

# **PRESCO PLC.**

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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## **PRESCO PLC.**

*Financial statements*

*For the year ended 31 December 2017*

### **Directors and Professional Advisers**

#### **BOARD OF DIRECTORS:**

Mr. Pierre Vandebecck (Belgian)  
Mr. Felix O. Nwabuko FCA  
Mr. Osa Osunde FCS, FCTI, F, IoD  
Chief (Engr.) James B. Erhuero, JP, mni, OON  
Dr. Shettima Mustafa, CON  
Mrs. Marie Vandebecck (Belgian)  
Chief Dr. Bassey E.O. Edem, FCA, MFR  
HRH Prince Aiguobasimwin, Akenzua  
Mr. William Kenneth Crockett (Irish)

Chairman  
Managing/CEO  
Ind. Non-Executive Director  
Ind. Non-Executive Director  
Ind. Non-Executive Director  
Non-Executive Director  
Ind. Non-Executive Director  
Ind. Non-Executive Director  
Executive Director, w.e.f. July 19, 2017

#### **COMPANY SECRETARY:**

Patrick Uwadia, Esq.

#### **REGISTERED OFFICE:**

Obaretin Estate,  
Km. 22, Benin/Sapele Road,  
Ikpoba-Okha Local Government Area,  
Edo State

#### **REGISTRARS & TRANSFER OFFICE:**

Plot 2, Abebe Village Road,  
P.M.B. 12692 Marina,  
Lagos, Nigeria

#### **TECHNICAL PARTNER/MANAGING AGENT:**

nv Siat sa  
Brussels, Belgium

#### **SOLICITORS:**

Abdulai, Taiwo & Co. Solicitors  
Goodwill House,  
278, Ikorodu Road,  
Lagos, Nigeria.

#### **AUDITORS:**

Deloitte & Touche  
(Chartered Accountants)  
Civic Towers, Plot GA1,  
Ozumba Mbadiwe Avenue, Victoria Island,  
P.O. Box 965, Marina,  
Lagos, Nigeria

#### **BANKERS:**

Access Bank Plc  
Diamond Bank Plc  
Ecobank Limited  
First Bank of Nigeria Limited  
Stanbic IBTC Bank Plc  
UBA Plc  
Union Bank Plc  
Zenith Bank Plc

## Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December, 2017, which disclose the state of affairs of the Company.

### 1. PRINCIPAL ACTIVITIES

The principal activities of the Company are the development of oil palm plantations, palm oil milling, palm kernel processing and vegetable oil refining. The products of the Company are: refined bleached and deodorized palm oil, palm olein, palm stearin, palm fatty acid distillate, palm kernel oil (crude and refined) and palm kernel cake.

### 2. OPERATING RESULT

The company's performance during the year under review is summarized below:

Particulars	2017 ₦'000	2016 ₦'000	% Difference
Revenue from operations	22,365,372	15,716,198	42%
Gross profit	16,424,064	11,311,413	45%
Profit after tax and changes in fair value of biological assets	25,403,614	21,735,465	17%

### 3. DIVIDEND

In respect of the current year, the Directors recommend for approval a dividend of 200 kobo per share amounting to N2,000,000,000 subject to the deduction of withholding tax at the appropriate rate. At the last AGM, shareholders approved the Directors' recommendation of a dividend of 150 kobo per share amounting to N1,500,000,000 in respect of the year ended 31 December 2016, subject to the deduction of withholding tax at the appropriate rate.

### 4. DIRECTORS

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

Mr. Pierre Vandebaeck	[Belgian]	Chairman
Mr. Felix O. Nwabuko FCA	[Nigerian]	Managing Director/CEO
Mr. Osa Osunde FCS, FCTI, F, IoD	[Nigerian]	Ind. Non-Executive Director
Chief (Engr.) James B. Erhuero, JP, mni, OON	[Nigerian]	Ind. Non-Executive Director
Dr. Shettima Mustafa, CON	[Nigerian]	Ind. Non-Executive Director
Mrs. Marie Williams Vandebaeck	[Belgian]	Non-Executive Director
Chief Dr. Bassey E.O. Edem, FCA, MFR	[Nigerian]	Ind. Non-Executive Director
HRH Prince Aiguobasimwin O. Akenzua	[Nigerian]	Ind. Non-Executive Director
Dr. ir. Daniel Van Wassenhoven		[South African] Executive Director, resigned w.e.f. February 6th 2018
Mr. William Kenneth Crockett		[Irish] Executive Director, w.e.f. July 19th 2017

In accordance with the company's articles of association, Mr. Pierre Vandebaeck, Chief J. B. Erhuero and HRH Prince A. O. Akenzua retired at this annual general meeting; being eligible they offer themselves for re-election.

## Report of the Directors (cont'd)

### 5. DIRECTORS INTEREST IN SHARES

The interest of Directors in the issued share capital of the Company as recorded in the Register of Members and/or notified by the Directors for the purpose of Section 275 of the Companies and Allied Matters Act, CAP C20 LFN 2004, and disclosed in accordance with the Listing Rules of the Nigerian Stock Exchange is as follows:

Name of Director	Units (Direct)	Units (Indirect)
Felix O. Nwabuko FCA	250	47,052
Mr. Osa Osunde FCS, FIOD	1,000	-
Engr. J.B. Erhuero, nmi, JP, OON	624,000	-
Dr. Shettima Mustafa, CON	167,500	-
Chief Dr. Bassey Edem, FCA, MFR	50,000	-
Mr. Pierre Vandebecck	14,846	-
<b>Total</b>	<b>857,596</b>	<b>47,052</b>

As at 25 March, 2017, the Direct and indirect Holdings remain unchanged. The Directors with indirect shares are not representing any individual or company.

The indirect shares of Felix O. Nwabuko is held in the name of Mega Equities Limited.

### SUBSTANTIAL SHAREHOLDERS

The following shareholders held 5% and above of the issued share capital of the Company as at 31 December, 2017:

Name of Shareholder	Address	Holdings	% Holdings
SIAT SA	Romboutsstraat 6-8, 1932 Zaventem, Belgium	600,000,000	60%
SNNL/ASSET MGT CORPORATION OF NIG - TRAD	c/o Stanbic Nominees Nig. Ltd. Plot 1712, Idejo Street, Off Adeola Odeku St., V/I. Lagos.	85,682,388	8.57%

### 7. SHARE RANGE ANALYSIS

The range of the distribution of the shares of the Company as at 31 December, 2017 is as follows:

#### RANGE ANALYSIS AS AT 31/12/2017

RANGE	No of Holders	% Holders	Units	% Units
1 - 1,000	3,100	34.48	1,828,214	0.18
1,001 - 5,000	3,447	38.34	9,157,689	0.92
5,001 - 10,000	1,060	11.79	8,620,163	0.86
10,001 - 50,000	1,024	11.39	23,851,363	2.39
50,001 - 100,000	171	1.90	13,373,977	1.34
100,001 - 500,000	118	1.31	27,006,302	2.70
500,001 - 1,000,000	26	0.29	19,304,099	1.93
1,000,001 - 5,000,000	30	0.33	80,975,025	8.10
5,000,001 - 10,000,000	4	0.04	28,150,952	2.82
10,000,001 - 100,000,000	9	0.10	187,732,216	18.77
100,000,001 - 1,000,000,000	1	0.01	600,000,000	60.00
	<b>8,990</b>	<b>100.00</b>	<b>1,000,000,000</b>	<b>100.00</b>

**Report of the Directors (cont'd)****8. CAPITAL ASSETS**

Information relating to changes in property and equipment is given in note 17 to the financial statements. In the Directors' opinion, the net realizable value of the company's assets is not less than the carrying value in the financial statements.

**9. MAJOR CUSTOMERS**

The Company's products are sold directly to customers comprising wholesalers, consumers and industrial users with majority located within the Country.

Some of these are: Nestle Nig Plc, Lagos; Wamco Nigeria Plc, Lagos; Chikki Food Industries, Lagos; PZ Cusson Nigeria Plc, Lagos; PZ Wilmar Ltd, Lagos; Fan Milk Plc, Ibadan; Golden Pasta Company Ltd, Lagos; Aspira Nigeria Ltd, Kano; KLK Emmerich GmbH, Germany; Promasidor, Lagos; Primera foods, Lagos; Orient foods Lagos; amongst others.

**10. COMMUNITY DEVELOPMENT PROJECTS/COMMUNITY RELATIONS**

The Company's Host Communities' Development Programme continued during the year ended 31 December, 2017. The focus was on education, roads, water, electricity and support to out-growers. Total expenditure in respect of the programme was N52,531,159 (2016: N56,799,497) and is included within the Corporate social responsibility (CSR) expense of note 9 of the financial statement.

**11. DONATIONS**

A donation of N250,000 was made to UNIBEN Alumni Association; N4,340,600 to UBTH Sickle Cell Awareness Golf Tournament; N8,900,000 to Edo State Police Command; N150,000 to Nigerian Association of Women Journalists; N200,000 to University of Nigeria Alumni Association; N250,000 to Edo State Ministry of Environment, Benin; N150,000 to Chambers of Comm, Ind. Mine & Agric; N2,000,000 to Manufacturer Association of Nigeria; and N5,000,000 to Edo State Investment Summit during the year (2016: N600,000).

**12. RESEARCH & DEVELOPMENT**

We are committed to Research and Development; it is at the forefront of our new planting material development and has been very successful in increasing the quantity of FFB and Oil production per hectare. We continue to put efforts to be the leader in Research and Development. The amount expended on research and development in the year under review was N159.52 million (2016: N101.40 million). We have collaborated with first class research organizations, national and international universities. Every year the research activities are increasingly bringing us closer to our ambition of establishing Presco as a Centre of Excellence for oil palm cultivation and research in the West African region.

**13. EMPLOYMENT OF DISABLED PERSONS**

The Company maintains a policy of giving fair consideration to applications for employment of disabled persons having regards to their particular aptitudes and abilities. At present there are three disabled persons employed by the Company.

**14. HEALTH, SAFETY AND WELFARE**

Medical services are provided free of charge for Company employees at the estate clinics and retainer hospital. Appropriate personal protective equipment is provided for employees at work. There is a fire-fighting program, which involves all employees and the use of sophisticated equipment. Welfare facilities provided include housing for employees (or payment of an allowance in lieu) and transport to and from the work place.

**Report of the Directors (cont'd)****15. EMPLOYEE INVOLVEMENT AND TRADING**

The Company maintains communication and consultation on a regular basis with employee representatives to brief employees on matters affecting them. On-the-job training facilities are provided for all categories of employees with a view to improving their performance, job satisfaction and prospects. External training program are also undertaken.

**16. EVENTS AFTER THE END OF THE REPORTING PERIOD**

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

**17. AUDITORS**

In accordance with Section 357(2) of the Companies and Allied Matters Act (CAP C20) 2004, Deloitte & Touche (Chartered Accountants) will continue in office as Auditors to the Company, having indicated their willingness to do so. A resolution will be proposed to reappoint them and to authorize the Directors to fix their remuneration.

BY ORDER OF THE BOARD



Patrick Uwadia, Esq.

Company Secretary

FRC/2013/ICSAN/00000004864


21 March, 2018, Obaretin Estate,

Ikpoba Okha LGA, Edo State, Nigeria

**Certification Pursuant to Section 60 (2) of Investment and Securities Act No. 29 of 2011**

We the undersigned hereby certify the following with regards to our financial reports for the year ended 31 December, 2017 that;

- a) We have reviewed the report;
- b) To the best of our knowledge, the report does not contain:
  - (i) Any untrue statement of materials effect, or
  - (ii) Omit to state a material fact, which would make the statements misleading in the light of the circumstances under which such statements were made;
- c) To the best of our knowledge, the financial statements and other financial information included in the report fairly present in all material respects the financial condition and results of operations of the Company as of, and for the period presented in the report.
- d) We:
  - (i) Are responsible for establishing and maintaining internal controls;
  - (ii) Have designed such internal controls to ensure that material information relating to the Company is made known to such officers by others within entities particularly during the period in which the periodic reports are being prepared;
  - (iii) Have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
  - (iv) Have presented in our report our conclusions about the effectiveness of the company's internal controls based on our evaluation as of that date;
- e) We are not aware of and have disclosed as such to the Auditors and the Audit Committee:
  - (i) Significant deficiencies in the design and operation of internal controls which would adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the company's auditors any material weakness in internal controls; and
  - (ii) Any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls;
- f) We have identified in the report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weakness.



