

**THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ CAREFULLY. IF YOU ARE IN ANY DOUBT AS TO ITS CONTENTS OR THE ACTION TO BE TAKEN, PLEASE CONSULT YOUR BANKER, STOCKBROKER, ACCOUNTANT, SOLICITOR OR ANY OTHER PROFESSIONAL ADVISER FOR GUIDANCE IMMEDIATELY. THIS SHELF PROSPECTUS HAS BEEN REVIEWED AND APPROVED BY THE MEMBERS OF THE BOARD OF DIRECTORS OF PRESCO PLC AND THEY JOINTLY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF ALL INFORMATION GIVEN AND CONFIRM THAT, AFTER HAVING MADE INQUIRIES WHICH ARE REASONABLE IN THE CIRCUMSTANCES AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN INACCURATE OR MISLEADING.**

**INVESTING IN THIS OFFER INVOLVES RISKS. FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 35 HEREOF.**



**PRESCO PLC**  
RC 174370

## **₦50,000,000,000 BOND ISSUANCE PROGRAMME SHELF PROSPECTUS**

UNDER THIS ₦50,000,000,000 BOND ISSUANCE PROGRAMME (THE "PROGRAMME"), PRESCO PLC (THE "COMPANY" OR THE "ISSUER") MAY FROM TIME TO TIME ISSUE BONDS OR ANY OTHER TYPE OF DEBT SECURITIES, IN SEPARATE SERIES OR TRanches (AS DEFINED HEREIN), IN AMOUNTS, AT PRICES, AND ON TERMS TO BE SET OUT IN ANY ACCOMPANYING PRICING SUPPLEMENT (AS DEFINED HEREIN). THE MAXIMUM AGGREGATE NOMINAL AMOUNT OF ALL BONDS (AS DEFINED BELOW) OR ANY OTHER TYPE OF DEBT SECURITIES ISSUED FROM TIME TO TIME AND OUTSTANDING UNDER THIS PROGRAMME SHALL NOT EXCEED ₦50,000,000,000 OVER THE THREE (3) YEAR PERIOD (OR SUCH EXTENDED PERIOD THAT THE SECURITIES AND EXCHANGE COMMISSION ("SEC" OR THE "COMMISSION") MAY APPROVE) THAT THIS SHELF PROSPECTUS, INCLUDING ANY AMENDMENTS THERETO, REMAINS VALID. THIS SHELF PROSPECTUS IS TO BE READ AND CONSTRUED IN CONJUNCTION WITH ANY SUPPLEMENT HERETO AND ALL DOCUMENTS WHICH ARE INCORPORATED HEREIN BY REFERENCE AND, IN RELATION TO ANY SERIES OR TRANCHE OF THE PROGRAMME, TOGETHER WITH THE RELEVANT PRICING SUPPLEMENT.

THIS SHELF PROSPECTUS AND THE SECURITIES THAT IT OFFERS HAVE BEEN APPROVED AND REGISTERED BY THE COMMISSION. IT IS A CIVIL WRONG AND CRIMINAL OFFENCE UNDER THE INVESTMENTS & SECURITIES ACT NO. 29 OF 2007 AS AMENDED ("ISA" OR THE "ACT") TO ISSUE A PROSPECTUS WHICH CONTAINS FALSE OR MISLEADING INFORMATION. THE CLEARANCE AND REGISTRATION OF THIS SHELF PROSPECTUS AND THE SECURITIES WHICH IT OFFERS DOES NOT RELIEVE THE PARTIES FROM ANY LIABILITY ARISING UNDER THE ACT FOR FALSE AND MISLEADING STATEMENTS CONTAINED HEREIN OR FOR ANY OMISSION OF A MATERIAL FACT. INVESTORS ARE ADVISED TO NOTE THAT LIABILITY FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS SHELF PROSPECTUS IS PROVIDED IN SECTIONS 85 AND 86 OF THE ACT.

THIS SHELF PROSPECTUS HAS BEEN ISSUED IN COMPLIANCE WITH PART IX OF THE ACT, PART F RULE 279 OF THE 2013 RULES AND REGULATIONS OF THE COMMISSION AND THE LISTING REQUIREMENTS OF THE FMDQ SECURITIES EXCHANGE LIMITED ("FMDQ" OR "THE FMDQ EXCHANGE") AND THE LISTING REQUIREMENTS OF THE NIGERIAN EXCHANGE LIMITED ("NGX" OR "THE EXCHANGE") AND CONTAINS PARTICULARS WHICH ARE COMPLIANT WITH THE REQUIREMENTS OF THE COMMISSION FOR THE PURPOSE OF GIVING INFORMATION WITH REGARD TO THE PROGRAMME.

THE REGISTRATION OF THE SHELF PROSPECTUS AND ANY PRICING SUPPLEMENT THEREAFTER DOES NOT IN ANY WAY WHATSOEVER SUGGEST THAT THE COMMISSION ENDORSES OR RECOMMENDS THE SECURITIES IT OFFERS OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED THEREIN. NO SECURITIES WILL BE ALLOTTED OR ISSUED ON THE BASIS OF THIS SHELF PROSPECTUS READ TOGETHER WITH SUPPLEMENTARY SHELF PROSPECTUS OR PRICING SUPPLEMENT LATER THAN THREE (3) YEARS FROM THE DATE OF THIS SHELF PROSPECTUS UNLESS THE VALIDITY PERIOD (AS SUBSEQUENTLY DEFINED) IS RENEWED OR EXTENDED BY THE COMMISSION.

THE ISSUER ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS SHELF PROSPECTUS. TO THE BEST OF ITS KNOWLEDGE AND BELIEF (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

INVESTORS MAY CONFIRM THE CLEARANCE OF THIS SHELF PROSPECTUS AND REGISTRATION OF ANY SECURITIES ISSUED UNDER THE PROGRAMME BY CONTACTING THE COMMISSION BY EMAIL ON SEC@SEC.GOV.NG OR BY PHONE ON +234 (0)9 462 1100 OR +234 (0)9 462 1168.

### **Lead Issuing House/Bookrunner**



**STANBIC IBTC CAPITAL LIMITED**  
RC 1031358

### **Joint Issuing House/Bookrunner**



**CARDINALSTONE PARTNERS LIMITED**  
RC 739441



**QUANTUM ZENITH CAPITAL AND INVESTMENTS LIMITED**  
RC 639491

**This Shelf Prospectus is dated 05 April 2022**

**This Shelf Prospectus will be available on the following websites throughout the Validity Period**

[www.presco-plc.com](http://www.presco-plc.com); [www.sec.gov.ng](http://www.sec.gov.ng)

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## IMPORTANT NOTICES

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This Shelf Prospectus has been prepared on behalf of Presco PLC in connection with the Programme, pursuant to which the Issuer proposes to issue Bonds in such Series or Tranches, with varying maturity date, terms and conditions, and is issued for the purpose of giving information to prospective investors in respect of the Bonds described herein. The Commission has cleared and registered this Shelf Prospectus and will register the Bonds as they are issued under each Series.

The Board of Directors of the Issuer accepts full responsibility for the accuracy of all information contained in this Shelf Prospectus. The Board of Directors confirms (having taken all reasonable care to ensure that is the case) that the information contained in this Shelf Prospectus is correct and does not omit anything likely to affect the import of such information and is in accordance with facts and the relevant SEC Rules.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Shelf Prospectus or any other information supplied in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Professional Parties.

Neither this Shelf Prospectus nor any other information supplied in connection with the Bonds: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Issuer, any of the Professional Parties that any recipient of this Shelf Prospectus or any other information supplied in connection with the Bonds should purchase the Bonds.

The receipt of this Shelf Prospectus or any information contained in it or supplied with it or subsequently communicated to any person does not constitute investment advice from any of the Professional Parties to any prospective investor. Each prospective investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Neither this Shelf Prospectus nor any other information supplied in connection with the Bonds constitutes an offer or invitation by or on behalf of the Issuer, any of the Professional Parties to any person to subscribe for or to purchase the Bonds.

Neither the delivery of this Shelf Prospectus nor the offering, sale or delivery of the Bonds shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme continues to remain correct as of any time subsequent to the date indicated in the document containing the same.

The Professional Parties expressly do not undertake to review the financial condition or affairs of the Issuer throughout the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention. The Professional Parties have not separately verified the information contained in this Shelf Prospectus and accordingly no representation, warranty or undertaking, express or implied, is made and to the fullest extent permitted by law, no responsibility or liability is accepted whether in contract or otherwise by the Professional Parties as to the accuracy or completeness of the information contained in this Shelf Prospectus or any other information supplied in connection with the Bonds or their distribution. Each person receiving this Shelf Prospectus acknowledges that such person has not relied on Professional Parties or any person affiliated with any of them in connection with its investigation of the accuracy of this Shelf Prospectus or such information or its investment decision.

The distribution of this Shelf Prospectus and the offer or sale of Bonds may be restricted by law in certain jurisdictions. Persons into whose possession this Shelf Prospectus or any Bonds come must inform themselves about and observe any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Bonds in the United States of America, the United Kingdom, the European Economic Area, Canada, Japan, Australia, the Republic of South Africa and certain other jurisdictions. None of the Issuer, the Issuing Houses or the other Professional Parties, represent that this Prospectus may be lawfully distributed, or that any Bonds may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Issuing Houses or the other Professional Parties, which would permit a public offering of any Bonds or distribution of this document in any jurisdiction where action for that purpose is required.

## IMPORTANT NOTICES

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The Issuer and the Issuing Houses do not represent that this Shelf Prospectus may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available there under, nor does it assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which would permit a public offering of any Bonds or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable law and regulations.

Certain figures included in this document have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be arithmetic aggregation of the figures, which precede them.

***The Bonds have not been and will not be registered under the United States Securities Act of 1933 (the Securities Act). The Bonds may not be offered, sold or delivered within the United States of America or to U.S. persons except in accordance with Regulations under the Securities Act.***

## KEY TERMS AND ABBREVIATIONS

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In this document, unless otherwise stated or clearly indicated by the context, the following words have the meanings stated opposite them.

