2016 30/09/2016	01/01/2015 30/09/2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
-Cash receipts from customers	13,038,608	7,696,570
-Cash paid to suppliers and employees	-6,626,618	-5,131,399
<b>Cash generated from/(used in) operating activities</b>	<b>6,411,989</b>	<b>2,565,171</b>
-Interests received	0	0
-Interests paid	-411,723	-488,085
-Income taxes paid	-914,034	-640,031
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>5,086,232</b>	<b>1,437,055</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
-Purchase of property, plant and equipment	-2,585,756	-2,109,281
-Proceeds from sale of property, plant and equipment	0	0
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-2,585,756</b>	<b>-2,109,281</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
-Proceeds from borrowings		3,321,830
-Repayment of borrowings		-2,305,498
- Dividend paid	-1,000,000	-1,000,000
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-1,100,000</b>	<b>16,332</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,500,477</b>	<b>-655,894</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>-637,341</b>	<b>-262,751</b>
Effects of exchange rate differences on the balance of cash held in foreign currencies		
<b>Cash and cash equivalents at the end of the period</b>	<b>863,136</b>	<b>-918,645</b>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

<i>in Thousands NGN</i>	Attributable to owners of the parent				Total equity
	Share capital	Share premium	Retained earnings	Other reserves	
<b>Balance at 1 January 2015</b>	500,000	1,173,528	27,342,427	43,000	29,058,955
Result of the period			3,434,535		<b>3,434,535</b>
Other comprehensive income					
Total comprehensive income of the period	<b>0</b>	<b>0</b>	<b>3,434,535</b>		<b>3,434,535</b>
Dividend paid			<b>(1,000,000)</b>		<b>(1,000,000)</b>
<b>Balance at 30 September 2015</b>	<b>500,000</b>	<b>1,173,528</b>	<b>29,776,962</b>	<b>43,000</b>	<b>31,493,490</b>
<b>Balance at 1 January 2016</b>	500,000	1,173,528	28,663,221	58,724	30,395,473
Result of the period			6,800,269		<b>6,800,269</b>
Other comprehensive income					
Total comprehensive income of the period	<b>0</b>	<b>0</b>	<b>6,800,269</b>		<b>6,800,269</b>
Dividend paid			<b>(1,000,000)</b>		
<b>Balance at 30 September 2016</b>	<b>500,000</b>	<b>1,173,528</b>	<b>34,463,490</b>	<b>58,724</b>	<b>36,195,742</b>



## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE 3<sup>RD</sup> QUARTER OF 2016**

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### **1. General Information**

Presco is a fully integrated agro-industrial establishment with oil palm plantations, palm oil mill, palm kernel crushing plant and vegetable oil refining plant. It is at present the only one of such in Nigeria.

Presco specialises in the cultivation of oil palm and in the extraction, refining and fractionation of crude palm oil into finished products.

Presco supplies speciality fats and oils of outstanding quality to customers' specification and assures a reliability of supply of its products all year round. This is made possible by the integrated nature of the company's production process.

The company operates from four estates: Obaretin Estate, Ologbo Estate and Sakponba Estate in Edo State and Cowan Estate in Delta State.

The address of the Company's registered office is Obaretin Estate, Km 22 Benin/Sapele Road, Benin City.

### **2. Basis of preparation**

#### **Statement of Compliance**

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* (and adopted by Federal Reporting Council of Nigeria – FRCN), and should be read in conjunction with the company's last annual financial statements as at and for the year ended 31 December 2015. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the company's financial position and performance since the last financial statements.

#### **Basis of Measurement**

The condensed interim financial statements have been prepared under the historical cost convention, except for the revaluation of biological assets.

#### **Functional and Presentation of Currency**

The condensed interim financial statements are presented in Nigeria Naira which is the Company's functional currency. Except otherwise indicated, rounded up to the nearest thousand.

#### **Change in Accounting policy and disclosure**

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 December 2015, except for the impact of the adoption of the Standards and Interpretations described below.

### *Standards and interpretations issued but not yet effective in the current period*

- IFRS 9 *Financial Instruments*, issued in November 2009 (effective 1 January 2018)
- IFRS 15, *Revenue from Contracts with Customers*, issued: May 2014 (effective 1 January 2017)

The Company anticipates that the above-mentioned Standards and Interpretations will not have a significant impact on the financial statements of the Company in the period of initial application.

### **Amendments to IAS 16 and IAS 41 Agriculture – Bearer Plants**

The company adopted the amendments to IAS 16 and IAS 41 with effect from January 2016. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) using the cost model (after maturity). However, the agricultural produce growing on bearer plants will remain within the scope of IAS 41 to be measured at fair value less costs to sell. We have applied these amendments retrospectively.

### **3. Use of judgements and estimates**

When preparing these interim financial statements, management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2015.

#### **a. Measurement of fair values**

Presco has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred

#### **4. Inventories**

##### **a. Write-down of inventories**

During the six months ended 30 September 2016, the company did not write down its finished goods inventory (six months ended 30 June 2015: Nil).

##### **b. Transfer from biological assets**

During the nine months ended 30 September 2016, harvested fruit amounting to nil (2015: NGN 2,724,016) was part of the closing inventories.

#### **5. Employee benefits**

Provision for employee benefits

The long term employee benefits can be classified as follows:

- Post-employment benefits: gratuity benefits payable in case of leaving or death retirement benefits
- Other long term benefits: long service awards.

Employee benefits is subject to valuation by an actuarial expert.

#### **6. Tax Expense**

Tax expense is recognized based on the pre-tax income of the interim reporting period. Tax rate in respect of operations for the nine months ended 30 September 2016 was 30% (nine months ended 30 September 2015: 27%).

#### **7. Capital Commitments**

There were no capital commitments at the end of the nine months ended 30 September 2016, (nine months ended 30 September 2015 and year ended 31 December 2015: nil).

#### **8. Capital and Reserves**

##### **a. Issue of ordinary shares**

At end of September 2016, no ordinary share was issued (2015: nil)

##### **b. Dividend**

Dividends are usually ratified by shareholders at Annual General Meeting.

##### **c. Earnings per share**

The calculation of EPS is based on profit attributable to the ordinary equity holders of the company.

#### **9. Subsequent Events**

There were no material events that occurred after the end of the reporting period.