**Felix O. Nwabuko**  
Managing Director  
FRC/2016/ICAN/00000014276



**William Kenneth Crockett**  
Chief Financial Officer



**Statement of Directors' responsibilities****For the preparation and approval of the financial statements**

The Directors of Presco Plc are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2017, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

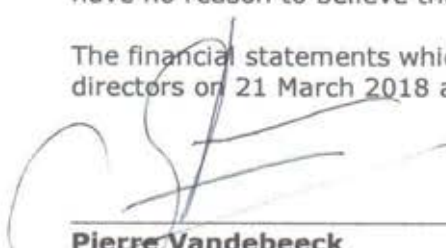


The Directors are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

**Going Concern:**

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

The financial statements which have been prepared on a going concern basis, were approved by the directors on 21 March 2018 and were signed on its behalf by:

  
**Pierre Vandebaeck**  
Chairman  
**Felix O. Nwabuko**  
Managing Director  
FRC/2016/ICAN/00000014276  
**Kenneth William Crockett**  
Chief Financial Officer

**Report of the audit committee**

In compliance with the provisions of section 357(3) to (6) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the Committee reviewed the Financial Statements of the Company for the year ended 31 December 2017 and report as follows:

1. The accounting and reporting policies of the Company are consistent with legal requirements and agreed ethical practices.
2. The scope and planning of the external audit was adequate.
3. The company maintained effective systems of accounting and internal control during the year.
4. The company's management adequately responded to matters covered in the management report issued by the External Auditors



**Chief Dr. Bassey E.O. Edem FCA, MFR**  
**FRC/2015/ICAN/00000012205**  
**Chairman, Statutory Audit Committee**

Members of the Statutory Audit Committee are:

Chief Dr. Bassey E.O. Edem FCA MFR	Director	Chairman
Engr. M.O.T. Olayiwola Tobun	Shareholder	Member
Mr. Famous Igbinevbo	Shareholder	Member
Mr. Kingsley Iyekekpolor	Shareholder	Member
Mr. Osa Odunde FCS, FCTI, F.Iod	Director	Member
HRH Prince A.O. Akenzua	Director	Member

The Company Secretary, Patrick Uwadia, acted as secretary to the audit committee.



## Independent Auditor's report

### To the Shareholders of Presco plc.

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Presco Plc which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Presco Plc as at 31 December 2017 and the financial performance and statement of cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

#### 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 are independent of the Company in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

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

Key Audit Matter	How the matter was addressed in the audit
<p><b>Biological assets valuation</b></p> <p>The value of the biological assets (Fresh Fruit Bunches) is a significant balance in the Company's statement of financial position and is disclosed in note 16 to the financial statements. The valuation of the biological assets involves significant judgments and assumptions.</p> <p>Accordingly, for the purposes of our audit, we identified the valuation of biological assets as a key audit matter based on the significant judgement and assumption made by the directors.</p> <p>The assumptions which have the most significant impact on the biological asset valuation are:</p> <ul style="list-style-type: none"> <li>• The FFB yield of the palm tree, which is subjective since it is based on the directors' experience and expectations rather than observable market data. The yield is estimated based on age profile of the palm trees. See note 6.5 for relevant assumptions and judgements applied.</li> </ul>	<p>In evaluating valuation of the Biological Assets, we tested the assumptions used and also compliance with the requirements of relevant accounting standards.</p> <p>Our procedures included the following:</p> <ul style="list-style-type: none"> <li>• Reviewed the inputs used in the valuation by holding discussions with the farm manager and obtaining and reviewing the farm report to verify the input factors used.</li> <li>• Benchmarked the inputs used in the valuation to applicable market data.</li> <li>• Obtained the relevant and applicable Crude Palm Oil (CPO) price converted at the appropriate exchange rate.</li> <li>• Reviewed the assumptions used in the discount cash flow computation and ensured that they were reasonable considering the recent economic trends in the country.</li> <li>• Reviewed historical price margins to determine the reasonability and appropriateness of the cash flows.</li> </ul>



Key Audit Matter	How the matter was addressed in the audit
<ul style="list-style-type: none"> <li>• The discount rate, which is based on the weighted average cost of capital. The calculation of the weighted average cost of capital is a complex process that involves judgements and specific risk adjustments.</li> <li>• The applicable market to determine the most appropriate Crude Palm Oil price and related transactional costs to the Company with consideration for the effective foreign exchange rate impacting the Company's operations.</li> <li>• The forecast growth rate for the biological produce which were based on management's expectation and experience.</li> <li>• The estimated cost of disposing off the biological asset which includes the incremental costs to take to market, the cost of engaging professionals to assist with the disposal process and other transaction costs, and these are from the fair value to arrive at the fair value less cost to sell.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensured that discounting factors used in the computation was the weighted average cost of capital of the Company's industry</li> <li>• Performed sensitivity analysis to assess the impact of any change on the assumptions and inputs.</li> <li>• Involved our internal valuation expert in the valuation of the Company's biological assets.</li> </ul> <p>The judgements and assumptions used in the valuation were found to be appropriate and the inputs and rates appear to be based on applicable supporting information.</p>

## Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Investment and Security Act No. 29 of 2007 Section 60 (2) certification, the statement of Directors responsibilities and the Audit Committee's Report which we obtained prior to the date of this auditor's report. The other information 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 any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if 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 for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Financial Reporting Council Act, 2011 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.

## 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 judgment 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 relating 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 Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with the audit committee and the directors 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 identified during our audit.

We also provided the audit committee and directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and the directors, we determined those matters that were of most significance in the audit of the financial statements of the current year and therefore key audit matters. We have described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public from such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

- i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) The Company has kept proper books of account, so far as appears from our examination of those books.
- iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

**Augustine Nkwume, FCA - FRC/2013/ICAN\00000000839**

For: Deloitte & Touche

Chartered Accountants

Lagos, Nigeria

April 2018



**PRESCO PLC.***Financial statements**For the year ended 31 December 2017***Results at a glance**

	<b>2017 N'000</b>	<b>2016 N'000</b>
Statement of Financial Position		
Total Assets	98,324,096	83,161,837
Shareholders' Funds	75,980,172	52,119,003
Share Capital	500,000	500,000
Share Premium	1,173,528	1,173,528
Revenue Reserves	74,261,641	50,358,027
Statement of Comprehensive Income		
Turnover	22,365,372	15,716,198
Profit before taxation	10,951,581	31,226,453
Profit After taxation	25,403,614	21,735,466
Profit Retained	25,361,169	21,764,190
Information per 50 kobo ordinary share		
Earnings (kobo)	2,534	2,176
Dividend (kobo)	2,000,000	1,500,000
Net assets per share (kobo)	152	79

**PRESCO PLC.***Financial statements**For the year ended 31 December 2017***Statement of profit or loss and other comprehensive income**

	<b>Note</b>	<b>2017 N'000</b>	<b>2016 N'000</b>
Revenue	7.	22,365,372	15,716,198
Cost of sales	8.	<u>(5,941,308)</u>	<u>(4,404,785)</u>
<b>Gross profit</b>		<b>16,424,064</b>	<b>11,311,413</b>
Selling, general and administrative expenses	9.	(7,184,418)	(4,174,136)
Distribution expenses	10.	(317,248)	(223,945)
Other gains	10.1	<u>213,358</u>	<u>118,489</u>
<b>Operating profit before changes in fair value of Biological Asset (BA), tax and finance cost</b>		<b><u>9,135,756</u></b>	<b><u>7,031,821</u></b>
Gain on Biological Asset revaluation	16.	2,789,304	24,879,287
Financial costs	11.	<u>(973,479)</u>	<u>(684,655)</u>
<b>Profit before tax</b>	12.	<b><u>10,951,581</u></b>	<b><u>31,226,453</u></b>
Income tax credit/(expense)	13.	<u>14,452,033</u>	<u>(9,490,987)</u>
<b>Profit for the year</b>		<b><u>25,403,614</u></b>	<b><u>21,735,466</u></b>
<b>Other Comprehensive Income (OCI)</b>			
<b>Item(s) that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit obligation	23.2	(60,636)	41,034
Income tax relating to components of OCI (-)		<u>18,191</u>	<u>(12,310)</u>
<b>Other comprehensive income, net of tax</b>		<b><u>(42,445)</u></b>	<b><u>28,724</u></b>
<b>Total comprehensive income for the year</b>		<b><u>25,361,169</u></b>	<b><u>21,764,190</u></b>
<b>Earnings Per Share</b>			
Basic (Kobo)	31.	2,536	2,176
Diluted (Kobo)	31.	2,536	2,176

The accompanying notes form an integral part of these financial statements.

**PRESCO PLC.***Financial statements**For the year ended 31 December 2017***Statement of financial position  
As at 31 December 2017**

<b>Assets</b>		<b>2017</b>	<b>2016</b>
<b>Non-current assets</b>	<b>Note</b>	<b>N'000</b>	<b>N'000</b>
Intangible assets	15	370,234	192,566
Biological assets	16	49,274,503	44,920,219
Property, plant and equipment	17	28,122,101	22,444,657
Other non-current assets	18	-	110
<b>Total non-current assets</b>		<b>77,766,838</b>	<b>67,557,552</b>
<b>Current assets</b>			
Inventories	19	4,704,706	1,420,597
Biological assets	16	8,937,680	10,502,660
Trade and other receivables	20	3,607,661	1,095,901
Cash and bank balances	21	3,307,211	2,585,127
<b>Total current assets</b>		<b>20,557,258</b>	<b>15,604,285</b>
<b>Total assets</b>		<b>98,324,096</b>	<b>83,161,837</b>
<b>Equity</b>			
Share capital	22	500,000	500,000
Share premium		1,173,528	1,173,528
Retained earnings		74,261,641	50,358,027
Other reserves		45,003	87,448
<b>Total equity</b>		<b>75,980,172</b>	<b>52,119,003</b>
<b>Non-current liabilities</b>			
Defined benefit obligation	23	409,751	313,445
Borrowings	24	3,969,140	4,071,916
Deferred income	26	126,608	217,849
Obligations under finance leases	27	462,074	491,668
Deferred tax liabilities	29	4,401,851	20,340,405
<b>Total non-current liabilities</b>		<b>9,369,424</b>	<b>25,435,283</b>
<b>Current liabilities</b>			
Overdrafts	25	3,174,048	791,557
Borrowings	24	1,371,973	1,097,051
Trade and other payables	30	7,428,137	1,699,761
Current tax liabilities	28	860,163	1,792,041
Obligations under finance leases	27	29,614	28,906
Deferred income	26	110,565	198,235
<b>Total current liabilities</b>		<b>12,974,500</b>	<b>5,607,551</b>
<b>Total liabilities</b>		<b>22,343,924</b>	<b>31,042,834</b>
<b>Total equity and liabilities</b>		<b>98,324,096</b>	<b>83,161,837</b>



**Mr. Pierre Vandebaeck**  
Chairman



**Felix Nwabuko**  
Managing Director  
FRC/2016/ICAN/00000014276



**William Kenneth Crockett**  
Chief Financial Officer

The accompanying notes form an integral part of these financial statements.



**PRESCO PLC.***Financial statements**For the year ended 31 December 2017***Statement of changes in equity**

	<b>Share Capital N'000</b>	<b>Share Premium N'000</b>	<b>Retained Earnings N'000</b>	<b>Other Reserves N'000</b>	<b>TOTAL N'000</b>
<b>Balance at 1 January 2016</b>	500,000	1,173,528	29,622,561	58,724	31,354,813
Profit for the year	-	-	21,735,466	-	21,735,466
Actuarial gain on defined benefit plans	-	-	-	28,724	28,724
<b>Total Comprehensive Income</b>	-	-	<b>21,735,466</b>	<b>28,724</b>	<b>21,764,190</b>
Dividend paid	-	-	(1,000,000)	-	(1,000,000)
<b>Balance at 31 December 2016</b>	<b>500,000</b>	<b>1,173,528</b>	<b>50,358,027</b>	<b>87,448</b>	<b>52,119,003</b>
<b>Balance at 1 January 2017</b>	500,000	1,173,528	50,358,027	87,448	52,119,003
Profit for the year	-	-	25,403,614	-	25,403,614
Actuarial loss on defined benefit plans	-	-	-	(42,445)	(42,445)
<b>Total Comprehensive Income</b>	-	-	<b>25,403,614</b>	<b>(42,445)</b>	<b>25,361,169</b>
Dividend paid	-	-	(1,500,000)	-	(1,500,000)
<b>Balance at 31 December 2017</b>	<b>500,000</b>	<b>1,173,528</b>	<b>74,261,641</b>	<b>45,003</b>	<b>75,980,172</b>

By a written resolution of the Directors of Presco Plc dated 21 March 2018 it was resolved that a dividend of 200kobo per share amounting to N2 billion (2016: N1.5billion) be recommended for declaration by the members of the Company at the next general meeting of the Company.