<b>“AfCFTA”</b>	Africa Continental Free Trade Area
<b>“Allotment”</b>	The issue of Bonds to successful investors pursuant to the applicable Pricing Supplement
<b>“Allotment Date”</b>	The date on which bonds are allotted to successful investors
<b>“Applicable Pricing Supplement”, “Pricing Supplement” or “Supplement”</b>	The document(s) to be issued pursuant to the Shelf Prospectus which shall provide final terms and conditions of a specific Series issued under the Programme and read in conjunction with the Shelf Prospectus
<b>“Auditor”</b>	Deloitte and Touche, or any successor auditor which may be appointed in future from time to time by the Issuer
<b>“Board” or “Directors” or “Board of Directors”</b>	The members of the board of directors of the Issuer
<b>“Bonds”</b>	The registered bonds issued by the Issuer from time to time under the Programme with the aggregate value not exceeding ₦50,000,000,000, in accordance with the terms of this Shelf Prospectus and any Applicable Pricing Supplement
<b>“Bondholder” or “Holder”</b>	Any registered owner of the Bonds to be issued under any series and tranche under this Programme and shall include the legal and personal representatives or successors of the Bondholders
<b>“Bond Issuance Programme” or the “Programme”</b>	The ₦50,000,000,000 bond issuance programme being established by the Issuer as described in this Shelf Prospectus, pursuant to which the Issuer may issue Series or Tranches of Bonds from time to time, provided however that the aggregate value does not exceed ₦50,000,000,000
<b>“Book”</b>	The collation of all bids received from Qualified Institutional Investors and High Net Worth Investors in respect of Bonds issued under the Programme which are being sold by way of Book Building indicating the value of the bids and the respective allocations
<b>“Book Building”</b>	As defined in Rule 321 of SEC Rules, a process of price and demand discovery through which a Bookrunner seeks to determine the price at which securities should be issued, based on the demand from Qualified Institutional Investors and High Net Worth Investors
<b>“Bookrunner(s)”</b>	The Issuing House(s) duly appointed by the Issuer to manage the Book in respect of the Bonds being sold by way of Book Building
<b>“Business Day”</b>	Any day except Saturdays, Sundays and public holidays declared by the Federal Government of Nigeria on which banks are open for general banking business in Lagos, Nigeria
<b>“CAC”</b>	Corporate Affairs Commission
<b>“CAMA”</b>	Companies and Allied Matters Act No.3 of 2020 (as amended from time to time)
<b>“CBN”</b>	Central Bank of Nigeria
<b>“CGT Act”</b>	Capital Gains Tax Act, Chapter C1, LFN 2004 (as amended by the Finance Acts)
<b>“CIRAD”</b>	Centre for International Cooperation in Agricultural Research for Development

## KEY TERMS AND ABBREVIATIONS

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<b>“CIT”</b>	Companies Income Tax
<b>“CITA”</b>	Companies Income Tax Act Chapter, C21, LFN, 2004 (as amended by the Companies Income Tax (Amendment Act No. 11 of 2007) and the Finance Acts)
<b>“Conditions” or “Terms and Conditions”</b>	Terms and conditions in accordance with which the Bonds will be issued, set out in the section headed “Terms and Conditions of the Bonds” in this Prospectus and Trust Deeds
<b>“Coupon”</b>	The interest payable on any Bond (other than a Zero-Coupon Bond) periodically to Bondholders as specified in the Applicable Pricing Supplement
<b>“Coupon Commencement Date”</b>	In relation to the Bonds of any Series or Tranche, the date specified in the applicable Pricing Supplement from (and including) which such Bond starts to bear Coupon or, if no such date is specified therein, the Issue Date (other than in relation to Zero Coupon Bonds)
<b>“Coupon Payment Date”</b>	The date on which Coupon is to be paid to Bondholders as specified in the applicable Pricing Supplement
<b>“Coupon Period”</b>	Coupon Period as defined in the Programme Trust Deed
<b>“Coupon Rate”</b>	The rate or rates (expressed as a percentage per annum) of interest payable in respect of the Bonds specified in the applicable Pricing Supplement or calculated or determined in accordance with the provisions of the Applicable Pricing Supplement
<b>“Daily Official List”</b>	The publication of Nigerian Exchange Limited, published daily, detailing price movements and information on all securities quoted on the Exchange
<b>“Daily Quotations List”</b>	The publication of the FMDQ, published daily, providing information on all securities quoted on the FMDQ
<b>“Depository” or “CSD”</b>	Central Securities Clearing Systems, operated by Central Securities Clearing Systems PLC, FMDQ Depository Limited or any successor depository licensed by SEC which may be appointed in the future
<b>“Details of Indebtedness”</b>	As of 30 September 2021, total indebtedness of the Issuer was ₦25.2 billion.
<b>“ETLS”</b>	ECOWAS Trade Liberalisation Scheme
<b>“Event of Default”</b>	All such events of default as are defined under the Programme Trust Deed and particularly set out in the Series Trust Deed for the relevant Series
<b>“Extraordinary Resolution”</b>	A resolution that is passed by a majority consisting of not less than 3/4th (three-fourths) of the persons present and voting thereat upon a show of hands, or if a poll is demanded, by Bondholders holding not less than 3/4th (three-fourths) in value of the Bonds held by the Bondholders present or represented by proxies at the meeting
<b>“Face Value” or “Par Value”</b>	The value the Bondholder will get per Bond on the Maturity Date
<b>“Federal Government” or “FGN” or “Government”</b>	Federal Government of Nigeria
<b>“Finance Acts”</b>	Finance Act, 2019 and Finance Act 2020

## KEY TERMS AND ABBREVIATIONS

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<b>“FIRS”</b>	Federal Inland Revenue Service
<b>“Fixed Rate Bonds”</b>	Bonds in respect of which Coupon is to be calculated and paid on a fixed rate basis as prescribed in the applicable Pricing Supplement and will not change during the life of the Bonds
<b>“Floating Rate Bonds”</b>	Bonds in respect of which Coupon is to be calculated and paid in a floating rate basis in accordance with a variable benchmark rate as prescribed in the Applicable Pricing Supplement
<b>“FMDQ” or “FMDQ Exchange”</b>	FMDQ Securities Exchange Limited
<b>“FRCoN”</b>	Financial Reporting Council of Nigeria
<b>“GDP”</b>	Gross Domestic Product
<b>“High Net Worth Investor” or “HNI”</b>	As defined in Rule 321 of SEC Rules
<b>“IASB”</b>	The International Accounting Standards Board
<b>“IFRS”</b>	International Financial Reporting Standards (formerly International Accounting Standards) issued by IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time)
<b>“Instruments”</b>	Any registered Bond issued by the Issuer under the Bond Issuance Programme
<b>“ISA”</b>	Investments and Securities Act (No. 29 of 2007) (as amended)
<b>“Issue Date”</b>	The date on which a Bond is issued as specified in the applicable Pricing Supplement
<b>“Issue Price”</b>	The price at which a Bond is issued as specified in the Applicable Pricing Supplement
<b>“Issuer” or the “Company”</b>	Presco PLC
<b>“Issuing Houses”</b>	The Lead Issuing House and the Joint Issuing Houses
<b>“Joint Issuing Houses”</b>	CardinalStone Partners Limited and Quantum Zenith Capital and Investments Limited, and any other person that may be appointed as a Joint Issuing House
<b>“Lead Issuing House”</b>	Stanbic IBTC Capital Limited
<b>“LFN”</b>	Laws of the Federation of Nigeria
<b>“Majority Bondholders”</b>	Means at any time after the issue of the Bond, Bondholders representing sixty-seven percent (67%) or more of the Principal Amount Outstanding at any particular time
<b>“Material Adverse Change”</b>	Any event or circumstances which gives rise to a Material Adverse Effect
<b>“Material Adverse Effect”</b>	Means any event or circumstance which, based on the certified opinion of an Independent Expert, when taken alone or together with any previous event or circumstance, has or could be expected to have, an adverse effect on all or any of: a) the assets, business or financial condition of the Issuer; b) the ability of the Issuer to perform its obligations under the programme Trust Deed; or

## KEY TERMS AND ABBREVIATIONS

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	the rights of the Bondholders under the Programme Deed
<b>“Maturity Date”</b>	The final redemption date as specified in the relevant Pricing Supplement on which the Redemption Amount is due to be paid
<b>“Naira”, “NGN” or “₦”</b>	The Nigerian Naira
<b>“NBS”</b>	National Bureau of Statistics
<b>“Nigeria”</b>	The Federal Republic of Nigeria, and the term “Nigerian” shall be construed accordingly
<b>“NGX”</b>	Nigerian Exchange Limited
<b>“Offer Documents”</b>	Documents prepared in relation to the Programme and each Series including this Shelf Prospectus, each applicable Pricing Supplement, the Programme Trust Deed, Series Trust Deeds, Vending Agreement and any other documents as may be required by the Commission
<b>“PIT”</b>	Personal Income Tax
<b>“PITA”</b>	Personal Income Tax Act Chapter, P8, LFN 2004 (as amended by the Personal Income Tax (Amendment) Act No. 20 of 2011) and the Finance Acts, 2019 and 2020)
<b>“Principal Amount”</b>	The nominal amount of each Bond, as specified in the applicable Pricing Supplement
<b>“Principal Amount Outstanding”</b>	The principal amount outstanding and remaining unredeemed on the Bonds at any particular time
<b>“Professional Parties”</b>	Professionals engaged by the Issuer to advise on the establishment of the Bond Issuance Programme and the issuance of Bonds thereunder as listed out on Pages 16 to 17 of this Shelf Prospectus
<b>“Programme Trust Deed”</b>	The programme trust deed on or about the date of this Shelf Prospectus between the Issuer and the Trustees in connection with, and by which, the Bond Issuance Programme is constituted
<b>“Qualified Institutional Investor”</b>	As defined in the Rule 321 of SEC Rules
<b>“Rating Agency”</b>	Agusto & Co. Limited or any other rating agency that may be appointed by the Issuer
<b>“Record Date”</b>	The date on which the list of holders of the Bonds is extracted from the Register for the purposes of making Principal Amount and Coupon payments
<b>“Receiving Bank”</b>	Stanbic IBTC Bank PLC, Zenith Bank Plc and any other person that may be appointed to the role of receiving bank
<b>“Recognised Securities Exchange”</b>	NGX or FMDQ or any other securities exchange so licensed by SEC on which the Bonds will be listed
<b>“Redemption Amount”</b>	The aggregate Principal Amount and any applicable Coupon outstanding in respect of a Series on the Maturity Date as specified in the applicable Pricing Supplement
<b>“Register”</b>	The Bond register kept at the specified office of the Registrar into which shall be entered the names and addresses of each Bondholder and the particulars, transfers and redemption of the Bonds held by each Bondholder for the relevant Series

