

PRESCO PLC



Condensed financial statements for the 9 months period ended September 30th, 2013

In accordance with International Financial Reporting Standards

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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 customer's 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. STATEMENT BY THE MANAGING DIRECTOR

Presco Plc prides itself as a dynamic company with long term ambitions tempered with horizontal and vertical growth. It is professionally run with continual focus on systems, controls, capacity and capability building and improving the quality of all outputs. The company has a strong value ethos and has been known for probity and efficiency.

The Accounts department of Presco is one of the best anywhere and has proved itself time and again with accurate and qualitative reporting within the established time limits.

C. PRESCO PLC – CONDENSED FINANCIAL STATEMENTS

We are pleased to present below the 3^d Quarter report for the period ended September 30th, 2013 in accordance with IFRS.

The interim financial statements of Presco Plc at September 30th, 2013 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as issued by the IASB.

The following condensed financial statements have not been audited and will only be in the context of the publication of the annual financial statements in accordance with IFRS as at 31 December 2013.

CONDENSED STATEMENT OF FINANCIAL POSITION

<i>in Thousands NGN</i>	Notes	30/09/2013	31/12/2012
ASSETS			
Non-current assets		27.037.598	25.543.349
Intangible assets		283.466	169.024
Biological assets	3	17.624.168	16.839.424
Property, plant and equipment		9.129.854	8.534.791
Other non-current assets		110	110
Current assets		3.474.689	2.463.156
Inventories		2.290.573	1.798.846
Trade and other receivables		1.032.253	350.805
Other current assets		0	184.022
Cash and cash equivalents		151.863	129.483
TOTAL ASSETS		30.512.287	28.006.505

<i>in Thousands NGN</i>	Notes	30/09/2013	31/12/2012
EQUITY AND LIABILITIES			
Equity		17.261.478	17.088.098
<i>Share capital</i>		500.000	500.000
<i>Share premium</i>		1.173.528	1.173.528
<i>Retained earnings</i>		15.587.950	15.371.339
<i>Other reserves</i>		0	43.231
Non-current liabilities		9.218.474	8.129.003
Provisions		730	730
Provisions for employee benefits	4	315.106	260.656
Financial liabilities		2.995.446	2.015.474
Deferred tax liabilities		5.907.192	5.852.143
Current liabilities		4.032.334	2.789.404
Provisions		0	0
Financial liabilities		1.466.407	63.056
Trade and other payables		2.560.898	217.491
Current tax liabilities		-9.250	32.009
Other current liabilities		14.280	2.476.848
TOTAL EQUITY AND LIABILITIES		30.512.287	28.006.505

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

<i>in Thousands NGN</i>	Notes	30/09/2013	30/09/2012
Revenue		6.483.441	6.875.863
Cost of sales		-3.983.156	-3.350.544
Gross profit		2.500.285	3.525.319
Gain/(loss) on biological assets revaluation	3	784.744	155.363
Selling, general and administrative expenses		-1.063.851	-1.075.340
Distribution expenses		0	0
Other operating expenses		0	0
Other operating income		270.201	60.952
Operating profit		2.491.379	2.666.294
Financial income		0	0
Financial expenses		-306.439	-191.020
Exchange gains/(losses)		0	0
Result before tax		2.184.940	2.475.274
Income tax expense (-)		-530.166	-611.496
RESULT OF THE PERIOD		1.654.774	1.863.778
Other comprehensive income			
Actuarial gains (losses) on defined benefit plans		-43.231	0
Other comprehensive income, net of tax		-43.231	0
TOTAL COMPREHENSIVE INCOME OF THE PERIOD		1.611.543	1.863.778