**PRESCO PLC.***Financial statements**For the year ended 31 December 2017***Statement of cash flows**

	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>
<b>Cash flows from operating activities</b>		
Profit for the year	25,361,169	21,764,190
<b>Adjustments for:</b>		
-Loss on disposal property plant and equipment -net	10.1 146,087	204,657
-Tax (credit)/expense	13. (14,452,033)	9,503,297
-Intangible assets reclassified to CWIP	15. 79,107	75,665
-Gain on biological asset valuation	16. (2,789,304)	(24,879,287)
-Depreciation and amortization	17. 1,096,285	1,262,805
-Adjustment for spares utilized	17. -	96,674
-Recognition of government grant on additional loan	24. 107,553	(6,908)
-Unwinding of finance lease liability	27.2 (28,886)	(28,215)
	9,519,979	7,992,878
<b>Movement in working capital:</b>		
-(Increase)/decrease in trade and other receivable	(2,511,760)	1,681,881
-Increase in Inventories	(3,284,109)	(314,965)
-Decrease in other non-current asset	110	-
-Increase/(decrease) in trade and other payable	5,728,376	(1,656,946)
-(Decrease)/increase in deferred income	(178,911)	97,492
<b>Cash generated from operating activities</b>	<b>9,273,684</b>	<b>7,800,340</b>
-Increase in retirement benefits	23.2 96,306	41,964
-Tax paid	28. (2,418,399)	(914,034)
<b>Net cash generated from operating activities</b>	<b>6,951,591</b>	<b>6,928,270</b>
<b>Cash flows from investing activities</b>		
Acquisition of Property, plant and equipment	17. (7,053,151)	(4,050,121)
Acquisition of Intangibles	15. (256,822)	(101,387)
Proceeds from sale of property, plant and equipment	133,383	48,075
<b>Net cash used in investing activities</b>	<b>(7,176,590)</b>	<b>(4,103,433)</b>
<b>Cash flows from financing activities</b>		
Loan received during the year	24. 1,195,000	1,228,200
Repayments on loans received during the year	24. (1,130,407)	(622,123)
Dividends paid	(1,500,000)	(1,000,000)
<b>Net cash used in financing activities</b>	<b>(1,435,407)</b>	<b>(393,923)</b>
Net (decrease)/increase in cash and cash equivalent	(1,660,407)	2,430,914
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR</b>	1,793,570	(637,344)
<b>CASH AND CASH EQUIVALENT AT END OF YEAR</b>	21. <b>133,163</b>	<b>1,793,570</b>

**Notes to the financial statements****1. General Information**

Presco Plc was incorporated in Nigeria on 24th September, 1991 as Presco Industries Limited, a private limited liability Company, and became a public limited liability Company in February, 2002.

The Company owns oil palm plantations, a palm oil mill and palm kernel crushing plant, vegetable oil refining and fractionation plants and is at present the only fully integrated Company of its kind in Nigeria.

The Obaretin Estate was initiated by the then Bendel State Government in the second half of the seventies with financial support from World Bank as part of the State Government oil palm development programme. The implementing agency was the Oil Palm Company Limited (OPCL), a state government concern. In 1985, the Bendel State Government relinquished control of Obaretin Estate to President Industries Nigeria Limited, a textile manufacturing group. Planting activities resumed in 1986 and construction of an integrated processing facility began in 1989.

The President group operated the project, then known as Presco Oil Mill and Plantations, as a division until 1991, when Presco was established as an incorporated Company and all the assets and liabilities of the project were transferred to the new Company.

Societe d'Investissement pour l'Agriculture Tropicale ('SIAT sa'), a Belgian Company involved in plantation investment and management in West Africa was invited to participate in the Company as Shareholders and Technical Partners in order to effect an intended broadening of the Company's capital base by bringing in professional managers as shareholders.

President Industries then held 67% of Presco's paid-up share capital of N50,000,000 comprising 50 million ordinary shares of N1 each. Siat sa of Belgium held the balance of 33%. Following a capitalization exercise in 1995, the Siat group increased its shareholding in Presco to 50%. The Siat Group subsequently became the only shareholders in December 1997 when the President Group divested its interest in the Company.

In 2002, the Company became a public limited liability Company and with a successful Initial Public Offer (IPO) completed in October the same year, Presco shares were admitted to quotation at The Nigerian Stock Exchange. Presco Plc's shares are now actively traded on The Nigerian Stock Exchange, with the Siat Group holding 60% while the Nigerian Public holds 40%.

On re-registration as Public Company in 2002, the authorized share capital of the Company was raised to N250,000,000 divided into 500,000,000 ordinary shares of 50k each. The authorized share capital was raised to N500,000,000 in 2008 divided into 1,000,000,000 ordinary shares of 50k each, issued and fully paid up. The company also increased its authorized share capital in 2014 to N550,000,000 divided into 1,100,000,000 ordinary shares of 50 kobo each with 1,000,000,000 issued and fully paid. There are currently 8,990 shareholders on the Company's register of shareholders.

**1.1 Principal activities**

Presco Plc specializes in the cultivation of oil palms and in the extraction, refining and fractioning of crude palm oil into vegetable oil and palm stearin. The Company produces these specialty fats and oils to the high quality specifications of its customers and assures a reliability of supply of its products all year round, due to the integration of the entire cycle. The Company operates from two States, Obaretin Estate, Ologbo Estate and Sakponba Estate in Edo State and Cowan Estate in Delta State.

**Notes to the financial statements****2. Application of new and revised International Financial Reporting Standards (IFRSs)****2.1 Amendments to IFRSs that are mandatorily effective for periods beginning on or after 1 January 2017****Pronouncement**

Amendments to IAS 7 Disclosure Initiative

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IFRS 12 Disclosure of Interests in Other Entities

**Effective date**

annual periods beginning on or after 1 January 2017 with earlier application permitted

annual periods beginning on or after 1 January 2017 with earlier application permitted

annual periods beginning on or after 1 January 2017 with earlier application permitted

**Amendments to IAS 7 Disclosure Initiative**

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The changes in liabilities arising from financing activities, that is, additions to borrowings and repayments of principal and interest amounts have been appropriately disclosed in Note 24 of the financial statements.

**Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments clarify the following:

1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost giving rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
2. When an entity assesses whether taxable profits will be available against which it can utilize a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. Management has assessed that this amendment has no impact on the financial statements as there were no deferred tax assets in the year.

## Notes to the financial statements

### 2.1 Amendments to IFRSs that are mandatorily effective for periods beginning on or after 1 January 2017 (cont'd)

#### **Amendments to IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale.

The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The amendments apply retrospectively.

### 2.2 Accounting standards and interpretations issued but not yet effective

#### **Pronouncement**

IFRS 9 Financial Instruments

IFRS 15 - Revenue from Contracts with Customers

IFRS 16 Leases

Amendments to IFRS 2

Amendments to IFRS 10 and IAS 28

Amendments to IAS 40

Annual Improvements to IFRS Standards 2014-2016 Cycle

IFRIC 22 Foreign Currency Transactions and Advance Consideration.

#### **Effective Date**

annual periods beginning on or after 1 January 2018 with earlier application permitted

annual periods beginning on or after 1 January 2018 with earlier application permitted

annual periods beginning on or after 1 January 2019 with earlier application permitted

annual periods beginning on or after 1 January 2018 with earlier application permitted

annual periods beginning on or after a date to be determined.

annual periods beginning on or after 1 January 2018 with earlier application permitted

annual periods beginning on or after 1 January 2019 with earlier application permitted

annual periods beginning on or after 1 January 2019

#### **IFRS 9 Financial instruments (effective for annual periods beginning on or after 1 January 2018)**

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

## **Notes to the financial statements**

### **2.2 Accounting standards and interpretations issued but not yet effective (cont'd)**

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognised in profit or loss. Furthermore, with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is tentatively effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The directors anticipate that the standard will be adopted in the Company's financial statements for the annual period beginning 1 January 2018. The application of this standard will not have significant impact on amounts reported in the financial statements.

**Notes to the financial statements****2.2 Accounting standards and interpretations issued but not yet effective (cont'd)****Impact Assessment on future adoption of IFRS 9****(a) Classification and measurement**

The company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

Bank balances, trade receivables, short term loan receivable as well as other receivables that qualify as financial instruments under IFRS 9 are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest (SPPI). The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments would not be required.

**(b) Impairment**

IFRS 9 requires the Company to record expected credit losses on all its instruments to be measured at amortized cost or fair value through OCI within the scope of IFRS impairment, either on a 12-month or lifetime basis.

The company will apply the simplified approach and record lifetime expected losses on all trade receivables. As a practical expedient, the Company will use the provisional matrix method for its impairment calculation. Based on this, it anticipates an update of its credit policy to include definition of defaults, policy on write offs and detailed criteria for segmentation of homogenous customers. IFRS 9 states a rebuttable presumption that default point should be at 90 days past due. Consequently, the Company has applied this requirement on the impact of the ECL model on its trade receivables.

The Company is however, still assessing the full impact of IFRS 9 under the current methodology on the impairment allowance that would be recognized upon adoption.

**IFRS 15 - Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)**

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- |        |  |
|--------|--|
| Step 1 | Identify the contract with a customer  |
| Step 2 | Identify the performance obligations in the contract                           |
| Step 3 | Determine the transaction price  |
| Step 4 | Allocate the transaction price to the performance obligations in the contract. |
| Step 5 | Recognise revenue when (or as) the entity satisfies a performance obligation.  |

**Notes to the financial statements****2.2 Accounting standards and interpretations issued but not yet effective (cont'd)**

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

**Impact Assessment on future adoption of IFRS 15**

The Company plans to adopt the new standard on the required effective date using the Modified approach i.e. retrospectively adjusting each comparative period presented with the choice of practical expedients. Based on the impact analysis carried out in 2017, the Company has explained the potential impact of adoption of the standard although the directors are still assessing the full impact on the financial statements. The below preliminary assessment is subject to change when the complete impact assessment is completed.

**Impact of adoption****a. Performance obligation**

Under IFRS 15, the Company is required to identify the performance obligations in each contract and allocate the transaction price based on the identified performance obligation. Distinct goods or services are identified when customers can enjoy the benefit from the good or service on its own or together with other readily available resources and the good and service is separately identifiable from other promises in the contract.

This has no current impact on the financial statement and potentially will have no impact as contractual terms are being reviewed and updated to reflect single performance obligation.

**b. Right of return**

Under IFRS 15, because the contract allows the customer to return the products, the consideration received from the customer is variable. Although, the Company grants customers the right of return in cases where the service delivered is not up to the required quality, the Company has assessed the impact of the returns on revenue as insignificant on a portfolio basis. However, the Company expects to provide detailed disclosure of the judgments exercised in adopting a portfolio approach in its 2018 financial statements.

**c. Presentation and disclosure requirements**

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent significant change from current practice and significantly increases the volume of disclosures required in the financial statements. However, this will have no material impact on the Company's financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018. In addition, as required by IFRS 15, the Company will disaggregate revenue recognised.



**Notes to the financial statements****2.2 Accounting standards and interpretations issued but not yet effective (cont'd)****IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

**Impact Assessment on future adoption of IFRS 16**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective. The new standard eliminates distinction of operating and finance leases for lessee accounting and brings a new model where a right-to-use asset and a corresponding liability have to be recognised for all leases by lessees.

The adoption of the standard would not have significant impact on the company as the company recognizes its leases as finance lease which is in line with the requirements of IFRS 16.

## **Notes to the financial statements**

### **2.2 Accounting standards and interpretations issued but not yet effective (cont'd)**

#### **Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018)**

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
  - i. the original liability is derecognised;
  - ii. the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
  - iii. any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately."

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors do not anticipate that the application of the amendments in the future will have a significant impact on the Company's financial statements as the Company does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

#### **Amendments to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined)**

The amendment to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The directors do not anticipate that the application of these amendments would any impact on the Company's financial statements as the Company has no subsidiary.

**Notes to the financial statements****2.2 Accounting standards and interpretations issued but not yet effective (cont'd)****Amendments to IAS 40: Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018)**

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use is possible for properties under construction (i.e. a change in use is not limited to complete properties). The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The directors do not anticipate that the application of these amendments would any impact on the Company's financial statements as the Company has no investment properties.

**IFRIC 22, 'Foreign currency transactions and advance consideration**

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue). The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the interpretation either retrospectively or prospectively. Specific transition provisions apply to perspective application.

The directors do not anticipate that the application of the amendments in the future will have an impact on the financial statements as transactions involving the payment or receipt of advance consideration in a foreign currency are already accounted for in a way that is consistent with the amendments.

**Notes to the financial statements****3. Significant accounting policies****(a) Statement of compliance**

The financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB (and adopted by FRC). Additional information required by national regulations is included where appropriate.

**(b) Functional and presentation currency**

These Financial Statements are presented in Nigeria Naira which is the Company's functional currency. Except otherwise indicated, financial information presented in Nigeria Naira has been rounded to the nearest thousand.

**(c) Basis of measurement**

The principal accounting policies applied in the preparation of the financial statements are set out below.

The financial statements have been prepared on the basis of the historical cost price method except for biological assets that is stated at fair value. Any other exceptions to the historical cost price method are disclosed in the valuation rules described hereafter.

**(d) Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer, the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Company; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

**(e) Foreign currency transactions**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the income statement part of the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

## Notes to the financial statements

### 3. Significant accounting policies (cont'd)

#### (f) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Expenditure on research activities relating to genetic plants is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### (g) Biological Assets

##### **Produce growing on bearer plants**

Produce growing on bearer plants are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell of produce growing on bearer plants are recognised in profit or loss.