## KEY TERMS AND ABBREVIATIONS

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<b>“Registrar”</b>	First Registrar and Investor Services Limited or any other person so appointed by the Issuer
<b>“Related Party”</b>	Any corporate entity, which is the Issuer’s subsidiary or holding company or a subsidiary of the Issuer’s holding company
<b>“Reporting Accountants”</b>	KPMG Professional Services or any other person that may be appointed as Reporting Accountants by the Issuer
<b>“Reverse Floating Bonds”</b>	Bonds in respect of which interest is calculated to have an inverse relationship to the referenced benchmark rate
<b>“SEC Rules”</b>	The Rules and Regulations of SEC, 2013 (as amended from time to time), issued by the SEC pursuant to the ISA
<b>“SEC” or “The Commission”</b>	Securities and Exchange Commission
<b>“Series”</b>	Tranche together with any further Tranche or Tranches which are: <ul style="list-style-type: none"><li>- expressed to be consolidated and form a single series; and</li><li>- are identical in all respects (including as to listing) except for their respective Issue Dates, Maturity Dates, Coupon Payment Dates and/or Issue Prices (as applicable)</li></ul>
<b>“Series Trust Deed”</b>	A deed supplementing or modifying the provisions of the Programme Trust Deed entered into by the Issuer, and the Trustees with regards to a specific Series or Tranche
<b>“Shelf Prospectus” or “Prospectus”</b>	This prospectus that the Issuer has filed in accordance with SEC Rules, which contains details of the Bond Issuance Programme
<b>“Tranche”</b>	Bonds which are identical in all respects except for their respective Issue Dates, Bond Maturity Dates, Coupon Commencement Dates and/or Issue Prices (as applicable)
<b>“Trust Deeds”</b>	The Programme Trust Deed and the Series Trust Deed(s)
<b>“Trustee” or “Joint Trustees” or “Bond Trustees”</b>	Stanbic IBTC Trustees Limited which are granted fiduciary power by the Issuer to enforce the terms and conditions of the Bond Issuance Programme and such other Trustees that may be appointed from time to time by the Issuer
<b>“USD” or “\$”</b>	United States Dollars
<b>“Validity Period”</b>	A period expiring three years from the date of SEC approval of this Shelf Prospectus, during which, bonds may be issued under the Programme
<b>“VAT”</b>	Value Added Tax
<b>“VAT Act”</b>	The Value Added Tax Act (Chapter V1) LFN 2004 (as amended by the Value Added Tax (Amendment) Act No 12 of 2007 and the Finance Acts)
<b>“Zero-Coupon Bond”</b>	A non-interest-bearing Bond or similar securities

## FORWARD LOOKING STATEMENTS

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Certain statements included herein and in any Applicable Pricing Supplement may constitute forward-looking statements that involve a number of risks and uncertainties. Such forward-looking statements can be identified by the use of forward-looking terminology such as “estimates”, “believes”, “expects”, “may”, “are expected to”, “intends”, “will”, “will continue”, “should”, “would”, “seeks”, “approximately”, “anticipates”, or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. All statements other than statements of historical facts included in this Shelf Prospectus are forward-looking statements. They appear in a number of places throughout this Shelf Prospectus and include statements regarding the Issuer’s intentions, beliefs or current expectations concerning, amongst other things, the Issuer’s results of operations, financial condition, liquidity, prospects, growth, strategies and the markets in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Issuer’s actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Shelf Prospectus. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realized. In the event that the Issuer’s actual results of operations, financial condition, liquidity and the development of the industry in which the Issuer operates are consistent with the forward-looking statements contained in this Shelf Prospectus, it is not guaranteed that those results or developments would be indicative of results or developments in subsequent periods.

Factors that could cause actual results to differ materially from the Issuer’s expectations are contained in cautionary statements in this Shelf Prospectus and include, among other things, the following:

- Overall political, economic and business conditions in Nigeria;
- Changes in government regulations;
- Changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- Economic and political conditions in international markets, including governmental changes;
- The demand for the Issuer’s products and services;
- Interest rate fluctuations and other capital market conditions;
- Exchange rate fluctuations; and
- The timing, impact and other uncertainties of future actions.

The list above is not exhaustive. The sections of this Shelf Prospectus entitled “**Risk Factors**”, “**Overview of the Palm Industry**”, “**Overview of Presco PLC**”, “**Reporting Accountants’ Report**” and “**Statutory and General Information**” contain more detailed discussions of the factors that could affect the Issuer’s future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Shelf Prospectus may not occur.

Nevertheless, when evaluating forward-looking statements, prospective investors should carefully consider the foregoing factors and other uncertainties and events, as well as the other risks identified in this Shelf Prospectus.

The Issuer does not undertake any obligation to update or revise any forward-looking statements made in this Shelf Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributed to the Issuer, or to persons acting on the Issuer’s behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. A prospective investor of the securities should not place undue reliance on these forward-looking statements.

## **OTHER INFORMATION**

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This Shelf Prospectus should be read and construed in conjunction with the Issuer's audited annual reports for the financial years ended 2016, 2017, 2018, 2019 and 2020, comprising the audited annual financial statements of the Issuer and prepared in compliance with the IFRS (which include standards and interpretations approved by the FRCoN), together with its pronouncements thereon from time to time, and applied on a consistent basis.

### **THIRD PARTY INFORMATION**

The Issuer has obtained certain statistical and market information that is presented in this Shelf Prospectus on such topics as the Nigerian economic landscape and related subjects from certain government and other third-party sources described herein. The Issuer has accurately reproduced such information and, so far as the Issuer is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative.

Prospective investors should also note that some of the Issuer's estimates are based on such third-party information. Neither the Issuer, nor the Professional Parties have independently verified the figures, market data or other information on which these third parties have based their studies. Certain statistical information reported herein has been derived from official publications of, and information supplied by, a number of Government agencies and ministries, including the CBN, the Nigerian Debt Management Office, the International Monetary Fund (the "IMF") and the NBS.

### **ROUNDING**

Certain figures included in this Shelf Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures, which precede them.

## **ISSUE OF PRICING SUPPLEMENTS / SUPPLEMENTARY SHELF PROSPECTUSES**

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Following the registration of this Shelf Prospectus, a Supplementary Prospectus or Pricing Supplement (in relation to a Series or Tranche) may be prepared by the Issuer for the approval of SEC, as the case may be, in accordance with Rule 279(3)(6)(b) of SEC Rules.

Statements contained in any such supplement shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Shelf Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Shelf Prospectus.

The Issuer declares that, to the best of its knowledge and honest belief, no material facts have been omitted from, and there are no material misstatements in, this Shelf Prospectus, which would make any statement contained herein misleading or untrue. The Issuer will, in the event of any significant new factor or material mistake or inaccuracy relating to information included in this Shelf Prospectus that is capable of affecting the assessment of the Programme or the Bonds, prepare a Supplementary Prospectus or publish a new Shelf Prospectus for use in connection with any subsequent issue of Bonds.



**Presco**

15<sup>th</sup> October, 2021

**The Director General**

Securities & Exchange Commission  
SEC Tower  
Plot 272 Samuel Adesujo Ademulegun Street  
Central Business District  
Abuja

Dear Sir

**Registration of a ₦50 billion bond issuance programme by Presco Plc (the "Programme") and the subsequent issuance of bonds under the Programme**

This Shelf Prospectus has been prepared by the Issuing Houses on behalf of Presco Plc (the "Issuer") with a view to providing a description of the relevant aspects of the Issuer's business in connection with the establishment of the Programme.

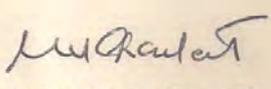
We hereby make the following declarations in respect of the Programme:

1. we confirm that the information contained in this Shelf Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import;
2. there has been no significant change in the financial condition, or material adverse change in the prospects of the Issuer since the date of the document;
3. the Issuer is not in breach of any terms and conditions in respect of borrowed monies, which would result in the occurrence of an event of default and an immediate recall of such borrowed monies during the 12 (twelve) months preceding the date of the Shelf Prospectus; and
4. no prosecution has been commenced against the Issuer during the 12 (twelve) calendar months immediately preceding in respect of any breach or contravention of any securities or banking laws or the Companies and Allied Matters Act 2020.

**SIGNED for and on behalf of Presco Plc**

By its duly Authorised Representatives:

  
**Nwabuko Felix Onwuchekwa**  
Chief Executive Officer

  
**Crockett William Kenneth**  
Chief Finance Officer

  
**Uwadia Patrick Kenneth**  
Company Secretary



**PRESCO PLC**

**HEAD OFFICE - OBARETIN ESTATE**

Km 22 Benin-sapele Road | P.o. Box 7061 | Benin City | Edo State | Nigeria  
T +234 803 413 4444 | E: presco@siat-group.com | Rc 174370 | www.presco-plc.com

Dirk Arthur G. Lambrecht, (Belgian) | Felix O. Nwabuko, Managing/CEO | Osa Osunde | Engr J.B Erhuero, OON | Amb. Nonye Udo  
Ingrid Gabrielle J. Vandewiele (Belgian) | Chief (Dr.) Bassey E. O. Edem, MFR | HRH (Prince) Aiguobasimwin O. Akenzua  
William Kenneth Crockett, (Irish) | Gerald Royle Ray, (South African).



