

PRESCO PLC



Condensed financial statements for the 3 months period ended March 31, 2014

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 1st Quarter report for the period ended March 31st, 2014 in accordance with IFRS.

The interim financial statements of Presco Plc at March 31st, 2014 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 2014.

CONDENSED STATEMENT OF FINANCIAL POSITION

<i>in Thousands NGN</i>	31/03/2014	31/12/2013
ASSETS		
Non-current assets	28.454.371	28.494.018
Intangible assets	303.296	303.296
Biological assets	17.353.283	17.503.858
Property, plant and equipment	10.797.682	10.686.754
Other non-current assets	110	110
Current assets	4.806.282	4.169.281
Inventories	2.247.309	2.126.962
Trade and other receivables	2.386.579	1.914.507
Other current assets	0	0
Cash and cash equivalents	172.394	127.812
TOTAL ASSETS	33.260.653	32.663.299

<i>in Thousands NGN</i>	Notes	31/03/2014	31/12/2013
EQUITY AND LIABILITIES			
Equity		17.781.657	17.382.069
<i>Share capital</i>		500.000	500.000
<i>Share premium</i>		1.173.528	1.173.528
<i>Retained earnings</i>		16.108.129	15.708.541
<i>Other reserves</i>		0	0
Non-current liabilities		10.846.999	10.882.004
Provisions		730	730
Provisions for employee benefits		326.601	334.270
Financial liabilities		4.018.743	4.151.080
Deferred tax liabilities		6.500.925	6.395.924
Current liabilities		4.631.997	4.399.225
Provisions		0	0
Financial liabilities		1.084.993	702.943
Trade and other payables		3.375.561	3.391.864
Current tax liabilities		171.443	97.443
Other current liabilities		0	206.974
TOTAL EQUITY AND LIABILITIES		33.260.653	32.663.299

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

<i>in Thousands NGN</i>	31/03/2014	31/03/2013
Revenue	2.108.847	2.005.679
Cost of sales	-1.018.002	-953.168
Gross profit	1.090.845	1.052.511
Gain/(loss) on biological assets revaluation	-150.575	-453.312
Selling, general and administrative expenses	-366.255	-279.412
Distribution expenses	0	0
Other operating expenses	0	0
Other operating income	77.166	114.050
Operating profit	651.181	433.837
Financial income	0	0
Financial expenses	-55.414	-54.381
Exchange gains/(losses)	0	0
Result before tax	595.767	379.456
Income tax expense (-)	-189.000	23.773
RESULT OF THE PERIOD	406.767	403.229
Other comprehensive income		
Actuarial gains (losses) on defined benefit plans	-7.179	-43.231
Other comprehensive income, net of tax	-7.179	-43.231
TOTAL COMPREHENSIVE INCOME OF THE PERIOD	399.588	359.998

CONDENSED STATEMENT OF CASH FLOWS

<i>in Thousands NGN</i>	31/03/2014	31/03/2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	1.962.120	1.868.176
Cash paid to suppliers and employees	-101.022	-607.714
Cash generated from/(used in) operating activities	1.861.098	1.260.462
Interests received	0	0
Interests paid	-55.414	-42.925
Income taxes paid	0	0
NET CASH FLOWS FROM OPERATING ACTIVITIES	1.805.684	1.217.537
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-2.013.234	-1.003.169
Proceeds from sale of property, plant and equipment	0	0
NET CASH FLOWS FROM INVESTING ACTIVITIES	-2.013.234	-1.003.169
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	520	2.051.400
Repayment of borrowings	-157.321	-864.720
Dividends paid	0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES	-156.801	1.186.680
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-364.351	1.401.048
Cash and cash equivalents at the beginning of the period	-548.248	132.785
Effects of exchange rate differences on the balance of cash held in foreign currencies		
Cash and cash equivalents at the end of the period	-912.599	1.533.833
Cash and cash equivalents	-912.599	1.533.833
Bank overdrafts (financial liabilities)	0	0

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 Employee benefits reserve	
Balance at 1 January 2013	500.000	1.173.528	15.371.339	43.231	17.088.098
Result of the period			359.998		359.998
Other comprehensive income			-19.293	-43.231	-62.524
Total comprehensive income of the period	0	0	340.705	-43.231	297.474
Dividends paid during the period			0		0
Balance at 31 March 2013	500.000	1.173.528	15.712.044	0	17.385.572
Balance at 1 January 2014	500.000	1.173.528	15.708.541	0	17.382.069
Result of the period			406.767		406.767
Other comprehensive income				-7.179	-7.179
Total comprehensive income of the period	0	0	406.767	-7.179	399.588
Balance at 31 March 2014	500.000	1.173.528	16.115.308	-7.179	17.781.657

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE 1ST QUARTER OF 2014

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 and 2013, 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 31st March 2014, 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 9,560 hectares;
- Immature Palm trees for a total of 3,145 hectares and;
- Pre nursery and Main nursery seedlings available to generate a total of 3,173 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 (with a mark-up resulting from Presco specific market conditions) and a discount rate of 23% at 31st March 2014

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.