For the purpose of determining the fair value of Presco's biological asset, management the discounted cash flow approach ("DCF") has been adopted as the primary valuation methodology. The DCF approach is a generally accepted valuation approach and requires the valuer to estimate the relevant cash flows from the produce growing on the bearer plants and discount these cash flows by the required discount rate in order to arrive at an appropriate asset value.

**Notes to the financial statements****3. Significant accounting policies (cont'd)****(h) Property, Plant & Equipment**

Items of property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Unless revised due to specific changes in the estimated useful life, annual depreciation rates are as follows:

- Buildings:	30 years
- Processing Equipment:	10-20 years
- Heavy Duty Equip:	10-20 years
- Plant, Machinery:	10-20 years
- Furniture and fittings:	5-7 years
- Utilities	5-7 years
- Vehicles, wheels & tractors:	5-10 years
- IT equipment:	3 years
- Bearer plant:	22 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Bearer plants are living plants that are used in the production or supply of agriculture produce for more than one period and have remote likelihood of being sold as agriculture produce, except for incidental scrap sales. The bearer plants that are available for use are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes plantation expenditure, which represents the total cost incurred from land clearing to the point of harvesting. Bearer plants have an average life cycle of twenty-five years with the first three (3) years as immature bearer plants and the remaining years as mature bearer plants. The mature bearer plants are depreciated over its remaining useful lives of twenty-two (22) years on a straight-line basis. The immature bearer plants, included as work-in-progress, are not depreciated until such time when it is available for use.

## **Notes to the financial statements**

### **3. Significant accounting policies (cont'd)**

#### **(i) Leases**

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a financial liability.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### **(j) Impairment of Assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Notes to the financial statements****3. Significant accounting policies (cont'd)****(k) Financial Assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

At this moment, the Company only has financial assets classified as "loans and receivables".

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



**Notes to the financial statements**

**3. Significant accounting policies (cont'd)**

**(l) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average cost basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The stock of finished products (including biological assets after harvest) are valued by adding the total cost to produce the goods.

Inventories are written down on a case-by-case basis if the estimated net realizable value declines below the carrying amount of the inventories. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. When the reason for a write-down of the inventories has ceased to exist, the write-down is reversed.

**(m) Cash and Cash Equivalent**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

For the purpose of the statements of cash flows, cash and cash equivalents includes cash on hand and deposits held at call or short term maturity with banks (three months or less), net of bank overdrafts. Bank overdrafts, if any, are shown within current liabilities on the balance sheet.

**(n) Shareholders' Equity**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Where the Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity holders.

**(o) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is reasonably certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Notes to the financial statements**

**3. Significant accounting policies (cont'd)**

**(p) Retirement benefits and other long term employees' benefits**

Employee benefits mainly concern:

- retirement benefits: pension plans, termination benefits, other retirement obligations and supplemental benefits;
- other long-term employee benefits: long-service benefits granted to employees according to their seniority in the Group;
- other employee benefits: post-employment medical care.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its staff. Employee contributions to the scheme are funded through payroll deductions while the Company's contribution is charged to profit or loss. The Company contributes 10% and employees contribute 8% of their insurable earnings (basic, housing and transport allowances) each to the scheme.

The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee's service in the current year.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

**Notes to the financial statements**

**3. Significant accounting policies (cont'd)**

**(q) Financial Liabilities**

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities are classified as either "financial liabilities at fair value through profit or loss" or "other financial liabilities".

The Company does not hold any financial liabilities at fair value through profit or loss.

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**(r) Government Grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

**(s) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Notes to the financial statements****3. Significant accounting policies (cont'd)****(s) Taxation (cont'd)**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit (e.g. differences between carrying amounts under IFRS and the statutory tax bases). Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**(t) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Notes to the financial statements****4. Capital management**

The Company manages its capital to ensure that it will be able to continue as going concern while maximising the return to stakeholders through the optimization of the equity balance. The Company's overall strategy remained unchanged.

The capital structure of the Company consists of net debt (borrowings as detailed in notes 24 offset by cash and bank balances) and equity of the Company comprising issued capital, reserves, retained earnings as disclosed in the statement of financial position).

The Company's risk management committee reviews the capital structure of the Company on a frequent basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Company has a target gearing ratio of 5 per cent determined as the proportion of net debt to equity. Based on the committee's recommendations, the Company expects to maintain its current gearing ratio unchanged.

The Company is not subject to any externally imposed capital requirements.

**Gearing ratio**

The gearing ratio at the year end is as follows:

	<b>2017 N'000</b>	<b>2016 N'000</b>
Debt	8,515,161	5,960,524
Cash and bank balances	(3,307,211)	(2,585,127)
	<u>5,207,950</u>	<u>3,375,397</u>
Equity	<u>75,980,172</u>	<u>52,119,003</u>
Debt to equity ratio	<u>7%</u>	<u>6%</u>

Debt is defined as long and short term borrowings (excluding derivatives and financial guarantee contract)

Equity includes all capital and reserves of the Company that are managed as capital.

**5. Financial instruments****5.1 Categories of financial instruments**

	<b>2017 N'000</b>	<b>2016 N'000</b>
<b>Financial assets</b>		
Cash and bank balances	3,307,211	2,585,127
Trade and other receivables	3,607,661	1,095,901
	<u>6,914,872</u>	<u>3,681,028</u>
<b>Financial liabilities</b>		
Amortized cost:		
Borrowings	5,341,113	5,168,967
Overdrafts	3,174,048	791,557
Trade and other payables	7,428,137	1,699,761
	<u>15,943,298</u>	<u>7,660,285</u>

**Notes to the financial statements****5.2 Financial Risk Management**

Risk Management is essential to help ensure business sustainability thereby providing customers and the shareholders with a long-term value proposition.

Key elements of risk management are:

- Strong corporate governance including relevant and reliable management information and internal control processes;
- Ensuring significant and relevant skills and services are available consistently to the Company;
- Influencing the business and environment by being active participants in the relevant regulatory and business forums; and
- Keeping abreast of technology and consumer trends and investing capital and resources where required.

The overall Company focus within an appropriate risk framework is to give value to the customers through effective and efficient execution of transactions.

The board of directors acknowledges its responsibility for establishing, monitoring and communicating appropriate risk and control policies.

The Company monitors and manages financial risks relating to its operations through internal risk report which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

**5.2.1 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rate, exchange rates and other prices.

The Company's activities expose it primarily to financial risks of changes in foreign currency exchange rates and interest rates. Market risks exposures are measured using sensitivity analysis.

**5.2.1.1 Foreign currency risk management**

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company are mainly exposed to USD and EUR.

The company had in its books balances denominated USD (\$2,369,270); EUR (€2,216,437) and GBP (£3,024).

The following table details the Company's sensitivity to a 15% (2016; 15%), increase and decrease in Naira against foreign currencies. Management believes that a 15% movement in either direction is reasonably possible at the balance sheet date. The sensitivity analyses below include outstanding balances of foreign currencies denominated assets and liabilities. A positive number indicates an increase in profit where Naira strengthens by 15% against the foreign currencies. For a 15% weakening of Naira against the foreign currencies there would be an equal and opposite impact on profit, and the balances below would be negative.

**Notes to the financial statements**

**5.2.1.1 Foreign currency risk management (cont'd)**

The following exchange rates were applied during the year ended 31 December 2017:

	<b>2017</b>		<b>2016</b>	
	<b>Average rate</b>	<b>Year end spot rate</b>	<b>Average rate</b>	<b>Year end spot rate</b>
USD	348.75	340.03	253.19	352.70
EUR	396.25	407.79	279.90	371.11
GBP	452.67	459.63	339.35	435.41
			<b>2017</b>	<b>2016</b>
			<b>N'000</b>	<b>N'000</b>
			<b>Profit/(loss)</b>	<b>Profit/(loss)</b>
			<b>after tax</b>	<b>after tax</b>
Profit or loss and equity			256,628	(70,005)

**5.2.1.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market interest rates.

The Company is not exposed to interest rate risk because it borrows funds denominated only in Naira at a fixed interest rates. The sensitivity analyses below have been determined based on the exposure to interest rates for both USD and Naira denominated borrowings at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. 10 basis points (BP) increase or decrease are used when reporting LIBOR and NIBOR risks internally to key management personnel and these represent management's assessment of the reasonably possible change in interest rates.

If LIBOR had been 10 basis points (i.e. 1%) higher/lower and all other variables were held constant, the Company's profit or loss will be affected as follows:

	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>
	<b>Profit/(loss)</b>	<b>Profit/(loss)</b>
	<b>after tax</b>	<b>after tax</b>
<b>If LIBOR is 10 BP lower:</b>		
Borrowings (USD)	-	-
<b>If LIBOR is 10 BP higher:</b>		
Borrowings (USD)	-	-
<b>If NIBOR is 10 BP lower:</b>		
Borrowings (NGN)	-	-
<b>If NIBOR is 10 BP higher:</b>		
Borrowings (NGN)	-	-

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

**Notes to the financial statements****5.2.2.1 Maturity analysis of financial liabilities**

The following table details the Company's expected maturity for its non-derivative financial liabilities with agreed repayment periods. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	<b>0-6 months N'000</b>	<b>6-12 months N'000</b>	<b>12-24 months N'000</b>	<b>24 months and above N'000</b>	<b>Total N'000</b>
<b>2017</b>					
Trade and other payables	4,442,518	2,985,619	-	-	7,428,137
Borrowings	656,805	656,805	2,627,220	1,477,061	5,417,891
Overdraft	3,174,048	-	-	-	3,174,048
	<u>8,273,371</u>	<u>3,642,424</u>	<u>2,627,220</u>	<u>1,477,061</u>	<u>16,020,076</u>
<b>2016</b>					
Trade and other payables	197,423	1,502,338	-	-	1,699,761
Borrowings	1,713,196	3,455,771	-	-	5,168,967
Overdraft	791,557				791,557
	<u>2,702,176</u>	<u>4,958,109</u>	<u>-</u>	<u>-</u>	<u>7,660,285</u>

**5.2.3 Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposures to its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

**Financial assets and other credit exposures**

	<b>Maximum credit risk</b>	
	<b>2017 N'000</b>	<b>2016 N'000</b>
Cash and Bank balances	3,307,211	2,585,127
Trade and other receivables	<u>3,607,661</u>	<u>1,095,901</u>
	<u>6,914,872</u>	<u>3,681,028</u>

The Company does not hold any collateral or other credit enhancements to cover this credit risk.



**Notes to the financial statements**

**5.2.4 Fair value of financial instruments**

- a Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis  
The Company does not have financial assets and financial liabilities that are measured at fair value on a recurring basis
- b Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)  
The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

**c Fair value hierarchy**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>2017</b>				
<b>Financial assets</b>				
<b>Loans and receivables:</b>				-
Cash and bank balances	-	3,307,211	-	3,307,211
Trade and other receivables	-	3,607,661	-	3,607,661
	<b>-</b>	<b>6,914,872</b>	<b>-</b>	<b>6,914,872</b>
<b>Financial liabilities</b>				
<b>At amortized cost:</b>				
Borrowings	-	5,341,113	-	5,341,113
Trade and other payables	-	7,428,137	-	7,428,137
Overdraft	-	3,174,048	-	3,174,048
	<b>-</b>	<b>15,943,298</b>	<b>-</b>	<b>15,943,298</b>
<b>2016</b>				
<b>Financial assets</b>				
<b>Loans and receivables:</b>				-
Cash and bank balances	-	2,585,127	-	2,585,127
Trade and other receivables	-	1,095,901	-	1,095,901
	<b>-</b>	<b>3,681,028</b>	<b>-</b>	<b>3,681,028</b>
<b>Financial liabilities</b>				
<b>At amortized cost:</b>				
Borrowings	-	5,168,967	-	5,168,967
Trade and other payables	-	1,699,761	-	1,699,761
Overdraft	-	791,557	-	791,557
	<b>-</b>	<b>7,660,285</b>	<b>-</b>	<b>7,660,285</b>

The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties

**Notes to the financial statements****5.2.4 Fair value of financial instruments (cont'd)****Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. 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. Instruments included in level 1 comprise primarily NSE equity investments classified as trading securities or available for sale.

**Financial instruments in level 2**

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

**Financial instruments in level 3**

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

**6. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

**6.1 Useful lives of Property, plant and equipment**

Property plant and equipment represent a significant proportion of the asset base of the Company. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance.

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in the reduced depreciation charge in the statement of comprehensive income.

**Notes to the financial statements****6.2 Provision for defined benefit obligation**

The Company operates an unfunded defined benefit scheme. IAS 19 requires the application of the Projected Unit Credit Method for actuarial valuations. Actuarial measurements involve the making of several demographic projections regarding mortality, rates of employee turnover etc. and financial projections in the area of future salaries and benefit levels, discount rate, inflation etc.