**Presco**

10<sup>th</sup> November, 2021

The Chief Executive  
**Stanbic IBTC Capital Limited**  
I.B.T.C. Place  
Walter Carrington Crescent  
Victoria Island  
Lagos

Dear Sir,

**CONFIRMATION OF GOING CONCERN STATUS OF PRESKO PLC ("PRESKO")**

Presco PLC is in the process of establishing a ₦50 Billion Debt Issuance Programme with the Securities and Exchange Commission ("SEC").

Based on our review of the financial statements of Presco for the year ended 31 December 2020, we have a reasonable expectation that Presco has adequate resources to continue as a going concern in the foreseeable future.

This letter has been prepared only for the purposes of compliance with the rules and regulations of the SEC.

Yours faithfully,  
For and on behalf of **Presco Plc**

**Felix Nwabuko**  
Managing Director

**Kenneth Crockett**  
Chief Financial Officer

PRESKO PLC

HEAD OFFICE - OBARETIN ESTATE

Kin 22 Berlin-sapele Road | P.O. Box 7061 | Benin City | Edo State | Nigeria  
T +234 803 413 4444 | E: presco@slat-group.com | Rc 174370 | www.presco-plc.com

Dirk Arthur G. Lambrecht, (Belgian) | Felix O. Nwabuko, Managing/CEO | Osa Osunde | Engr J.B Erhuero, OON | Amb. Nonye Udo  
Ingrid Gabrielle J. Vandewiele (Belgian) | Chief (Dr.) Bassey E. O. Edem, MFR | HRH (Prince) Alguobasimwin O. Akenzua  
William Kenneth Crockett, (Irish) | Gerald Royle Ray, (South African).

**Deloitte.**

P.O. Box 965  
Marina  
Lagos  
Nigeria

Deloitte & Touche  
Civic Towers  
Plot GA 1, Ozumba Mbadiwe Avenue  
Victoria Island  
Lagos  
Nigeria

Tel: +234 (1) 904 1700  
www.deloitte.com.ng

13 December 2021

The Directors  
Presco Plc  
Obaretin Estate  
Km 22 Benin-sapele Road  
Benin City, Edo, Nigeria

The Directors  
Stanbic IBTC Capital Limited  
I.B.T.C. Place  
Walter Carrington Crescent  
Victoria Island  
Lagos

Dear Sirs,

**CONFIRMATION OF GOING CONCERN STATUS OF PRESCO PLC**

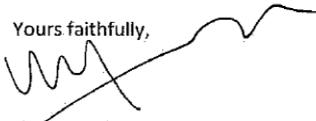
Presco Plc. is in the process of establishing a N50 billion bond issuance programme registered by the Securities and Exchange Commission ("SEC").

We have carried out the audit of the financial statements of Presco Plc. for the year ended 31 December 2020, which were prepared in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act 2020 and the Financial Reporting Council of Nigeria Act 2011.

We confirm that the audited financial statements of Presco Plc. for the year ended 31 December 2020 were on a going concern basis that Presco Plc would continue as a going concern in the next 12 (twelve) months from the date of our report (31 March 2021). Therefore, we considered it appropriate that the Directors of Presco Plc have prepared the financial statements for the year ended 31 December 2020 on a going concern basis.

This letter has been prepared only for the purposes of compliance with the rules and regulations of SEC regarding the issuance of the bond.

Yours faithfully,



**Eforunso Hunga**  
For: **Deloitte & Touche**  
Lagos, Nigeria.



The list of Partners and Partner equivalents is available in our office.

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

**Directors and Company Secretary of the Issuer**

Felix Nwabuko (Chief Executive)  
Obaretin Estate  
Km 22 Benin Sapele Road  
Benin City  
Edo State

Gerald Ray (Executive Director)  
Obaretin Estate  
Km 22 Benin Sapele Road  
Benin City  
Edo State

William Kenneth Crockett (Executive Director)  
Obaretin Estate  
Km 22 Benin Sapele Road  
Benin City  
Edo State

Dirk Lambrecht (Non-Executive Director)  
Obaretin Estate  
Km 22 Benin Sapele Road  
Benin City  
Edo State

Ingrid Vandewiele (Non-Executive Director)  
Obaretin Estate  
Km 22 Benin Sapele Road  
Benin City  
Edo State

James Erhuero (Non-Executive Director)  
Obaretin Estate  
Km 22 Benin Sapele Road  
Benin City  
Edo State

Aiguobasimwin Akenzua (Independent Director)  
Obaretin Estate  
Km 22 Benin Sapele Road  
Benin City  
Edo State

Bassey E.O Edem (Independent Director)  
Obaretin Estate  
Km 22 Benin Sapele Road  
Benin City  
Edo State

Nonye Udo (Independent Director)  
Obaretin Estate  
Km 22 Benin Sapele Road  
Benin City  
Edo State

Osa Osunde (Independent Director)  
Obaretin Estate  
Km 22 Benin Sapele Road  
Benin City  
Edo State

Patrick Uwadia (Company Secretary)  
Obaretin Estate  
Km 22 Benin Sapele Road  
Benin City  
Edo State

**Issuing Houses**

Stanbic IBTC Capital Limited  
I.B.T.C. Place  
Walter Carrington Crescent  
Victoria Island  
Lagos

*[Signature]*  
FUNSO AKERE

CardinalStone Partners Limited  
5 Okotie Eboh  
Off Awolowo Road  
Ikoyi  
Lagos

Quantum Zenith Capital and Investments Limited  
12th Floor Plot 2 Ajose Adeogun  
Victoria Island  
Lagos

**Solicitor to the Transaction**

Olaniwun Ajayi LP  
The Adunola  
Plot 2 Banana Island  
Ikoyi  
Lagos

*[Signature]*  
Yewande Seunboru

**Solicitor to the Issuer**

Abdual Taiwo & Co  
Goodwill House  
278 Ikorodu Road  
Lagos

*[Signature]*  
ALAYO  
Oluwunbiyi

**Trustee**

**Stanbic IBTC Trustees Limited**  
 The Wealth House  
 Plot 1678 Olakunle Bakare Close  
 Victoria Island  
 Lagos

*[Signature]*  
**CHARLES OMOERA**

**Advised by**

**Udo Udoma & Belo-Osagie**  
 St. Nicholas House (12th Floor)  
 Catholic Mission Street  
 Lagos

**Reporting Accountant**

**KPMG Professional Services**

KMPG Tower  
 Bishop Aboyade Cole St  
 Victoria Island  
 Lagos

*[Signature]*  
**UZODINMA NWANKWO**

**Registrar**

**First Registrars & Investor Services Limited**

Plot 2, Abebe Village Road  
 Iganmu  
 Lagos  
 01 270 1078

*[Signature]*  
**Modupeola Ajigbotafe**  
*[Signature]*

**Stockbrokers**

**Stanbic IBTC Stockbrokers Limited**

I.B.T.C. Place  
 Walter Carrington Crescent  
 Victoria Island  
 Lagos

*[Signature]*  
**BUNMI OBARINJOE**

**Mega Equities Limited**

4AA Force Road  
 Onikan  
 Lagos

*[Signature]*  
**Sam Ojukwu**

**Rating Agency**

**Agusto & Co. Limited**

5th Floor  
 UBA House  
 57 Marina  
 Lagos

*[Signature]*  
**Olusegun Oweyef**

**Receiving Banks**

**Stanbic IBTC Bank PLC**

I.B.T.C. Place  
 Walter Carrington Crescent  
 Victoria Island  
 Lagos

*[Signature]*  
**Nnenna Okun**

**Zenith Bank PLC**

87 Alose Adeogun Street  
 Victoria Island  
 Lagos

*[Signature]*  
**[Signature]**

**Auditors**

**Deloitte and Touche**

Civic Towers  
 Plot GA1, Ozumba Mbadiwe Road  
 Victoria Island  
 Lagos

**HUNYA FORKUNSO**  
*[Signature]*

## DOCUMENTS TO BE INCORPORATED BY REFERENCE

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This Shelf Prospectus should be read and construed in conjunction with:

1. Each Applicable Pricing Supplement or Supplementary Prospectus relating to any Series or Tranche issued under this Prospectus.
2. The audited accounts (and notes thereto) and any audited interim financial statements published subsequent to such audited accounts of the Issuer for the five financial years prior to each issue of Bonds under this Programme, which shall be deemed to be incorporated in, and to form part of this Shelf Prospectus and which shall be deemed to modify and supersede the contents of this Shelf Prospectus as appropriate.

The Issuer will, in the event of any material change in its financial position, which is not reflected in this Shelf Prospectus, prepare an amendment or supplement to this Shelf Prospectus; also, the Issuer's information given in this Shelf Prospectus and the terms and conditions of additional Bonds to be issued under the Programme may be updated in a supplement pursuant to SEC Rules. Any such amendment or supplement will be incorporated by reference into this Shelf Prospectus and forms an integral part hereof. Any statement contained in a document that is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Shelf Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Shelf Prospectus.

This Shelf Prospectus and any Supplementary Prospectus (as applicable) are accessible, and copies of them are available free of charge at the offices of the Issuing Houses (as set out below) from 8:00 am till 5:00 pm on Business Days, and on the website of the Issuer ([www.presco-plc.com](http://www.presco-plc.com)), during the Validity Period. Requests for additional documents and telephone enquiries shall be directed to the Issuing Houses at the addresses stated below (except as otherwise stated in the relevant Pricing Supplement):

### Lead Issuing House/Bookrunner



STANBIC IBTC CAPITAL LIMITED  
RC 1031358

### Joint Issuing Houses/Bookrunner



CARDINALSTONE PARTNERS LIMITED  
RC 739441



QUANTUM ZENITH CAPITAL AND INVESTMENTS LIMITED  
RC 639491

## THE PROGRAMME

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This Shelf Prospectus is issued pursuant to the ISA, SEC Rules, listing and quotation requirements of the Recognised Securities Exchange and contains particulars in compliance with the requirements of SEC for the purpose of giving information to the public with regard to the Programme. The specific terms of each Series or Tranche in respect of which this Shelf Prospectus is being delivered will be set forth in the applicable Pricing Supplement and shall include the specific designation, aggregate principal amount, the currency or currency unit for which the Bonds may be purchased, maturity, interest provisions, authorised denominations, issue price, any terms of redemption and any other specific terms. If a specific issue under the Programme requires a listing, an application will be made to the NGX and/or the FMDQ for the admission of such Bonds to the relevant exchange. The Bonds also qualify as a security in which Trustees may invest under the Trustee Investments Act Chapter T22, LFN 2004.