CONDENSED STATEMENT OF CASH FLOWS

<i>in Thousands NGN</i>	30/09/2013	30/09/2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	6.436.190	6.856.949
Cash paid to suppliers and employees	-4.650.542	-1.555.527
Cash generated from/(used in) operating activities	1.785.648	5.301.421
Interests received	0	0
Interests paid	-276.456	-151.795
Income taxes paid	-387.553	-323.453
NET CASH FLOWS FROM OPERATING ACTIVITIES	1.121.639	4.826.173
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-2.518.812	-3.094.623
Proceeds from sale of property, plant and equipment	0	0
NET CASH FLOWS FROM INVESTING ACTIVITIES	-2.518.812	-3.094.623
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2.106.000	500.000
Repayment of borrowings	-1.150.434	-928.571
Dividends paid	-1.000.000	-1.000.000
NET CASH FLOWS FROM FINANCING ACTIVITIES	-44.434	-1.428.571
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-1.441.607	302.979
Cash and cash equivalents at the beginning of the period	132.785	-725.096
Effects of exchange rate differences on the balance of cash held in foreign currencies		
Cash and cash equivalents at the end of the period	-1.308.822	-422.117
Cash and cash equivalents	151.863	-98.680
Bank overdrafts (financial liabilities)	-1.460.685	-323.437

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE 2^D QUARTER OF 2013

1. Basis of preparation

The condensed financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting*.

2. Summary of significant accounting policies

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

All amounts are presented in thousands of Nigerian Naira, unless otherwise indicated, rounded to the nearest NGN '000.

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 2012, except for the impact of the adoption of the Standards and Interpretations described below.

a) *Standards applicable for the annual period beginning on 1 January 2013*

- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 13 *Fair Value Measurement* (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009-2011) (normally applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Government Loans* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2013)

- Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 19 *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2013)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (applicable for annual periods beginning on or after 1 January 2013)

b) Standards and interpretations issued but not yet effective in the current period

The Company elected not to early adopt the following new Standards, Interpretations and Amendments, which have been issued by the IASB but are not yet mandatory as per December 31st, 2012:

- IFRS 9 *Financial Instruments* and subsequent amendments (applicable for annual periods beginning on or after 1 January 2015)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)

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.

3. Biological Assets

At 30th September 2013, Presco's material biological asset consists only in palm trees coming from 3 existing estates (Obaretin, Cowan and Ologbo):

- Mature Palm trees for a total of 9,528 hectares;
- Immature Palm trees for a total of 3,105 hectares and;
- Pre nursery and Main nursery seedlings available to generate a total of 1,971 hectares of planting.

Since no reliable market-based prices are available to value the biological asset, the calculation method used being called the income method determines the present value of expected net cash flows from the biological asset in its present location and condition, discounted at a current market-determined rate.

Net cash flow that the asset is expected to generate in its most relevant market meaning at the earliest point at which a market exists being the price/ MT of FFB used to value the harvest net of cost of up keeping, harvesting, transporting and selling the fruits.

Any cash flows for financing the assets, taxation or re-establishing biological assets after harvest have been excluded.

The assumptions applied in the valuation were a mobile average CPO CIF Rotterdam price of 2 years and a discount rate of 23% at 30th September 2013 (CPO CIF Rotterdam price assumed per 31st December 2012 of 1,170 USD).

The movements in the carrying amount of biological assets can be summarised as follows:

<i>In thousands of NGN</i>	<u>30/09/2013</u>	<u>31/12/2012</u>
Carrying value at the beginning of the year	16,839,424	15,719,891 m NGN
Increases due to purchases		
Increases resulting from business combinations		
Gain (loss) arising from changes in fair value less costs to sell due to price changes	784,744	1,119,533
Gain (loss) arising from changes in fair value less costs to sell due to physical changes		
Decreases due to sales		
Decreases due to harvest and transfer to inventory		
Net exchange differences		
Carrying value at the end of the year	<u>17,624,168</u>	<u>16,839,424 m NGN</u>

4. 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.

5. Events after the end of the reporting period

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

CERTIFICATION

We certify that:

- (a) We have reviewed this report
- (b) Based on our knowledge, the report does not contain:
 - (i) Any untrue statement of material effect or
 - (ii) Omit to state a material fact, which would make the statement misleading in the light of the circumstances under which the statement was made
- (c) Based on our knowledge, the financial statements and other financial information relating to the Company included in the report fairly present in all material respects the financial conditions of the Company as of, and for the period presented in the report.



Managing Director



Director/CFO