**6.3 Taxation**

The Company's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority. Under the Nigerian tax system, self-assessment returns are subjected to a desk review for the determination of tax due for remittance in the relevant year of assessment. This is however not conclusive as field audits are carried out within six years of the end of the relevant year of assessment to determine the adequacy or otherwise of sums remitted under self-assessment thus making tax positions uncertain.

**6.4 Valuation of financial liabilities**

As at the end of the reporting period, the Company was granted some government assisted loans at below market rates. In accordance with IAS 20, the government grant which is the difference between the proceeds of the loans and their fair value should be accounted for. Based on IAS 39, all financial liabilities should be initially recognized at fair value. In computing the fair value of these loans, the imputed interest rate used in discounting the cashflows associated with the loans is based on management judgement of best estimate of its borrowing cost at the time the loans were granted.

**6.5 Biological assets**

Fair value of the produce is measured with reference to the price in an active market at the point of harvest adjusted for its present location and condition. For the purpose of determining the fair value of Presco's biological asset, management adopted the discounted cash flow approach ("DCF") as the primary valuation methodology. The DCF approach is a generally accepted valuation approach and requires the valuer to estimate the relevant cash flows and discount these cash flows by the required discount rate in order to arrive at an appropriate asset value.

The relevant cash flow calculation includes:

Cash-in/revenue: This includes the expected yield from each plantation estate taking into consideration the expected extraction rate and purchase price. The cash-in/revenue cash flows were based on the historical average extraction rate for Presco Plc, the forecast production and the respective sales price for each forecast year. Management utilized the current price and assumed annual growth of 6% over the forecast period, as these prices are within the same range as prices from other independent sources.

Cash-out/costs: The upkeep costs, harvesting/collection costs, overheads and factory costs have been included as part of the cash-out costs, which increased year-on-year at the projected inflation rate.

Cash-out costs were computed thus:

- The import tariff, freight and clearing costs were deducted as part of the relevant costs that will be necessarily incurred to import the CPO.
- Upkeep cost was forecasted based on the historical average cost per mature hectares and increased at the forecast inflation rate per annum.
- Harvesting/collection cost was based on the historical average collection cost per fresh fruit bunch (FFB) and increased at the forecast inflation rate per annum.

**Notes to the financial statements****6.5 Biological assets (cont'd)**

In estimating the net cash flows, management considered cash flows which were derived by estimating the expected yield from each plantation estate taking into consideration expected extraction rate and purchase price. The extraction rate was adopted based on actual historical average extraction rate of Presco while the purchase price is based on observable selling price per tonne grown at a constant rate of 5% per annum.

The forecast growth rate was based on management's expectation and experience. Estimated cash flows derived was based on upkeep cost, harvesting/collection cost, overheads and other factory costs. Management estimated these costs to flow in line with inflation rate. The net cash flow derived was discounted by the pre-tax weighted average cost of capital (WACC) which reflects market participant's view.

In arriving at the reported fair value, management estimated the cost of disposing off the biological asset (incremental costs to take the asset to market, cost of engaging professionals to assist with the disposal process, and other transaction costs as management deemed necessary) and deducted these estimated costs from the fair value to arrive at the fair value less cost to sell of about N58.2 billion.

**6.6 Segment information**

The Chief Executive Officer is the Company's chief operating decision-maker. The Chief Executive Officer has determined that for the purposes of resource allocation and assessment of segment performance, the business and operating segments of the company is analysed based on the type of goods delivered by the company. Specifically, the company's reportable segments under IFRS 8 are Local Sales and Export Sales.

The following is an analysis of the Company's revenue and results from continuing operations by reportable segment.

	<b>Segment revenue</b>		<b>Segment profit</b>	
	<b>Year ended 31/12/17 N'000</b>	<b>Year ended 31/12/17 N'000</b>	<b>Year ended 31/12/17 N'000</b>	<b>Year ended 31/12/17 N'000</b>
Local Sales	18,995,815	14,824,974	23,929,807	349,985
Export Sales	3,369,557	891,224	1,473,807	21,385,481
	<b><u>22,365,372</u></b>	<b><u>15,716,198</u></b>	<b><u>25,403,614</u></b>	<b><u>21,735,466</u></b>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: nil).

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3. Segment profit represents the profit before tax earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are used jointly by reportable segments and are allocated on the basis of the revenues earned by individual reportable segments.

**PRESCO PLC.***Financial statements**For the year ended 31 December 2017***Notes to the financial statements**

	<b>2017 N'000</b>	<b>2016 N'000</b>
<b>7. Revenue</b>		
Sales of main products	22,363,231	15,714,722
Mill by-products	2,141	1,476
	<b><u>22,365,372</u></b>	<b><u>15,716,198</u></b>
The revenue from the sale of goods is disaggregated as follows:		
Local Sales	18,995,815	14,824,974
Export Sales	3,369,557	891,224
	<b><u>22,365,372</u></b>	<b><u>15,716,198</u></b>
<b>8. Cost of sales</b>		
Raw materials consumed	715,559	16,442
Upkeep of mature plantings, harvesting & laboratory expenses	1,297,687	1,512,056
Mill processing, refinery and packaging costs	3,928,062	2,876,287
	<b><u>5,941,308</u></b>	<b><u>4,404,785</u></b>
<b>9. Selling, General and Admin Expenses</b>		
Clearing and handling	327,780	131,859
Office and housing expenses	41,517	72,825
Rent and rate	26,619	15,052
Repairs and maintenance	239,192	233,819
Postage and telephone	31,788	22,408
Insurance	153,321	108,610
Legal	26,838	28,088
Audit fees	31,400	31,000
Professional and other consultancy fees	73,799	54,123
Donation	31,965	30,397
Subscription and licences	39,848	47,914
Transport and travelling	567,937	124,152
Management fees	2,299,319	-
Security	139,339	104,645
Selling expenses	311,188	97,479
Community development	36,220	52,149
Meeting, Entertainment and Corporate social responsibility (CSR)	88,554	66,720
Directors' fees	35,506	25,172
Staff costs	1,030,329	824,964
Depreciation	753,485	407,408
Bank charges	190,188	68,128
Exchange losses	524,003	1,443,259
Others	184,283	183,966
	<b><u>7,184,418</u></b>	<b><u>4,174,136</u></b>

A cumulative amount of N2.3 billion (2016: nil) which is the total of N1.06 billion for the current year, N763.1 million for 2016 and N474.6 million for 2015 relating to management fees to be paid to the parent company has been recognized in the books of Presco Plc based on the approval obtained from the National Office of Technology Acquisition and Promotion (NOTAP) board which was valid from 1 January 2015 to 31 December 2017.

**PRESCO PLC.***Financial statements**For the year ended 31 December 2017***Notes to the financial statements**

	<b>2017 N'000</b>	<b>2016 N'000</b>
<b>10. Distribution Expenses</b>		
Finished products (Road transport)	317,248	223,945
	<b>317,248</b>	<b>223,945</b>
<b>10.1 Other gains</b>		
Livestock sales	937	1,977
Other operating income	250,955	211,498
Financial income (note 26.1)	107,553	109,671
Loss on disposal of fixed assets	(146,087)	(204,657)
	<b>213,358</b>	<b>118,489</b>
The Other operating income relates to income on short delivery of finished products to the company's customers, interest earned on the employee gratuity fund and income earned from the sale of miscellaneous items such as scrap items, fertilizer, etc.		
	<b>2017 N'000</b>	<b>2016 N'000</b>
<b>11. Financial expenses</b>		
Interests on loans	588,128	598,919
Interests on overdrafts, etc.	385,351	85,736
	<b>973,479</b>	<b>684,655</b>
<b>12. Profit before taxation</b>		
Profit before taxation is stated after charging the following:		
Depreciation of property plant and equipment	1,096,285	1,262,805
Directors' remuneration (note 33)	41,906	33,763
Auditors' remuneration	31,400	31,000
Loss on disposal of fixed assets	146,087	204,657
Interest on loans, overdraft, etc.	973,479	684,655
Management fee	2,299,319	-
Seconded staff cost	690,671	431,519
Exchange loss	524,003	1,443,259
<b>13. Tax expenses</b>	<b>2017 N'000</b>	<b>2016 N'000</b>
<b>Income tax</b>		
Current income tax	1,328,941	1,631,407
Education tax	157,580	169,610
	1,486,521	1,801,017
Deferred tax	(15,938,554)	7,702,280
	<b>(14,452,033)</b>	<b>9,503,297</b>

**PRESCO PLC.***Financial statements**For the year ended 31 December 2017***Notes to the financial statements**

	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>
<b>13.1 Analysis of income tax expense:</b>		
Income tax recognised in profit or loss	(14,433,842)	9,490,987
Income tax recognised in other comprehensive income	(18,191)	12,310
	<b><u>(14,452,033)</u></b>	<b><u>9,503,297</u></b>

**Income taxes relating to continuing operations****Income tax recognized in profit or loss****Current tax**

Current tax expense in respect of the current period:

Company income tax payable	1,328,941	1,631,407
Education tax payable	157,580	169,610
Capital gains tax	-	-
Adjustments recognized in the current period in relation to the current tax of prior periods	-	-
	<b><u>1,486,521</u></b>	<b><u>1,801,017</u></b>

**Deferred tax**

Deferred tax expense recognized in the current period	(15,938,554)	7,702,280
Deferred tax reclassified from equity to profit or loss	-	-
Write-downs (reversals of previous write-downs) of deferred tax assets	-	-
Adjustments recognized in the current period in relation to the deferred tax of prior periods	-	-
	<b><u>(15,938,554)</u></b>	<b><u>7,702,280</u></b>

Total income tax expense recognized in the current period relating to continuing operations	<b><u>(14,452,033)</u></b>	<b><u>9,503,297</u></b>
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\*Deferred tax asset is recognised to the extent that there is probability of future taxable profits or taxable temporary difference available for offset

The current tax charge has been computed at the applicable rate of 30% (31 December 2016: 30%) plus education levy of 2% (31 December 2016: 2%) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes. Non-deductible expenses include items such as legal fees, donations, public relations expenses and certain provisions which are not allowed as a deduction by the tax authorities. Tax exempt income include income such as dividend income and income from government bonds which are not taxable.

**Notes to the financial statements****14. Effective tax reconciliation**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

The income tax expense for the period can be reconciled to the accounting profit as follows:

	<b>2017</b> <b>N'000</b>	<b>2016</b> <b>N'000</b>
Profit before tax from continuing operations	10,951,581	31,226,452
Income tax expense calculated at 30% of PBT (2016: 30%)	3,285,474	9,367,936
Effect of income that is exempt from taxation	(1,564,445)	-
Effect of expenses that are not deductible in determining taxable profit	(16,330,643)	20,716
Effect of concessions (research and development and other allowances)	-	(67,275)
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	-	-
Education tax at 2% of assessable profits	157,580	181,920
Adjustments recognized in the current period in relation to the deferred tax of prior periods	-	-
	<u>(14,452,033)</u>	<u>9,503,297</u>

The tax rate used for 2017 and 2016 reconciliations above is the corporate tax rate of 30% & 2% (for tertiary education tax) payable by corporate entities in Nigeria on taxable profits under the tax law in the country.

**Income tax recognized in other comprehensive income**

	<b>2017</b> <b>N'000</b>	<b>2016</b> <b>N'000</b>
<b>Current tax</b>	-	-
<b>Deferred tax</b>		
Arising on income and expenses recognized in other comprehensive income:		
Remeasurement of defined benefit obligation	(18,191)	12,310
Translation of foreign operations	-	-
Fair value re-measurement of hedging instruments entered into for a hedge of a net investment in a foreign operation	-	-
Fair value re-measurement of available-for-sale financial assets	-	-
Fair value re-measurement of hedging instruments entered into for cash flow hedges	-	-
Property revaluations	-	-
	<u>(18,191)</u>	<u>12,310</u>
Arising on income and expenses reclassified from equity to profit or loss:		
Relating to cash flow hedges	-	-
Relating to available-for-sale financial assets	-	-
On disposal of a foreign operation	-	-
	<u>-</u>	<u>-</u>
Arising on gains/losses of hedging instruments in cash flow hedges transferred to the initial carrying amounts of hedged items		
	<u>-</u>	<u>-</u>
Total income tax recognized in other comprehensive income	<u>(18,191)</u>	<u>12,310</u>



**Notes to the financial statements****15. Intangible assets**

	<b>Computer software N'000</b>	<b>Genetic N'000</b>	<b>Total N'000</b>
<b>Cost</b>			
At 1 January 2016	116,512	166,582	283,094
Additions during the year	-	101,387	101,387
Transfer	-	(75,665)	(75,665)
<b>At 31 December 2016</b>	<b>116,512</b>	<b>192,304</b>	<b>308,816</b>
Additions during the year	-	256,822	256,822
Transfer	-	(79,107)	(79,107)
<b>At 31 December 2017</b>	<b>116,512</b>	<b>370,019</b>	<b>486,531</b>
<b>Amortization</b>			
At 1 January 2016	99,513	-	99,513
Charge during the year	16,737	-	16,737
<b>At 31 December 2016</b>	<b>116,250</b>	<b>-</b>	<b>116,250</b>
Charge during the year	47	-	47
<b>At 31 December 2017</b>	<b>116,297</b>	<b>-</b>	<b>116,297</b>
<b>Carrying amount</b>			
<b>At 31 December 2017</b>	<b>215</b>	<b>370,019</b>	<b>370,234</b>
<b>At 31 December 2016</b>	<b>262</b>	<b>192,304</b>	<b>192,566</b>

Computer software relates to cost of acquisition of Absolute Business System and is amortized over 11 years.