Each Director of the Issuer represents that he/she has taken reasonable care to ensure that the information concerning the Issuer contained in this Shelf Prospectus is true and accurate in all material respects as at the date of this Shelf Prospectus and confirm, having made all reasonable enquiries, that to the best of his/her knowledge and belief, there are no material facts, the omission of which, would make any material statement herein misleading or untrue.

### Lead Issuing House/Bookrunner



### Joint Issuing House/Bookrunner



### ON BEHALF OF



are authorised to issue this Shelf Prospectus in respect of the  
**₦50,000,000,000 Bond Issuance Programme**

This Shelf Prospectus has been registered with SEC. The registration of this Shelf Prospectus and any subsequent Pricing Supplement shall not be taken to indicate that SEC endorses or recommends the Bonds described herein or assumes responsibility for the correctness of any statements made or opinions or reports included herein.

This Shelf Prospectus must be read in conjunction with the relevant Pricing Supplement to be issued by the Company from time to time within the Validity Period. No Bonds will be issued on the basis of this Shelf Prospectus read together with any Pricing Supplement later than three (3) years after the issue date indicated on the cover of this Shelf Prospectus **unless the Validity Period is renewed by SEC.** This Shelf Prospectus contains:

1. on page 13, a declaration to the effect that the Issuer and its subsidiaries did not breach any terms and conditions in respect of borrowed monies which resulted in the occurrence of an Event of Default and an immediate recall of such borrowed monies during the twelve (12) calendar months immediately preceding the date of filing an application with SEC for the registration of this Shelf Prospectus;
2. on pages 26 to 34, the Terms and Conditions of the Bonds;
3. on pages 78 to 161 the Reporting Accountants' Report on the Issuer's historical financial information, prepared by KPMG Professional Services for incorporation in this Shelf Prospectus;
4. on page 56, an extract of the rating report prepared by Augusto & Co. Limited; and
5. on page 59, the details and summary of the claims and litigation against the Issuer prepared by the Solicitors to the Transaction, Olaniwun Ajayi LP

## DESCRIPTION OF THE PROGRAMME

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*The information contained in this section is a summary of certain aspects of the Programme and the principal features of the Bonds to be issued thereunder. This summary does not contain all the information that is to be considered before investing in the Bonds nor does it purport to be a complete or professional review of the investment situation regarding the possible acquisition of the Bonds which may currently be under consideration. Therefore, it should be read in conjunction with, and is qualified in its entirety by, reference to the detailed information presented in the remainder of this Shelf Prospectus and to the detailed provisions of each of the Offer Documents and, in relation to any particular Series, the Applicable Pricing Supplement. Investors should read the entire Shelf Prospectus carefully, especially the risks involved in investing in the Bonds which are discussed under “Risk Factors”.*

### **Description of the documentation framework**

The applicable Pricing Supplement for each Tranche or Series under the Programme will specify details of the use of proceeds of the particular Tranche or Series.

A summary of the documentation governing the Bonds to be issued under the Programme is outlined below:

- i. this Shelf Prospectus disclosing material information in relation to the Issuer;
- ii. the relevant Pricing Supplement containing specific terms relating to that particular issue of a Series of Tranche of Bonds;
- iii. a Programme Trust Deed between the Issuer and the Trustees setting out inter alia, the powers, rights, obligations/duties of the Trustees in relation to the Bonds issued under the Programme;
- iv. Series Trust Deed will be entered into constituting each Series issued by the Issuer, and will contain specific terms relating to that particular issue of Bonds; and
- v. Vending Agreement between the Issuer and the Issuing Houses in connection with the roles of management and marketing of the offer amongst others. These will be prepared on a series by series basis.

The documentation of each Series will specify which Bonds are being issued. Documentation relating specifically to the issuance of Bonds will be filed and reviewed by FMDQ and/or SEC, as applicable.

### **Validity period of the shelf prospectus and delivery of documents**

This Shelf Prospectus is valid from its date until 05 April 2024 (“**Validity Period**”). No Bonds shall be issued or allotted on the basis of this Shelf Prospectus read together with the Applicable Pricing Supplement(s) later than the Validity Period or any other validity period as enforced by SEC from time to time unless the Validity Period is renewed by the Commission.

This Shelf Prospectus can be obtained free of charge from the offices of the Issuer and any of the Issuing Houses and can also be downloaded from the respective websites of the Commission and the Issuer, throughout its Validity Period.

## SUMMARY OF THE PROGRAMME

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*This summary should be read as an introduction to this Shelf Prospectus. It does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Shelf Prospectus as a whole and, in relation to any particular Series, the applicable Pricing Supplement and other documents, if any, incorporated by reference into this Shelf Prospectus. Words and expressions defined in “Form of the Bonds” and “Terms and Conditions of the Bonds” shall have the same meanings in this summary:*

<b>TERMS</b>	<b>DESCRIPTION</b>
<b>Issuer</b>	Presco PLC
<b>Guarantor</b>	Where a particular Series of Bonds may be guaranteed, refers to the guarantor specified in the applicable Pricing Supplement
<b>Programme Description</b>	<p>A bond issuance programme undertaken by the Issuer of convertible and non-convertible, debt instruments to be issued in Series, and or Tranches with varying Maturity Dates may be issued, the maximum aggregate Principal Amount outstanding of which, shall not exceed the Programme Limit. The Programme covers Fixed Rate Bonds, Floating Rate Bonds, Reverse Floating Bonds, Zero Coupon Bonds and any combinations thereof and in any other format recognised by SEC, all of which shall be denominated in Naira or in such other currency as may be agreed between the Issuing Houses and the Issuer and specified in the applicable Supplement</p> <p>No Bonds shall be offered on the basis of this Shelf Prospectus or any Pricing Supplement after the expiration of the Validity Period or any other validity period as enforced by SEC from time to time unless the Validity Period is renewed by SEC</p> <p>The Bonds shall be constituted by the Programme Trust Deed. A Series Trust Deed will be issued in respect of each Series, provided that any terms and conditions relevant to additional Bonds, if any, under the Programme shall be governed by the relevant Series Trust Deed</p>
<b>Programme Limit</b>	₦50,000,000,000 (Fifty Billion Naira) aggregate principal amount of Bonds outstanding at any one time
<b>Lead Issuing House</b>	Stanbic IBTC Capital Limited or such other issuing house as may be specified in the Applicable Pricing Supplement
<b>Issuing House(s)</b>	Stanbic IBTC Capital Limited, CardinalStone Partners Limited and Quantum Zenith Capital and Investments Limited and any other issuing house(s) appointed from time to time either in relation to the Programme or for a specific Series issued under the Programme
<b>Trustees</b>	Stanbic IBTC Trustees Limited which is granted fiduciary power by the Issuer to enforce the terms and conditions under the Trust Deeds and such other Trustees that may be appointed from time to time by the Issuer
<b>Registrar / Paying Agent</b>	First Registrar and Investor Services Limited and/or such other registrar/paying agent as may be specified in the Applicable Pricing Supplement
<b>Method of Issue</b>	The Bonds under this Programme may be issued via an offer for subscription, auction or private placement, through a Book Building process and/or any other methods as specified in the Applicable Pricing Supplement approved by SEC
<b>Issuance in Series</b>	The Bonds will be issued in Series, and each Series may comprise one or more Tranches issued on different dates. The Bonds in each Series will have identical terms (except that the Issue Date, Maturity Date, Issue Price, Coupon Commencement Date and related matters may be different). Details applicable to each Series and Tranche will be specified in the Applicable Pricing Supplement
<b>Issuance in Tranches</b>	Each Series may be issued in Tranches and the Bonds in each Tranche will have identical terms (except that the Issue Date, Maturity Date, Issue Price, Coupon Commencement Dates and related matters may be different)

## SUMMARY OF THE PROGRAMME

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<b>Denominations</b>	The Bonds will be issued in such denominations as specified in the Applicable Pricing Supplement
<b>Currency</b>	The Bonds shall be denominated in Naira (₦) or in such other currency as may be agreed between the Issuer and the Issuing Houses and specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and regulatory requirements. Where any currency other than the Naira is specified in the relevant Pricing Supplement, the selling restrictions and additional disclosure requirements applicable to such other currency will be specified in the relevant Pricing Supplement
<b>Use of Proceeds</b>	The net proceeds from each Series or Tranche under the Programme will be used solely for the purposes for which the Bonds were issued and shall be disbursed in the manner disclosed in the Applicable Pricing Supplement
<b>Maturity Date</b>	As specified in the Applicable Pricing Supplement
<b>Tenor</b>	The tenor of a particular Series or Tranche shall be determined by the Issuer in consultation with the Issuing Houses and specified accordingly in the Applicable Pricing Supplement for the Bonds being issued
<b>Tax Status of the Bonds</b>	<p>The Companies Income Tax (Exemption of Bonds and Short-Term Government Securities) Order, 2011 (“<b>CIT Order</b>”) and the PITA exempt income and interest earned by holders of bonds issued by corporate bodies from the imposition of income tax under the CITA and PITA respectively. The exemption granted under this CIT Order is for a period of 10 years commencing from January 2, 2012 while there is no similar limitation in respect of the exemption under PITA. Furthermore, the Bonds are exempt from tax imposed under the VAT Act by virtue of the Value Added Tax (Exemption of the Proceeds of the Disposal of Government and Corporate Securities) Order 2011 (“<b>VAT Order</b>”), commencing from January 2, 2012. This exemption is also for a period of ten (10) years from the commencement date of this VAT Order. Thus, from January 2, 2022, (i.e. the expiration dates for the CIT Order and the VAT Order), the Issuer may be required by law to withhold tax on Coupon payments to the Bondholders</p> <p>However, the Finance Acts specifically exempt “securities” from the definition of goods under the VAT Act. On this basis, it is likely that upon the expiration of the VAT Order, disposals of corporate bonds will still be exempt from VAT. Commissions payable to SEC, the exchanges and the Depository in connection with the Bonds shall be subject to VAT</p> <p>Please refer to the section on Tax Considerations on page 57 for a detailed description of the tax considerations</p>
<b>Issue Price</b>	Bonds may be issued at Par Value or at a discount to Par Value. The Issue Price of a specific Series or Tranche shall be specified in the applicable Supplement
<b>Closing Date</b>	The Closing Date of a specific Series or Tranche shall be stated in the Applicable Pricing Supplement
<b>Coupon</b>	Bonds may be interest-bearing or non-interest bearing. The Coupon, if any, payable on the Bonds shall be determined by the Issuer and Issuing Houses and stated accordingly in the Applicable Pricing Supplement
<b>Frequency</b>	The frequency of payment of interest and any other monies due on the Bonds shall be specified in the Applicable Pricing Supplement
<b>Repayment</b>	Repayment terms in respect of the Bonds issued under the Programme shall be specified in the Applicable Pricing Supplement
<b>Day Count Convention</b>	Different day count conventions may be stipulated in the Applicable Pricing Supplement

