

Presco Plc

Corporate Governance Charter

Presco Plc follows the Corporate Governance Guidelines for the Siat Group of Companies, of which it is a member. The guidelines clearly show the rules and behaviours according to which the Company is to be managed and controlled and define the relationships between the Company's Management, Board, Shareholders and other stakeholders. The full guidelines can be found on the Company's website.

Governance structure

The Company is headed by a collegial board. The Board consists of the Chairman, who has no executive responsibilities, eight non-executive Directors and one executive Director, who is the Managing Director. The primary responsibility of the Board is to ensure that Presco's business strategy is appropriate and implemented effectively.

The Chairman's primary responsibility is to ensure effective operation of the Board. As far as possible the Chairman must maintain a distance from the day-to-day operations of the Company, which are the primary responsibility of the Managing Director and the management team.

Under the leadership of the Managing Director, Executive Management is responsible to the Board for the implementation of the strategy and policies approved by the Board, making and implementing operational decisions and running the Company. Non-executive Directors, using their knowledge and experience, challenge, monitor and approve the strategy and policies recommended by Executive Management.

Terms of reference of the Board of Directors

Membership. There will be not less than two and no more than ten Directors of the Company.

Frequency of meetings. While there is no set frequency of meetings, the Board normally meets four times a year. Urgent matters may require special meetings of the Board.

The Board of Directors will be responsible for the affairs of the Company in a lawful and efficient manner in such a way as to ensure that the Company is constantly improving its value creation.

The Board's functions will include but not be limited to the following:

- Strategic planning.
- Ensuring the integrity of financial and operational controls and reports.
- Ensuring that ethical standards are maintained and that the Company complies with the Laws of Nigeria.
- Communication with Shareholders.

Terms of reference of the Audit Committee

The Audit Committee's terms of reference are in line with section 359 (6) a-f of the Companies and Allied Matters Act, 1990.

The Audit Committee will consist of an equal number of Directors and Shareholder representatives subject to a maximum of six, one of whom will be elected chairman. Members of the Audit Committee will be subject to re-election annually.

The objectives and functions of the Audit Committee are to:

- Examine the external auditor's report and make recommendations thereon to the annual general meeting as it may think fit.
- Review the external auditor's findings on management matters and departmental responses thereon.
- Ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.
- Review the scope and planning of audit requirements.
- Keep under review the effectiveness of the Company's system of accounting and internal control.
- Make recommendations to the Board in regard to the appointment, removal and remuneration of the external auditors of the Company.
- Authorise the internal auditor to carry out investigations into any activities of the Company which may be of interest or concern to the committee.
- Review the internal audit process
- Ensure that an appropriate relationship exists between the Company and its auditors.

Internal audit

The Company has an internal audit function that reports to the Board through the Audit Committee. However, on a day-to-day basis the Internal Audit Manager reports to the Managing Director.

Group internal audit

Siat nv, as controlling shareholder of Presco, exercises periodic controls in the following areas of operations:

- Environmental
- Technical/industrial
- Agricultural
- Internal audit: procedures, control systems, purchase, financial and books of accounts

Terms of reference of Executive Management

The Company has an established system of Executive Management hierarchy that is designed to delegate the day-to-day responsibility for specific departmental functions and compliance controls to functional heads of department. Each Head of Department reports through the Director of Operations to the Managing Director.

Within the authorities delegated by the Board, Executive Management's duties and responsibilities will include but not be limited to the following:

- Develop Company strategy for Board approval.
- Develop the annual budget and business plan for Board approval.
- Execute the Company's operational and investment plans as contained in the annual budget, with due regard for health, safety and environmental matters.
- Oversee the operational and financial performance of the Company.
- Report to the Board on operational and financial matters, including variances from budget.

- Review the adequacy of management reporting.
- Review the effectiveness of internal controls.
- Oversee staff recruitment and selection, succession planning and development.
- Assess the performance of staff against agreed criteria.
- Prepare for Board approval the staff remuneration structure.
- Guide the Company in its relations with Shareholders and other key stakeholders.

Executive Management reports to the Board regularly by way of management reports and accounts and is required to seek authority from the Board in respect of any transaction that is above the limits set in respect of any matter that is likely to have a material impact on the operations of the Company.

Policy concerning transactions and other contractual relationships between the Company, including its related companies, and Board members and Executive Management.

All Directors and employees are expected to avoid direct or indirect conflicts of interest.

For Directors the voting restrictions where an interest is declared are covered in the Articles of Association of the Company. Transactions between the Company and Directors, where they arise, should take place at arm's length.

The Company carries out transactions with its related companies (members of the Siat Group of Companies) on an arm's length basis. The terms and conditions of transactions are covered as part of an agreement between Siat and Presco. These transactions are for the purchase and supply of services and materials, including the services of consultants.

Measures taken by the Company in order to comply with legislation on market abuse

The use of inside or unpublished information about the Company in buying or selling of Presco Plc shares is strictly forbidden. In order to comply with legislation on insider dealing and market manipulation (market abuse) Directors and Executive Management are expected to declare transactions on their own account in the shares or other financial instruments of the Company. Where significant, such transactions will be disclosed to the market.

General remuneration policy

The remuneration for the **Chairman** is designed both to recognise the responsibilities and skills of the Chairman in contributing to the future growth of the Company. The Chairman is paid a basic annual fee. The fee is neither performance related nor pensionable. The fee is determined according to the Companies and Allied Matters Act, 1990. There is a section in the Company's annual report covering Directors' remuneration, which includes details of the Chairman's annual fee.

The remuneration for the **non-executive Directors** is designed both to recognise the responsibilities and skills of non-executive Directors and to attract individuals with the necessary skills and experience to contribute to the future growth of the Company. The non-executive Directors are paid a basic annual fee. Their fees are neither performance related nor pensionable. Their fees are determined according to the Companies and Allied Matters Act, 1990. There is a section in the Company's annual report covering Directors' remuneration.

The Company's remuneration policy for its **employees** is designed to ensure the recruitment, retention and motivation of Executive Management, management staff, senior staff and junior staff by providing fair reward for the responsibilities they undertake and the performance they achieve on behalf of Shareholders.

- All employees are paid a salary and allowances according to their grade.
- Overtime is paid where allowed under the terms and conditions of the Company for that grade of staff.
- There is a performance related bonus scheme for all staff. The total available amount of that bonus is dependent on the grade of the employee. As an example, management staff are entitled to up to 12.5% of basic salary per year.
- There is a long service award scheme in place to reward loyalty.
- There is a gratuity scheme in place for departing employees. Departing employees are paid according to the number of years they have worked above a threshold of five years. The Company provides for this benefit in the balance sheet.
- In line with the requirements of the Pensions Act of 2004, the Company makes a contribution to a pension scheme managed by an independent pension fund administrator (PFA) and provides life cover for all staff.
- There are no share based incentives for employees.

There is a section in the Company's annual report covering employees' remuneration.

Shareholding and control structure of the Company at 31 December 2005

sa Siat nv	60.0%
IBTC Ventures Ltd	7.9%
Fidelity Finance Ltd	5.0%
Laramie Investment Ltd	5.0%
Nigerian Public	22.1%

The majority Shareholder, Siat nv, has a management agreement with the Company.

There are no cross-shareholdings.

There are no Shareholders' agreements.

31 December 2005