Genetic relates to the costs of fruits planted for research and development purposes and is not subject to amortization.

Transfers here relates to cost of genetic plant reclassified to CWIP after successful growth (note 17).

**Notes to the financial statements****16. Biological assets: Agricultural Produce**

	<b>2017 N'000</b>	<b>2016 N'000</b>
Biological assets (BA) consists of the Fresh fruit bunches from the trees.		
<b>At Fair Value</b>		
Fresh Fruit Bunches		
At 1 January	55,422,879	30,543,592
Change in fair value less costs to sell due to prices changes (Gain on Biological Assets)	<u>2,789,304</u>	<u>24,879,287</u>
<b>At 31 December</b>	58,212,183	55,422,879
The biological assets are analysed into:		
Non-Current	49,274,503	44,920,219
Current	<u>8,937,680</u>	<u>10,502,660</u>
<b>At 31 December</b>	<b><u>58,212,183</u></b>	<b><u>55,422,879</u></b>

The biological assets of Presco comprises fresh fruit bunches ('FFB') prior to harvest. The valuation model adopted by the company considers the present value of the net cash flows expected to be generated from the sale of products (CPO) from FFB. In estimating the net cash flows, management considered cash flows which were derived by estimating the expected yield from each plantation estate taking into consideration expected extraction rate and purchase price. The extraction rate was adopted based on actual historical average extraction rate of Presco while the purchase price is based on observable selling price per tonne grown at a constant rate of 5% per annum.

The forecast growth rate was based on management's expectation and experience. Estimated cash flows derived was based on upkeep cost, harvesting/collection cost, overheads and other factory costs. Management estimated these costs to flow in line with inflation rate. The net cash flow derived was discounted by the pre-tax weighted average cost of capital (WACC) which reflects market participant's view.

In arriving at the reported fair value, management estimated the cost of disposing off the biological asset (incremental costs to take the asset to market, cost of engaging professionals to assist with the disposal process, and other transaction costs as management deemed necessary) and deducted these estimated costs from the fair value to arrive at the fair value less cost to sell of about N58.2 billion.

During the financial year, Presco harvested 169,370 tons of FFB (2016: 171,000 tons).

As at 31 December 2017, none of the biological assets are pledged as securities for liabilities.

The fair value measurement of the company's biological assets are categorised within Level 3 of the fair value hierarchy. If the FFB products selling price changes by 10%, profit or loss for the company would have equally increased or decreased by approximately N24.88 million (2016: N1.06 million).

There were no transfers between all three (3) levels of the fair value hierarchy during the financial year.

**Notes to the financial statements****16. Biological assets: Agricultural Produce**

The following table details the sensitivity of the value of the biological assets to the changes in discount rate and extraction rate within a band of +/-0.5%.

NGNm		<b>Discount rate (post-tax)</b>		
<b>58,212.2</b>		23.2%	23.7%	24.2%
<b>Extraction rate</b>	22.4%	62,370.5	60,500.5	58,725.3
	21.9%	60,494.9	58,212.2	56,951.6
	21.4%	58,619.3	56,853.7	55,177.8

The value of the biological assets appears to be sensitive to these inputs (discount rate and extraction rate).

**PRESCO PLC.**

Financial statements

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**Notes to the financial statements**

**17. PROPERTY, PLANT AND EQUIPMENT**

In thousand naira	Bearer Plant N'000	Building N'000	Leasehold Land N'000	Processing Equipment N'000	Heavy Duty Equip N'000	Vehicles & Wheel, Tractors N'000	Furniture & Fittings N'000	Utilities N'000	Spareparts (Strategic Spares) N'000	Work-In- Progress N'000	Total N'000
<b>Cost</b>											
At 1 January 2016	5,215,433	985,641	3,817,784	9,200,726	665,885	1,264,114	224,405	626,507	382,019	5,517,825	27,900,339
Additions	-	885	-	35,152	103,262	84,345	6,840	11,969	278,151	3,529,517	4,050,121
Transfers (Note 17.1)	1,115,859	192,524	-	1,004,309	62,769	23,138	378	18,102	-	(2,417,079)	-
Disposals	-	-	-	(325,423)	(53,164)	(66,268)	(320)	-	-	-	(445,175)
Spare utilized	-	-	-	-	-	-	-	-	(96,674)	-	(96,674)
<b>At 31 December 2016</b>	<b>6,331,292</b>	<b>1,179,050</b>	<b>3,817,784</b>	<b>9,914,764</b>	<b>778,752</b>	<b>1,305,329</b>	<b>231,303</b>	<b>656,578</b>	<b>563,496</b>	<b>6,630,263</b>	<b>31,408,611</b>
Additions	350,235	37,869	-	33,096	19,109	251,844	18,803	34,186	124,817	6,183,192	7,053,151
Transfers (Note 17.1)	1,189,091	1,175,764	-	514,258	-	59,147	126,550	234,779	-	(3,299,589)	-
Disposals	-	(26,650)	-	(210,235)	-	(2,995)	-	(2,564)	-	(108,260)	(350,704)
<b>At 31 December 2017</b>	<b>7,870,618</b>	<b>2,366,033</b>	<b>3,817,784</b>	<b>10,251,883</b>	<b>797,861</b>	<b>1,613,325</b>	<b>376,656</b>	<b>922,979</b>	<b>688,313</b>	<b>9,405,606</b>	<b>38,111,058</b>
<b>Accumulated Depreciation</b>											
At 1 January 2016	(1,381,526)	(412,876)	(1,154,216)	(3,194,889)	(514,251)	(784,847)	(170,116)	(297,607)	-	-	(7,910,328)
Charge for the year	(241,626)	(50,037)	(48,087)	(645,236)	(80,227)	(166,761)	(1,507)	(12,587)	-	-	(1,246,068)
Disposals	-	-	-	84,194	47,156	61,093	-	-	-	-	192,443
<b>At 31 December 2016</b>	<b>(1,623,152)</b>	<b>(462,913)</b>	<b>(1,202,303)</b>	<b>(3,755,931)</b>	<b>(547,322)</b>	<b>(890,515)</b>	<b>(171,623)</b>	<b>(310,194)</b>	<b>-</b>	<b>-</b>	<b>(8,963,953)</b>
Charge for the year	(262,616)	(53,274)	(53,909)	(431,697)	(51,514)	(162,603)	(20,208)	(60,417)	-	-	(1,096,238)
Disposals	-	3,556	-	63,112	-	2,995	-	1,571	-	-	71,234
<b>At 31 December 2017</b>	<b>(1,885,768)</b>	<b>(512,631)</b>	<b>(1,256,212)</b>	<b>(4,124,516)</b>	<b>(598,836)</b>	<b>(1,050,123)</b>	<b>(191,831)</b>	<b>(369,040)</b>	<b>-</b>	<b>-</b>	<b>(9,988,957)</b>
<b>Carrying amount</b>											
<b>At 31 December 2017</b>	<b>5,984,850</b>	<b>1,853,402</b>	<b>2,561,572</b>	<b>6,127,367</b>	<b>199,025</b>	<b>563,202</b>	<b>184,825</b>	<b>553,939</b>	<b>688,313</b>	<b>9,405,606</b>	<b>28,122,101</b>
<b>At 31 December 2016</b>	<b>4,708,140</b>	<b>716,137</b>	<b>2,615,481</b>	<b>6,158,833</b>	<b>231,430</b>	<b>414,814</b>	<b>59,680</b>	<b>346,384</b>	<b>563,496</b>	<b>6,630,263</b>	<b>22,444,657</b>
<b>At 1 January 2016</b>	<b>3,833,907</b>	<b>572,765</b>	<b>2,663,568</b>	<b>6,005,837</b>	<b>151,634</b>	<b>479,267</b>	<b>54,289</b>	<b>328,900</b>	<b>382,019</b>	<b>5,517,825</b>	<b>19,990,011</b>

## Notes to the financial statements

**17.1** Transfer refer to asset transfer from one asset class to another within the Property Plant and Equipment class.

**17.2 Assets pledged as security**

There is no asset pledged as security for loan or other form of borrowing.

**Impairment of tangible and intangible assets excluding goodwill**

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

At 31 December 2017, 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 15,359 hectares;
- Immature Palm trees for a total of 5,053 hectares and;
- Pre nursery and Main nursery seedlings available to generate a total of 1,736,102 hectares of planting.

Since no reliable local market-based prices are available to value the biological asset, the calculation method used (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 flows referred herein are those that the asset is expected to generate in its most relevant market, i.e., at the earliest point at which a market exists. The price/MT of Fresh Fruit Bunches (FFB) is used to value the harvest net of cost of up keep, harvest and transport. Any cash flows for financing the assets, taxation or re-establishing biological assets after harvest have been excluded. The assumptions applied in the valuation adopted the CPO CIF Rotterdam price incremented by a factor taking into account Nigerian Market specificities, and a discount rate of 24.5% at 31 December 2017.

**PRESCO PLC.***Financial statements**For the year ended 31 December 2017***Notes to the financial statements**

	<b>2017 N'000</b>	<b>2016 N'000</b>
<b>18. Other non-current assets</b>		
Guarantee Paid in Cash	<u>-</u>	<u>110</u>
<b>19. Inventories</b>		
Supplies (Spares)	1,769,554	832,507
Finished Goods	278,167	463,343
Goods in Transit	<u>2,656,985</u>	<u>124,747</u>
	<b><u>4,704,706</u></b>	<b><u>1,420,597</u></b>

The cost of inventories recognized as an expense during the year in respect of continuing operations was N1,055 billion (2016: N798,928 million).

	<b>2017 N'000</b>	<b>2016 N'000</b>
<b>20. Trade and other receivables</b>		
Trade receivables	621,658	585,142
Payments in advance	58,846	393,876
Intercompany receivable (Note 32.1)	2,873,506	6,053
Sundry debtors	<u>53,651</u>	<u>110,830</u>
	<b><u>3,607,661</u></b>	<b><u>1,095,901</u></b>

**Trade receivables**

The average credit period granted to customers is 30 days. No interest is charged on overdue receivables. The Company does not hold any collateral for trade receivables. Allowance for doubtful debts are recognised against trade receivables on a case by case basis, after specific review of individual customer balances. Where there are indications of impairment, allowances against doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Age of trade receivables that are past due but not impaired:	<b>2017 N'000</b>	<b>2016 N'000</b>
31 -60 days	380,546	204,144
61 - 90 days	12,295	47,005
90 - 180 days	11,636	30,356
180 days & above	<u>6,507</u>	<u>1,902</u>
	<b><u>410,984</u></b>	<b><u>283,407</u></b>

**Notes to the financial statements**

	<b>2017</b> <b>N'000</b>	<b>2016</b> <b>N'000</b>
<b>21. Cash and cash equivalent</b>		
Cash and bank balances	3,307,211	2,585,127
Bank overdrafts (financial liabilities) (note 25)	<u>(3,174,048)</u>	<u>(791,557)</u>
	<b><u>133,163</u></b>	<b><u>1,793,570</u></b>
<b>22. Share Capital</b>		
<b>Authorised share capital</b>		
1,100,000,000 ordinary shares of 50kobo each	<u>550,000</u>	<u>550,000</u>
<b>Issued and fully paid up capital</b>		
1,000,000,000 ordinary shares of 50kobo each	<u>500,000</u>	<u>500,000</u>

**23. Defined benefit obligation****23.1 Defined contribution plans**

The employees of the Company are members of a state-managed retirement benefit plan operated by the government of Nigeria. The Company is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the Company's statement of comprehensive income of N45.28 million (2016: N10.36 million) represents contributions payable to these plans by the Company at rates specified in the rules of the plans. As at 31 December 2017, contributions of N4.39 million (2016: N3.53 million) due in respect of the respective reporting periods had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

**23.2 Defined benefit plans**

The company recognises provision for post-employment benefits for all its permanent employees in accordance with the statute. The provision is based on an actuarial calculation by an independent actuary using the "Projected Unit Credit Method". Post employment benefit recognised by the company amounted to approximately N409.75 million as at 31 December 2017 (2016: N313 million).

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2017 by Alexander Forbes. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Details at the end of December 2017 were: Gratuity Scheme N70.35 million (2016: N53.60 million), Retirement Scheme N314.63 million (2016: N243.0 million) and Long Service Awards N24.77 million (2016: N16.87 million).