## SUMMARY OF THE PROGRAMME

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<b>Principal Redemption</b>	Bonds will be redeemed on the dates specified in the Applicable Pricing Supplement
<b>Early Redemption</b>	Early redemption will be permitted only to the extent specified in the Applicable Supplement, Programme Trust Deed and/or Series Trust Deed, and subject to any applicable legal and regulatory limitations
<b>Redemption Amount</b>	The Applicable Pricing Supplement will specify the redemption amount or, if applicable, the basis for calculating the redemption amounts payable
<b>Form of Bonds/ Transferability</b>	The Bonds will be issued in un-certificated (dematerialised or book entry) form and registered with a separate identification code with the Depository as specified in the applicable Supplement. The issue and ownership of the Bonds will be effected and evidenced by the particulars of the Bonds being entered in the Register by the Registrar. Where Bonds are represented by a certificate(s), such certificate will be numbered serially with an identifying number recorded in the relevant certificate and in the Register. The Bonds will be freely transferable in accordance with the provisions of the Trust Deed
<b>Interest Rate</b>	If the Applicable Pricing Supplement so specifies, the Bonds of any Series will bear interest from the Coupon Commencement Date at the Coupon Rate specified in, or determined in accordance with the applicable Supplement and such interest will be payable in respect of each Coupon Period on the Interest Payment Date(s) specified in the Applicable Pricing Supplement. The interest payable on the Bonds of any Series for a period other than a full Interest Period shall be determined in accordance with the applicable Supplement
<b>Interest Period(s) or Interest Payment Dates for Bonds</b>	Such period(s) or date(s) as shall be specified in the Applicable Pricing Supplement
<b>Status of Bonds</b>	The Bonds are direct and unconditional obligations of the Issuer, and the status of the Bonds shall be as set out under the relevant Pricing Supplement and Series Trust Deed
<b>Subscription of Bonds</b>	The Bonds may be subscribed to in accordance with the form of application set out in the applicable Pricing Supplement relating to the particular Series being issued
<b>Listing</b>	Each Series or Tranche may be listed on the NGX and/or FMDQ platform, and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as specified in the relevant Supplement
<b>Underwriting</b>	Where applicable, the Bonds may be partially or fully underwritten at the instance of the Issuer, on a standby or firm basis as stated in the relevant Pricing Supplement
<b>Issuer's Rating</b>	The Issuer was assigned a rating of A+ by Augusto & Co. Limited on 30 December 2021
<b>Issue Ratings</b>	Bonds issued under the Programme will be assigned a rating and such rating shall be indicated in the applicable Supplement. The rating is valid for a period of one year from the date of the rating exercise, following which the rating will be reviewed in accordance with SEC Rules
<b>Negative Pledge</b>	The negative pledge applicable to the Bonds shall be as specified in the relevant Series Trust Deed
<b>Event of Default</b>	The events of default under this Programme are as specified in the Programme Trust Deed and relevant Series Trust Deed(s)
<b>Governing Law</b>	The Bond Issuance Programme, the Trust Deeds and Offer Documents will be governed by, and construed in accordance with the laws of Nigeria
<b>Offer Documents</b>	Include: (a) Shelf Prospectus;

- (b) Series Pricing Supplement;
- (c) Programme Trust Deed;
- (d) Series Trust Deed;
- (e) Reporting Accountants' Report;
- (f) Solicitors' Opinion on Claims and Litigation & Material Contracts;
- (g) Rating Reports; and
- (h) Vending Agreement.

## INFORMATION RELATING TO THE SHELF PROSPECTUS

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The receipt of this Shelf Prospectus or any information contained in it or supplied with it or subsequently communicated to any person does not constitute investment advice from the Issuing House to any prospective investor. Prospective investors should make their own independent assessment of the merits or otherwise of subscribing to the securities offered herein and should seek their own professional advice in connection with any prospective investment by them.

The members of the Board of Directors individually and collectively accept full responsibility for the accuracy of the information contained herein and have taken reasonable care to ensure that the material facts contained herein are true and accurate in all material respects and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no material facts, the omission of which would make any material statement herein misleading or untrue. Additional information may be obtained through the office of the Issuing Houses as listed on page 16 of this Shelf Prospectus on any Business Day during the period of the respective opening and closing dates of the issuance of Bonds under the Programme, provided that the Issuing Houses possess such information or can acquire it without unreasonable effort or expense.

Nothing in this Shelf Prospectus should be construed to mean that the Issuing Houses are bound to provide any information coming to their attention to any Holder or potential investor in the Bonds. Also, the Issuing Houses are not bound to advise any investor or potential investors on the financial condition or affairs of the Issuer during the life of the arrangement contemplated therein.

The Bonds are complex financial instruments suitable only for sophisticated investors. As such, each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances.

A potential investor should not invest in the Bonds, which are complex financial instruments unless the potential investor has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Shelf Prospectus or any applicable Supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such an investment will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including thoroughly understanding the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and (iv) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

## TERMS AND CONDITIONS OF THE NOTES

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*The following is the text of the general terms and conditions which, (subject to amendment and as completed, modified, supplemented, varied or replaced, in whole or in part, by the final terms which are set out in the relevant Series Trust Deed and/or supplementary Shelf Prospectus (the “Final Terms”) and, save for the italicised text), will apply to the Bonds.*

*The provisions of these terms and conditions set out below (the “Conditions”) which are applicable to the Bonds issued under the Programme shall be deemed to be completed by the information contained in the relevant Final Terms. Bonds may be issued in individual tranches which together with other tranches may form a series of bonds. Any provisions of the Final Terms modifying, supplementing or replacing, in whole or in part, the provisions of these Conditions shall be deemed to so modify, supplement or replace, in whole or in part, the provisions of these Conditions; alternative or optional provisions of these Conditions as to which the corresponding provisions of the Final Terms are not completed or are deleted shall be deemed to be deleted from these Conditions; and all provisions of these Conditions which are inapplicable to the Bonds shall be deemed to be deleted from these Conditions, as required to give effect to the terms of the relevant Final Terms.*

The Bonds are constituted by and under a Programme Trust Deed (the “**Trust Deed**”) dated 05 April 2021 between Presco Plc (the “**Issuer**”) and Stanbic IBTC Trustees Limited (the “**Trustee**”) as supplemented by the relevant Series Trust Deed between the Issuer and the Trustee. The Bondholders are entitled to the benefit of and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the relevant Series Trust Deed applicable to them. Copies of the Trust Deed are available for inspection at the offices of the Trustee set out in Clause 34 of the Programme Trust Deed and at the offices of the Registrar as specified in the Pricing Supplement.

Any Series and/or Tranche of Bonds which is to be created and issued pursuant to the Programme Trust Deed shall be constituted by, be subject to and have the benefit of a Series Trust Deed (the “**Series Trust Deed**”) between the Issuer and the Trustee. The Issuer shall execute and deliver such Series Trust Deed to the Trustee containing such provisions (whether or not corresponding to any of the provisions contained in the Programme Trust Deed) as the Trustee may require. Each Series Trust Deed shall set out the form of the Series of Bonds to be so constituted thereby.

These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the relevant Series Trust Deed. The Bondholders are entitled to the benefit of and are bound by, and are deemed to have notice of, all the provisions of the Programme Trust Deed and the relevant Series Trust Deed applicable to them.

Words and expressions defined in the Trust Deed (as same may be amended, varied or supplemented from time to time with the consent of the Parties thereto) are expressly and specifically incorporated into and shall apply to these Conditions.

Capitalised terms used but not defined in these Conditions shall have the meanings attributed to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

### 1. FORM AND DENOMINATION

Bonds issued under the Programme may be fixed rate bonds, floating rate bonds, discounted or a combination thereof in denominations as may be specified in the relevant Pricing Supplement.

The Bonds shall be issued in uncertificated (dematerialised or book-entry) form, which shall be registered with a separate securities identification code with the CSD. The Bondholders may deal in the Bonds in accordance with the CSD procedures and guidelines.

### 2. REPAYMENT

The principal on the Bonds will be repaid on the relevant Maturity Date or on an amortising basis in accordance with the terms of the relevant Series or such date as the Trustee in accordance with the Trust Deed declares the Bonds to have become immediately repayable, together with such premium (if any) agreed in the relevant Series Trust Deed, on such Bonds.

### 3. REDEMPTION

#### 3.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Bonds at their Principal Amount on such dates as specified in the Series Trust Deed.