**Notes to the financial statements****23.2 Defined benefit plans (cont'd)**

	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>
As at 1 January	313,445	271,481
Current service costs	22,826	21,701
Past service cost	(1,129)	43,278
Interest costs	51,849	32,519
Payment during the year	(37,876)	(14,500)
As at 31 December	<b>349,115</b>	<b>354,479</b>
Remeasurements - OCI	60,636	(41,034)
	<b>409,751</b>	<b>313,445</b>

Amounts recognised in statement of comprehensive income in respect of these defined benefit schemes are as follows:

	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>
Current service cost	22,826	21,701
Past service cost	(1,129)	43,278
Interest on obligation	51,849	32,519
Remeasurements - OCI	60,636	(41,034)
	<b>134,182</b>	<b>56,464</b>

Of the expense for the year, N37.03 million (2016: N24.10 million) has been included in administrative expenses. Actuarial gains and losses have been reported in other comprehensive income.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	<b>2017</b>	<b>2016</b>
<b>Financial assumptions</b>		
Discount rate	14.7%	16.4%
Expected rate(s) of salary increases	8.0%	8.0%
Inflation	12.5%	12.5%

**Demographic assumptions****Mortality**

Pre-retirement mortality: A1949/52 tables

The mortality rates as at the previous year's valuation were based on the WHO World Health Statistics (2009) data.



**Notes to the financial statements**

**23.2 Defined benefit plans (cont'd)**

**Withdrawal/retirement**

Age Band	Rate of withdrawal	Rate of retirement
18 - 30	3.0%	0.0%
31 - 44	2.0%	0.0%
45 - 50	5.0%	0.0%
51	0.0%	4.5%
52	0.0%	4.0%
53	0.0%	3.5%
54	0.0%	3.0%
55	0.0%	100.0%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Employee benefit type	Parameters	Main result	+1%	-1%
	<b>Discount rate</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Retirement		-314,632	-301,494	-329,276
<b>Change</b>			<b>-4.2%</b>	<b>4.7%</b>
Long Service Awards		-24,765	-23,731	-25,898
<b>Change</b>			<b>-4.2%</b>	<b>4.6%</b>
Gratuity		-70,354	-67,973	-72,948
<b>Change</b>			<b>-3.4%</b>	<b>3.7%</b>
<b>Total</b>	<b>Discount rate</b>	<b>-409,751</b>	<b>-393,198</b>	<b>-428,122</b>
			<b>-4.0%</b>	<b>4.5%</b>
		<b>Main result</b>	<b>+1%</b>	<b>-1%</b>
	<b>Salary increase rate</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Retirement		-314,632	-331,123	-299,681
<b>Change</b>			<b>5.2%</b>	<b>-4.8%</b>
Long Service Awards		-24,765	-25,872	-23,740
<b>Change</b>			<b>4.5%</b>	<b>-4.1%</b>
Gratuity		-70,354	-73,111	-67,788
<b>Change</b>			<b>3.9%</b>	<b>-3.6%</b>
<b>Total</b>	<b>Discount rate</b>	<b>-409,751</b>	<b>-430,106</b>	<b>-391,209</b>
			<b>5.0%</b>	<b>-4.5%</b>
		<b>Main result</b>	<b>Rated up 1 year</b>	<b>Rated down 1 year</b>
	<b>Mortality rate</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Retirement		-314,632	-313,487	-315,673
<b>Change</b>			<b>-0.4%</b>	<b>0.3%</b>
Long Service Awards		-24,765	-24,717	-24,808
<b>Change</b>			<b>-0.2%</b>	<b>0.2%</b>
Gratuity		-70,354	-71,322	-69,476
<b>Change</b>			<b>1.4%</b>	<b>-1.2%</b>
<b>Total</b>	<b>Mortality rate</b>	<b>-409,751</b>	<b>-409,526</b>	<b>-409,957</b>
			<b>-0.1%</b>	<b>0.1%</b>

**Notes to the financial statements****23.2 Defined benefit plans (cont'd)**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out as at 31 December, 2017 by Alexander Forbes

**24. Borrowings**

	<b>2017 N'000</b>	<b>2016 N'000</b>
UBA CACS loan	1,146,783	1,606,156
Fidelity Nistra loan	1,238,095	1,698,765
IBTC PAIF loan	533,035	635,846
Fidelity BOI Loan	1,228,200	1,228,200
IBTC Stanbic	1,195,000	-
	<b><u>5,341,113</u></b>	<b><u>5,168,967</u></b>
<b>Included in the statement of financial position as:</b>		
Current	1,371,973	1,097,051
Non-current	3,969,140	4,071,916
	<b><u>5,341,113</u></b>	<b><u>5,168,967</u></b>

Below is the loan movement during the year.

	<b>2017 N'000</b>	<b>2016 N'000</b>
Balance as at 1 January	5,168,967	4,569,798
Additional loan	1,195,000	1,228,200
Recognition of grant on additional loan during the year	-	(116,481)
Additional interest recognised in Profit or loss	107,553	109,573
Repayment during the year	(1,130,407)	(622,123)
	<b><u>5,341,113</u></b>	<b><u>5,168,967</u></b>

**Notes to the financial statements****24.1 Summary of borrowing arrangements**

UBA CACS loan: The Company obtained a 7% [N2 billion] loan under the CBN Commercial Agriculture Credit Scheme (CACS) in two tranches of N982 million and N1.018 billion in July 2015 and November 2015 respectively. The loan was facilitated by United Bank for Africa (UBA) for the purpose of financing the expansion program of the company in rubber planting. The loan has a tenor of 6 years inclusive of 9 months moratorium. Using imputed market interest rates of 14% for an equivalent loan of 9%, the fair value of the loan is estimated at N1.78billion. The difference of N220million between the gross proceeds and the fair value of the loan is the benefit derived from the below-market interest rate loan and is recognised as government grant (see note 26.1). The government grant is recognized over the loan tenure.

Fidelity Nistra loan: This is a N2 billion loan granted to the Company in February 2015 by Fidelity Bank as an interest rate of 18% which was reviewed upward to 20% in July 2015. The loan which has a tenor of 5 years (inclusive of 18 months moratorium) was granted for the purpose of financing the establishment of 14,400 hectares rubber plantation at Upper Sakponba area of Benin City, Edo State. This is secured by a negative pledge, letter of comfort from the SIAT Group, Brussels and credit guarantee from the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL).

IBTC PAIF loan : In November 2013, the Company received a 7% N1.066 billion loan under the CBN =N=500 billion Power and Aviation Intervention Fund (PAIF) facilitated by Stanbic IBTC Bank for the purpose of financing the purchase of a 2.5MW steam turbine with a view to expanding the Company's power generating capacity. The loan has a tenor of 7 years inclusive of 12 months moratorium. Using imputed market interest rates of 14% for an equivalent loan of 7%, the fair value of the loan is estimated at N859million. The difference of N207million between the gross proceeds and the fair value of the loan is the benefit derived from the below-market interest rate loan and has been recognised as government grant (see note 26.1). The government grant is recognized over the loan tenure.

Fidelity/BOI Bank loan : In October 2016, the Company received a 10% N1.230 billion loan under the BOI Fund facilitated by Fidelity Bank for the purpose of financing the procurement of items of plant and machinery towards the expansion of oil palm processing plant in Obaretin, Edo State. The loan has a tenor of six and half years inclusive of 18 months moratorium. Using imputed market interest rates of 14% for an equivalent loan of 10%, the fair value of the loan is estimated at N1.112billion. The difference of N116million between the gross proceeds and the fair value of the loan is the benefit derived from the below-market interest rate loan and has been recognised as government grant (see note 26.1). The government grant is recognized over the loan tenure.

STANBIC IBTC Bank Loan: This is a N1.195 billion loan granted to the Company in July 2017 by Stanbic IBTC Bank at an interest rate of 26%. The loan which has a tenor of 7 years (inclusive of 18 months moratorium) was granted for the purpose of financing the expansion of the Company's agro-industrial investments.

**24.2 Breach of loan agreement**

There was no breach of loan agreement during the year 2017 (2016: nil).

**Notes to the financial statements**

	<b>2017 N'000</b>	<b>2016 N'000</b>
<b>25. Bank overdraft (note 21)</b>		
Stanbic IBTC Plc	763,361	455,950
First Bank of Nigeria Limited	382,310	128,917
Fidelity Bank Plc	930,409	206,690
United Bank of Africa Plc	448,065	-
Zenith Bank Plc	649,903	-
	<b><u>3,174,048</u></b>	<b><u>791,557</u></b>
<b>26. Deferred income</b>	<b>2017 N'000</b>	<b>2016 N'000</b>
Arising from customers' advance	19,324	90,682
Arising from government grant (Note 26.1)	217,849	325,402
	<b><u>237,173</u></b>	<b><u>416,084</u></b>
<b>26.1 Government grant</b>		
Opening balance	325,402	318,592
Additions	-	116,481
Recognized in profit or loss (Financial income)	(107,553)	(109,671)
	<b><u>217,849</u></b>	<b><u>325,402</u></b>
<b>Included in the statement of financial position as:</b>		
Current	110,565	198,235
Non-current	126,608	217,849
	<b><u>237,173</u></b>	<b><u>416,084</u></b>

1. The deferred income from customers' advance arises as a result of the trade debtors credit balances.
2. The government grant arises as a result of the benefit received from below-market-interest rate government assisted loans (see note 24) granted to date. The credit is recognized in the profit or loss account over the tenor the loan.

**27. Obligations under finance leases****27.1 Leasing arrangements**

The Company leased certain of its landed properties under finance leases. The average lease terms range from 25 years to 99 years (2016: 25 years to 99 years). The Company has options to purchase the land for a nominal amount at the end of the lease terms. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.40% to 2.42% (2016: 2.40% to 2.42%) per annum.

**Notes to the financial statements****27.2 Finance lease liabilities**

	Minimum lease payments		Present value of minimum lease payments	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Not later than one year	41,614	41,614	29,614	28,907
Later than one year and not later than five years	151,731	179,901	102,295	127,329
Later than five years	625,954	639,398	359,779	364,339
	<b>819,299</b>	<b>860,913</b>	<b>491,688</b>	<b>520,575</b>
Less: future finance charges	(327,631)	(340,339)	-	-
Present value of minimum lease payments	<b>491,668</b>	<b>520,575</b>	<b>491,688</b>	<b>520,575</b>

**Included in the statement of financial position as:**

	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>
Current	29,614	28,907
Non-current	462,074	491,668
	<b>491,688</b>	<b>520,575</b>

**28. Current Tax Liabilities**

	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>
At 1 January	1,792,041	905,058
Charge for the year	1,486,521	1,801,017
	<b>3,278,562</b>	<b>2,706,075</b>
Payment during the year	(2,418,399)	(914,034)
	<b>860,163</b>	<b>1,792,041</b>

**29. Deferred taxes**

	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>
Balance as at 1 January	(20,340,405)	(12,638,125)
Credit/(charge) for the year	15,938,554	(7,702,280)
	<b>(4,401,851)</b>	<b>(20,340,405)</b>

**Notes to the financial statements**

**29. Deferred taxes (cont'd)**

	Opening balance	Movements recognized in the year by the company	Recognised directly in equity	Closing balance
	N'000	N'000	N'000	N'000
<b><u>12/31/2017</u></b>				
<b>Deferred tax (liabilities)/assets in relation to:</b>				
Property, plant and equipment @ 30%	-	-	-	-
	(20,581,078)	15,978,402	-	(4,602,676)
Property, plant and equipment @ 10%	-	-	-	-
Loss	-	-	-	-
Provisions	94,033	28,892	-	122,925
Exchange difference	146,640	(68,740)	-	77,900
	<b><u>(20,340,405)</u></b>	<b><u>15,938,554</u></b>	<b><u>-</u></b>	<b><u>(4,401,851)</u></b>
<b><u>12/31/2016</u></b>				
<b>Deferred tax (liabilities)/assets in relation to:</b>				
Property, plant and equipment @ 30%	(12,708,230)	(7,872,848)	-	(20,581,078)
Property, plant and equipment @ 10%	-	-	-	-
Loss	-	-	-	-
Provisions	81,444	12,589	-	94,033
Exchange difference	(11,339)	157,979	-	146,640
	<b><u>(12,638,125)</u></b>	<b><u>(7,702,280)</u></b>	<b><u>-</u></b>	<b><u>(20,340,405)</u></b>

The following is the analysis of deferred tax assets/(liabilities) presented in the statement of financial position.

	<b>2017 N'000</b>	<b>2016 N'000</b>
Deferred tax assets	(112,288)	94,034
Deferred tax liabilities	<u>(4,289,563)</u>	<u>(20,434,439)</u>
Net Deferred tax liabilities	<b><u>(4,401,851)</u></b>	<b><u>(20,340,405)</u></b>

The following are the major deferred tax liabilities recognised by the Company and movements thereon during the current and prior reporting period.

	<b>2017 N'000</b>	<b>2016 N'000</b>
At 1 January	(20,340,405)	(12,638,125)
Credit/(charge) to profit or loss	15,920,363	(7,702,280)
Charge to other comprehensive income	18,191	-
	<b><u>(4,401,851)</u></b>	<b><u>(20,340,405)</u></b>

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

There are no unrecognised deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised.

**30. Trade and Other Payables**

	<b>2017 N'000</b>	<b>2016 N'000</b>
Trade payables	381,978	455,807
Accruals	374,753	135,134
Sundry creditors	820,209	522,988
Intercompany payables (Note 32.1)	<u>5,851,197</u>	<u>585,832</u>
	<b><u>7,428,137</u></b>	<b><u>1,699,761</u></b>

The average credit period on purchases is 30 days. No interest is charged on trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within a reasonable time of the credit time frame.

**PRESCO PLC.***Financial statements**For the year ended 31 December 2017***Notes to the financial statements**

	<b>2017</b>	<b>2016</b>
<b>31. Earnings per share from continuing operations</b>		
Net profit attributable to equity holders of the Company (N'000)	25,361,169	21,764,190
Effect of dilutive potential ordinary shares:	-	-
Earnings from continuing operations for the purpose of diluted earnings per share excluding discontinued operations	<b><u>25,361,169</u></b>	<b><u>21,764,190</u></b>

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

	<b>Number</b>	<b>Number</b>
Weighted average number of shares ('000)	1,000,000	1,000,000
Basic (Naira)	<u>2,536</u>	<u>2,176</u>
Diluted (Naira)	<u>2,536</u>	<u>2,176</u>

**32. Related party transactions**

Details of transactions and outstanding balances between the company and its related parties during the period are disclosed below:

**32.1 Trading transactions**

The company entered into transactions with its related parties during the year:

	<b>Sales of goods and services</b>		<b>Purchases of goods and services</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
SIAT Nigeria Limited	1,739,742	2,289,148	1,804,328	2,272,148
SIAT SA	412,166	322,656	2,429,441	663,661
SIAT Gabon	37,027	-	377,897	-
GOPDC (Ghana)	8,347	-	29,005	-
	<b>Due from related parties</b>		<b>Due to related parties</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
SIAT Nigeria Limited	2,076,554	-	3,551,878	363,119
SIAT SA	789,457	-	2,299,319	222,713
SIAT Gabon	7,495	5,789	-	-
GOPDC (Ghana)	-	264	-	-
	<b><u>2,873,506</u></b>	<b><u>6,053</u></b>	<b><u>5,851,197</u></b>	<b><u>585,832</u></b>

Sales and purchases of goods and services were done at prevailing market prices. The outstanding balances are unsecured and will be settled in cash. No guarantee has been given or received. No expense has been recognised in the current or prior year for bad debts in respect of amounts owed by related parties.

**Notes to the financial statements**

	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>
<b>32.2 Loans to related parties</b>		
Loans to key management personnel	-	-
Others	-	-

The Company did not provided loans to any of its key management personnel during the year.

	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>
<b>32.3 Loans from related parties</b>		
NV SIAT sa, Belgium	-	-

The Company has not been provided loans by related parties during the year.

**32.4 Details of related companies****a SA SIAT NV, Belgium**

Presco Plc is a subsidiary of sa SIAT NV, Belgium, with 60% holding. The company had significant transactions of N2.429 billion during the year. There was a closing balance of N1.061 billion in favour of SA SIAT NV during the year. The seconded staff included in note 12 relates to salaries of staff seconded from NV SIAT sa to the company.

**b Ghana oil Palm Development Company Limited**

Ghana oil Palm Development Company Limited is a related company to Presco Plc . During the year , the company had no significant transactions. NV SIAT sa, Belgium (the parent company of Presco) is also the parent company of Ghana oil Palm Development company limited.

**c SIAT Gabon**

SIAT Gabon is a related company of Presco Plc. There was no material transactions between the two companies during the year. NV SIAT sa, Belgium (the parent company of Presco) is also the parent company SIAT Garbo

**d Compagnie Heveicole de Cavally, Ivory Coast**

Compagnie Heveicole de Cavally, Ivory Coast is a related company to Presco Plc. There was no transactions between the companies during the year. NV SIAT sa, Belgium (the parent company of Presco) is also the parent company Compagnie Heveicole de Cavally.

**e Siat Nigeria Limited**

Siat Nigeria Limited is a related company of Presco Plc. The company had significant transactions of N1.8 billion. There was a closing balance of N3.55 billion in favour of Siat Niger Ltd during the year. NV SIAT sa, Belgium (the parent company of Presco) is also the parent company of SIAT Nigeria Limited.

**32.5 Compensation of key management personnel**

The remuneration of key management personnel was as follows:

	<b>2017</b>	<b>2016</b>
	<b>N'000</b>	<b>N'000</b>
Short-term benefits	36,427	22,912
Post-employment benefits	1,495	228
Other long term benefits	5,021	4,958
	<b>42,944</b>	<b>28,098</b>

The remuneration of key management personnel is determined by remuneration committee having regard to the performance of individuals and market trends.



**Notes to the financial statements**

<b>33. Directors</b>	<b>2017 N'000</b>	<b>2016 N'000</b>
Directors' remuneration and fees	35,506	25,172
Others	6,400	8,591
	<b>41,906</b>	<b>33,763</b>

Fees and other emoluments disclosed above include amount paid to:

Chairman	1,100	1,100
Other director	40,806	32,663
	<b>41,906</b>	<b>33,763</b>

The number of directors excluding the Chairman whose emoluments were within the following ranges:

<b>N</b>	<b>N</b>	<b>Number</b>	<b>Number</b>
600,000	- 610,000	-	-
611,000	- 700,000	-	-
1,320,000	- 1,330,000	9	9
1,450,000	- 1,460,000	1	1
1,500,000	- Above	-	-
		<b>10</b>	<b>10</b>

Highest paid director received

-	-
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<b>34. Employees</b>	<b>Number</b>	<b>Number</b>
Average number of persons employed during the year :		
Management staff	26	29
Senior staff	110	93
Junior staff	347	322
	<b>483</b>	<b>444</b>

Staff costs relating to the above employees were:

	<b>2017 N'000</b>	<b>2016 N'000</b>
Salaries, wages and other benefits	948,010	790,509
Pension	45,283	10,357
Gratuity	34,256	19,324
Long service awards	2,779	4,774
	<b>1,030,329</b>	<b>824,964</b>

**Notes to the financial statements****34. Employees (cont'd)**

The table below shows the salary band and the number of the employees of the company, other than employees who discharged their duties wholly or mainly outside Nigeria during the year.

		<b>2017</b>	<b>2016</b>
	<b>N</b>	<b>Number</b>	<b>Number</b>
70,001	- 400,000	-	-
400,001	- 500,000	7	241
500,001	- 600,000	322	81
600,001	- 700,000	12	-
700,001	- 800,000	-	53
800,001	- 900,000	52	-
900,001	- 1,000,000	-	-
1,000,001	- 1,100,000	23	26
1,100,001	- 1,200,000	15	-
1,200,001	- 1,300,000	-	14
1,300,001	- 1,400,000	20	-
1,400,001	- 1,500,000	1	-
1,500,001	- 1,600,000	-	-
1,600,001	- 1,700,000	-	-
1,700,001	- 1,800,000	-	-
1,800,001	- 1,900,000	-	-
1,900,001	- 2,000,000	-	-
2,000,001	- 3,000,000	19	25
3,000,001	- 4,000,000	12	4
4,000,001	- 5,000,000	1	-
		<b>483</b>	<b>444</b>

**35. Contingent Liabilities**

The company is the defendant in various law suits arising from normal course of business. There were contingent liabilities as at 31 December 2017 in respect of pending litigations estimated at N1.706 billion (2016: estimated N2.498 billion). The Directors are of the opinion that it is most likely that these will not result to any significant liability on the Company.

**36. Capital Commitments**

Capital expenditure authorized by the Board, but not provided for in the accounts was Nil (2016: Nil).

**Events after the reporting period**

There were no events after the reporting period could have had a material effect on the financial statements of the Company that have not been provided for or disclosed in the financial statements.

**37. Approval of Financial Statements**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 21 March, 2018.

A waiver has been obtained from the Financial Reporting Council for Messers William Kenneth Crockett (the Chief Financial Officer) and Pierre Vandebecck (the Chairman) who have not registered with the council as at the date of the issuance of these Financial statements.

**PRESCO PLC.***Financial statements**For the year ended 31 December 2017***Other national disclosures****Statement of value added****(As required by Companies and Allied Matters Act CAP C20 LFN 2004)**

	<b>Dec-17</b>	<b>%</b>	<b>Dec-16</b>	<b>%</b>
	<b>N'000</b>		<b>N'000</b>	
Turnover	22,365,372		15,716,198	
Other income	3,002,662		24,997,776	
	<u>25,368,034</u>		<u>40,713,974</u>	
Bought in materials and services:				
- Imported	(2,683,943)		(4,143,002)	
- Local	(8,674,862)		(1,235,719)	
	<u>(11,358,805)</u>		<u>(5,378,721)</u>	
<b>VALUE ADDED</b>	<b><u>14,009,229</u></b>	<b><u>100</u></b>	<b><u>34,039,910</u></b>	<b><u>100</u></b>
<b>APPLIED AS FOLLOWS:</b>				
<b>To pay employees:</b>				
Salaries, wages and other benefits	1,030,329	7	824,964	2
<b>To pay Government:</b>				
Income and education taxes	1,486,521	11	1,801,017	5
<b>To pay providers of capital:</b>				
Interest expense	973,479	7	684,655	2
<b>To provide for replacement of assets, payment for services and future expansion:</b>				
- Depreciation of fixed assets	1,096,238	8	1,246,068	4
- Amortisation of intangible assets	47	-	16,737	-
- Deferred tax	(15,938,554)	(114)	7,702,280	23
- Profit and loss account	25,361,169	181	21,764,189	64
	<u>14,009,229</u>	<u>100</u>	<u>34,039,910</u>	<u>100</u>

Value added represents the additional wealth which the Company have been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth among employees, government, providers of capital and that retained for the future creation of more wealth.

**PRESCO PLC.***Financial statements**For the year ended 31 December 2017***Other national disclosures****Five year financial summary****(As required by Companies and Allied Matters Act CAP C20 LFN 2004)****STATEMENT OF FINANCIAL POSITION**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
			<b>(restated)</b>	<b>(restated)</b>	<b>(not restated)</b>
<b>ASSETS/(LIABILITIES)</b>					
Intangible assets	370,234	192,566	183,581	147,933	303,296
Biological assets	49,274,503	44,920,219	29,291,216	28,297,091	26,944,026
Property, plant and equipment	28,122,101	22,444,657	19,990,011	16,993,295	10,686,754
Other non-current assets	-	110	110	110	110
Net Current assets	7,582,758	9,996,734	(412,982)	(139,147)	876,162
Non-current liabilities	(9,369,424)	(25,435,283)	(17,697,123)	(15,453,788)	(14,847,814)

<b>Total</b>	<b>75,980,172</b>	<b>52,119,003</b>	<b>31,354,813</b>	<b>29,845,494</b>	<b>23,962,534</b>
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**CAPITAL EMPLOYED**

Equity	500,000	500,000	500,000	500,000	500,000
Share premium	1,173,528	1,173,528	1173528	1,173,528	1,173,528
Revenue Reserves	74,261,641	50,358,027	29,622,561	28,128,966	22,248,384
Other Reserves	45,003	87,448	58,724	43,000	40,622

<b>Shareholders' funds</b>	<b>75,980,172</b>	<b>52,119,003</b>	<b>31,354,813</b>	<b>29,845,494</b>	<b>23,962,534</b>
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**STATEMENT OF COMPREHENSIVE INCOME**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
			<b>(restated)</b>	<b>(not restated)</b>	<b>(not restated)</b>
<b>Revenue</b>	<b>22,365,372</b>	<b>15,716,198</b>	<b>9,137,704</b>	<b>8,485,143</b>	<b>11,251,521</b>
Profit before taxation	10,951,581	31,226,453	4,214,741	7,900,779	2,333,970
Other comprehensive profit	(60,636)	41,034	22,463	3,397	-
Taxation	14,452,033	(9,503,297)	(1,727,885)	(1,526,220)	(996,768)

<b>Profit after taxation</b>	<b>25,342,978</b>	<b>21,764,190</b>	<b>2,509,319</b>	<b>6,377,956</b>	<b>1,337,202</b>
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<b>Declared Dividend</b>	<b>2,000,000</b>	<b>1,500,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>100,000</b>
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**Per Share data (Kobo)**

Basic and diluted earnings per share	2,534	2,176	251	638	134
Net assets per share	152	79	30	29	24

**Note**

Earnings per share are based on profit after tax and the number of issued and fully paid ordinary shares and the end of each financial year.

Net assets per share is based on net assets and the number of issued and fully paid ordinary shares at the end of each financial year.

This report is not prepared under IFRS. Instead it has been prepared in compliance with the Nigerian Companies and Allied Matters Act of Nigeria, CAP C20 LFN 2004.