#### 3.2 Redemption prior to Maturity

3.2.1 Subject to the terms of the relevant Series Trust Deed, the Issuer shall be entitled at any time to redeem the whole or any part of the Bonds upon giving the holders of the Bonds

to be redeemed a minimum of 30 (thirty) days and a maximum of 60 (sixty) days' notice in writing of the date fixed for redemption, which shall be a Coupon Repayment Date, of its intention to do so, and at the expiration of such notice, the Issuer shall be entitled and bound to redeem the Bonds in respect of which such notice has been given.

- 3.2.2 Subject to the terms of the relevant Series Trust Deed, in the event that the Issuer at any time determines to redeem part only of the Bonds for the time being outstanding, the particular Bond to be redeemed shall be pro rata to holdings or at the option of the Issuer selected by drawing to be made as provided in Condition 10.
- 3.2.3 Early redemption shall take place at 11:00a.m on the date set for redemption at a market determined price or rate or on such terms as shall be agreed in the relevant Series Trust Deed.
- 3.2.4 Any amendments to the process set out in this Condition 3.2, shall be with the consent of the Bondholders.

### **3.3 Redemption for Taxation Reasons**

If so specified in the Pricing Supplement, the Bonds may be redeemed at the option of the Issuer in whole, or in part, if on giving not less than 30 (thirty) and not more than 60 (sixty) days' notice to the Bondholders (which notice shall be irrevocable) at their early redemption amount together with the Coupon accrued to the date fixed for redemption, if:

- (i) the Issuer satisfies the Trustee and the Commission immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Nigeria or any political subdivision or any authority thereof or therein having the power to impose tax (other than the expiry of the exemption in respect of the Bonds set out in the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 made pursuant to the Companies Income Tax Act (Chapter C21) LFN 2004 and the Value Added Tax (Exemption of Proceeds of Disposal of Government and Corporate Securities) Order 2011 in relation to Bonds with a maturity date later than January 2, 2022), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the Series or Tranche of the Bonds; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts where a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee and the Commission a certificate signed by two Directors stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred.

Provided, however, that no such notice of redemption shall be given earlier than:

- (i) where the Bonds may be redeemed at any time, 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or would be entitled (as such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities; or
- (ii) where the Bonds may be redeemed only on a Coupon Payment Date, 60 (sixty) days prior to the Coupon Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities.

**4. PURCHASE OF BOND BY THE ISSUER**

The Issuer may at any time and from time to time purchase any part of the Bonds through the market or by tender (available to all Bondholders alike) but not otherwise. Any Bond so purchased will be cancelled and will not be available for re-issue.

**5. STATUS OF THE BONDS**

The Bonds are direct and unconditional obligations of the Issuer and the status of the Bonds shall be as set out under the relevant Pricing Supplement and Series Trust Deed.

**6. COVENANTS BY THE ISSUER**

**6.1 Negative Pledge**

6.1.1 For as long as any of the Bonds remain outstanding, the Issuer shall not, without the prior consent of the Trustee in writing, create or permit to subsist any Security Interest to secure any Financial Indebtedness, unless the Issuer's obligations under the Bonds are secured equally and rateably therewith or have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem not to be materially less beneficial to the Bondholders. Provided that the restrictions in this Condition 6.1 will not apply to Permitted Security.

6.1.2 The Issuer shall forthwith give notice in writing to the Trustee of the coming into existence of any Security Interest which would require any additional security to be given to the Bondholders or which will trigger an Event of Default or any Potential Event of Default.

**6.2 Further Indebtedness**

For as long as the Bonds remain outstanding and save as provided in this Trust Deed, the Issuer may incur any other indebtedness for borrowed moneys provided that such further indebtedness shall not be in breach of Condition 6.1 above.

**6.3 Restricted Payments**

The Issuer shall not declare or pay any dividend in cash or otherwise or make a distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital if an Event of Default has occurred and is continuing.

**7. COUPON**

If a Pricing Supplement so specifies, the Bonds of that Series will bear Coupon from the Coupon Commencement Date at the Coupon Rate(s) specified in, or determined in accordance with, the Pricing Supplement and such Coupon will be payable in respect of each Coupon Period on the Coupon Payment Date(s) specified in the Pricing Supplement. The Coupon payable on the Bonds of any Series for a period other than a full Coupon Period shall be determined in accordance with the Pricing Supplement.

**7.1 Coupon on Fixed Rate Bonds**

(a) The Fixed Rate Bonds (being those Bonds that specify that the coupon is payable at a fixed rate) shall bear coupon on the Principal Amount Outstanding at the Coupon Rate specified in the applicable Pricing Supplement from (and including) the Coupon Commencement Date specified in the applicable Pricing Supplement to (but excluding) the Maturity Date. Coupon shall be payable in arrears on the Coupon Payment Date in each year. The first payment of coupon will be made on the Coupon Payment Date following the Coupon Commencement Date (specified in the applicable Pricing Supplement) and, if the first anniversary of that Coupon Commencement Date is not a Coupon Payment Date, the first payment of coupon shall be as specified in the applicable Pricing Supplement.

(b) If the Maturity Date is not a Coupon Payment Date, coupon from (and including) the preceding Coupon Payment Date (or the Coupon Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount. Where an

applicable coupon is required to be calculated for a period other than a full year, such coupon shall be calculated on the basis of the actual number of days elapsed divided by 365 or such other method as described in the applicable Pricing Supplement.

**7.2 Coupon on Floating Rate Bonds**

(a) General

The Floating Rate Bonds (being those Bonds that specify that the coupon is payable at a floating rate) shall bear interest on its Principal Amount by reference to a specified floating rate benchmark plus a margin as may be described in the applicable Pricing Supplement and/or Series Trust Deed.

(b) Coupon Payment Dates

The Floating Rate Bonds shall bear coupon on its Principal Amount from (and including) the Coupon Commencement Date at the rate equal to the Coupon Rate payable in arrears on the Coupon Payment Date(s).

(c) Coupon Rate

The Coupon payable from time to time in respect of each of the Floating Rate Bonds will be determined in the manner specified in the applicable Pricing Supplement.

(d) Calculation of Coupon

The Coupon amount payable in respect of the Bonds shall be calculated by applying the Coupon Rate to the specified denomination and multiplying such sum by the applicable Day Count Fraction.

For the Purposes of Condition 7.2 (d):

*“Day Count Fraction”* means, in respect of the calculation of an amount of Coupon for any Coupon Period (specified in the applicable Pricing Supplement):

- (i) if “Actual/365” is specified, the actual number of days elapsed in the Coupon Period divided by 365; or
- (ii) such other specified calculation method.

**7.3 Discounted Bonds**

The Zero-Coupon Bonds (being those Bonds that are issued at a discount to their face value) will be issued at an issue price such that the yield to maturity is reflected in the difference between the discounted issue price and the final redemption amount of such Zero-Coupon Bond as specified in the applicable Pricing Supplement and/or Series Trust Deed. Zero-Coupon Bonds will not bear Coupon other than in the case of late payment, which will be calculated as specified in the applicable supplementary Shelf Prospectus and/or Series Trust Deed.

**8. SINKING FUND/DEBT SERVICE RESERVE ACCOUNT**

8.1 The provisions of this Condition 8 will only apply where provision is made for a sinking fund or debt service reserve account in the relevant Series Trust Deed. Where no such provision is made, this Condition 8 shall not apply to the Bonds.

8.2 The Issuer shall, not later than the date specified in a Series Trust Deed for any Series, cause payments to be made into a bank account which shall be called a “Sinking Fund Account” or “Debt Service Reserve Account” (“**DSRA**”) which shall be managed by the Trustee and shall form part of the trust property. The Issuer shall irrevocably authorise the Chief Finance Officer or any officer for the time being in charge of the finance of the Issuer to deduct, as a first charge on the Issuer’s cashflows and to place to the credit of the Sinking Fund Account or the DSRA (in accordance with the Series Trust Deed setting up a particular Series and referenced in the applicable Pricing Supplement), such sum or sums from the

finance of the Issuer, at the Issuer's discretion not below the sum as stipulated in the Series Trust Deed on a monthly basis which sum shall be applied by the Trustee towards the payment of Coupon and the redemption, at par, of the Bond PROVIDED THAT the Trustee at its discretion may ask the Issuer to increase the amount being credited to the account if in its opinion the amount being credited to the account may not be sufficient to meet Coupon and principal repayment due on the Bonds at any time.

**8.3 Authorised Investment**

Any monies standing to the credit of the Sinking Fund Account or the DSRA may, at the discretion of the Trustee, be invested by the Trustee in its name or under its legal control in any investments for the time being authorised by the Trustees Investment Act for the investment of trust monies or in any other investments which may be approved by the Commission. **PROVIDED HOWSOEVER** that the Trustee shall, while any Bonds are outstanding, render accounts on a half-yearly basis to the Issuer.

8.4 If at any time prior to the date specified in the Series Trust Deed, the Issuer redeems any Bond under the provisions of Condition 3 hereof or purchases any Bond under the provisions of Condition 4 above, the Trustee shall remit to the Issuer such monies received from the Issuer for the credit of the DSRA which are over and above the amount necessary to meet all future coupon payments and principal redemptions, at par, PROVIDED THAT, subject to Clause 14 of the Deed, the Trustee in its absolute discretion may withhold such sums as deemed necessary to maintain a cushion against coupon fluctuations.

**9. CANCELLATION OF BONDS**

Any part of the Bonds redeemed or purchased shall be cancelled and the Issuer shall not keep such Bond valid for the purpose of re-issue.

**10. DELIVERY OF DOCUMENT**

If required by the Issuer every Bondholder whose Bond is due to be redeemed under these Conditions shall not later than the due date for such redemption deliver up any such document(s) as may be required by the Issuer.

**11 TRUSTS**

11.1 Except as required by law, or as ordered by a court of competent jurisdiction, the Issuer will recognise the Bondholder of any Bond as the absolute owner of such Bond and shall not be bound to take notice or see to the execution of any trust whether express, implied or constructive to which any Bond may be subject.

11.2 The receipt by a Bondholder for the time being of any Bond (or in the case of joint registered holders, the payment to the joint Bondholder whose name stands first in the Register) of the principal of such Bond or of any other money payable in respect of such Bond shall be a good discharge to the Issuer notwithstanding any notice it may have whether express or otherwise of the right, title, coupon or claim of any other person to or in such principal, dividend or other money. No notice of any trust whether express, implied or constructive shall (except as provided by statute or as required by a court of competent jurisdiction) be entered on the Register in respect of any Bond.

**12 FREEDOM FROM EQUITIES**

Every Bondholder will be recognised by the Issuer as entitled to his Bond free from any equities, set-off or cross-claim on the part of the Issuer against the original or any intermediate holder of the Bond.

**13 TRANSFERS**

13.1 The Bond is transferable in amounts or integral multiples of an amount specified in the Series Trust Deed.

**13.2** Transfers of the Bond shall be by an instrument in writing in any form the Issuer and the Trustee may approve.

**13.3** If the Bonds are listed, the Bonds shall be transferred on the Exchange in accordance with the rules and regulations of the Exchange.

**13.4** Every instrument of transfer must be signed by or on behalf of the transferor or where the transferor is a corporation, properly executed according to its constitutional documents, and the transferor shall be deemed to remain the owner of the Bonds until the name of the transferee is entered in the Register.

**13.5** Every instrument of transfer must be left for registration at the place where the Register shall for the time being, be kept accompanied by such evidence as the Issuer may require to prove the title of the transferor or his right to transfer the Bond and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do.

**13.6** Closed Periods: No Bondholder may require the transfer of a Bond to be registered during the period of 15 (fifteen) days ending on the due date for any payment of principal or Coupon on that Bond.

**14 TRANSMISSION**

**14.1** In the case of the death of a Bondholder the survivor or survivors where the deceased was a joint holder and the executor or administrator of the deceased where he was a sole or only surviving holder shall be the only person recognised by the Issuer as having any title to such Bond.

**14.2** Any person becoming entitled to any Bond in consequence of the death or bankruptcy of any Bondholder or of any other event giving rise to the transmission of such Bond by operation of law may upon producing such evidence of his title as the Registrars shall think sufficient, be registered as the holder of such Bond himself or, subject to Condition 13, may transfer such Bond without himself being registered as the holder of such Bond.

**15 METHOD OF PAYMENT OF PRINCIPAL MONEY, COUPON AND PREMIUM**

Payment of the Principal, Coupon and premium (if any) for the time being owing or due on all or any part of the Bond will be credited to the bank account nominated for this purpose by the Bondholder or in the case of joint registered Bondholders by the joint Bondholders or any other method as the Trustee may determine.

**16 RECEIPTS FOR MONEY PAID**

If several persons are entered in the register as joint holders of any Bond, then the receipt by any of such persons of any Coupon or principal or other money payable on or in respect of such Bond shall be as effective a discharge to the Issuer as if the person signing such receipt were the sole registered holder of such Bond.

**17 TITLE**

Transfer of title to Bonds issued in uncertificated form shall be effected in accordance with the rules governing transfer of title in securities held by CSD. In these Conditions Bondholders and (in relation to a Bond) holder means the person in whose name a Bond is registered in the Register of Bondholders.

**18 EVENTS OF DEFAULT**

If any of the following events stated in this Condition 19 ("Events of Default") have occurred and are continuing in accordance with the time frame set out below, the Trustee may at its discretion or shall,

- i. if so, requested in writing by the Majority Bondholders; or
- ii. if so, directed by an Extraordinary Resolution of the Bondholders,

give written notice to the Issuer at its specified office that an Event of Default has occurred and that the Bonds are immediately repayable whereupon the Principal Amount Outstanding on the Bonds together with accrued Coupon shall become immediately due and repayable:

- 18.1 Non-Payment:** if the Issuer fails to pay any sums representing principal, coupon and premium (if any) on the Bond or any fees or other sums as they fall due in accordance with this Deed unless its failure to pay is caused by an administrative or technical error, and payment is made within 10 (ten) Business Days of its due date. Provided however that where such non-payment is due to a Force Majeure event, the Trustee may in its discretion (after consultation with the Issuer) determine that such Force Majeure event can be remedied within a reasonable period after the grace period referred to above in this Condition and extend the grace period; or
- 18.2 Cross Default:** if any Financial Indebtedness of the Issuer of a value exceeding ₦10,000,000,000 (ten billion Naira) in aggregate (for the avoidance of doubt, any amounts being contested in good faith shall not be counted towards such value) is not paid when due or within any applicable grace period, or the Financial Indebtedness of the Issuer of a value exceeding ₦10,000,000,000 (ten billion Naira) in aggregate is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an Event of Default (however described) and such event shall be certified in writing by the Trustee to be in its opinion materially prejudicial to the interest of the Bondholders;
- 18.3 Insolvency:** If
- 18.3.1 the Issuer is unable, for the purposes of CAMA, to pay its debts, or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its Financial Indebtedness;
- 18.3.2 A Moratorium is declared in respect of any Financial Indebtedness of the Issuer, and such Moratorium is not discharged within 45 (forty-five) Business Days after it was declared. Provided that the Issuer is able to show to the satisfaction of the Trustee within 10 (ten) Business days after such Moratorium is declared that it is in good faith negotiating for the lifting of the Moratorium;
- 18.3.3 Any corporate action or legal proceedings is concluded and judgment given against the Issuer in relation to:
- 18.3.3.1 a Moratorium of any Financial Indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Issuer other than a solvent liquidation or any reorganisation of the Issuer;
- 18.3.3.2 the appointment of a liquidator (other than in respect of a solvent liquidation of the Issuer) receiver, administrator, administrative receiver or other similar officer in respect of the Issuer or any of its assets; or
- 18.3.3.3 any analogous procedure or step is taken in any jurisdiction, and such proceeding is not dismissed or terminated on or before the 30<sup>th</sup> (thirtieth) Business Day (which would exclude days on which Nigerian courts are on vacation) after the order is made or if any such dismissal or stay ceases to be in effect (or such longer period as the Trustee may permit) PROVIDED THAT the Issuer has within 10 (ten) Business Days filed good faith legal proceedings in the relevant court for the order to be set aside, dismissed or stayed;
- 18.4 Cessation of Business:** if the Issuer ceases to conduct all or substantially all of its business as is now conducted or changes all or substantially all of the nature of such business or merges or consolidates with any other entity without the prior written consent of the Trustee pursuant to Clause 7.7 of the Trust Deed; or
- 18.5 Material Adverse Effect:** If a Material Adverse Effect has occurred; or
- 18.6 Enforcement Proceedings:** if any distress, execution or other process shall be levied or enforced or sued upon or against any asset(s) of the Issuer having an aggregate value of 50%

(fifty percent) of the outstanding principal and Coupon at the relevant time, (“Assets”) and such action or process is not be discharged, or stayed within 90 (ninety) days of service by the relevant officer of the court of such attachment, execution or other legal process or if an encumbrancer shall take possession or a Receiver shall be appointed over the Assets of the Issuer and such event shall be certified in writing by the Trustee to be in its opinion materially prejudicial to the interests of the Bondholders PROVIDED THAT if the Issuer has filed good faith legal proceedings in the relevant court for application for dismissal or stay within 10 (ten) Business Days of becoming aware of the order or action, then such shall not be regarded as an Event of Default; or

- 18.7 Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer over a material part of the Issuer’s property, assets or revenues, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and same is not legally challenged by the Issuer within 7 (seven) Business Days of issuance of the order thereof; or
- 18.8 Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its Board threaten to cease to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Bondholders;
- 18.9 Nationalisation:** the seizure, compulsory acquisition, expropriation or nationalisation, by any person or authority, of all or a material part of the assets of the Issuer having an aggregate value of no less than 25% of the assets of the Issuer (as determined in relation to the latest audited financial statements of the Issuer at the relevant time). Provided that the Issuer shall have a grace period of 30 (thirty) days from the date of occurrence of the relevant event to successfully challenge the action.
- 18.10 Analogous Events:** any event that occurs under the laws of Nigeria which based on the opinion of an Independent Expert has or will have an analogous effect to any of the events referred to in any of the foregoing paragraphs;
- 18.11 Breach of Other Obligations:** Other than Non-Payment as in Condition 19.1, if default shall be made by the Issuer in the performance or observance of any covenant, condition, provision or agreement including the representations and warranties which default will affect the capacity of the Issuer to perform its payment obligations under this Trust Deed, and the Issuer shall fail to perform fully or make good the breach of such covenant, condition, provision or agreement within 30 (thirty) days from receipt of notice in writing by the Trustee (or in its opinion such longer period as the Trustee may reasonably determine is not materially prejudicial to the interests of the Bondholders).

**19. NOTICES**

- 19.1 Any notice or other document may be given to or served on any Bondholder either personally or by sending it by electronic mail, by post in a prepaid envelope or delivering it addressed to him at his registered address or (if he desires that notices shall be sent to some other persons or address) to the person at the address supplied by him to the Issuer for the giving of notice to him.
- 19.2 In the case of joint registered holders of any Bond a notice given to the Bondholder whose name stands first in the Register shall be sufficient notice to all the joint holders.
- 19.3 Any notice or other document duly served on or delivered to any Bondholder under these conditions shall (notwithstanding that such Bondholder is then dead or bankrupt or that any other event has occurred and whether or not the Issuer has notice of the death or the bankruptcy or other event) be deemed to have been duly served or delivered in respect of any Bond registered in the name of such Bondholder as sole or joint holder unless before the day of posting (or if it is not sent by post before the day of service or delivery) of the notice or document his name has been removed from the Register as the holder of the Bond and such service or

delivery shall for all purposes be deemed a sufficient service or delivery of such notice or document on all persons interested (whether jointly with or claiming through or under him) in the Bond.

- 19.4 Any notice shall be deemed to have been served on the fifth (5<sup>th</sup>) day following that on which the letter containing the notice is posted and in proving such service it shall be sufficient to prove that the envelope containing the notice or the notice itself was properly addressed, stamped and posted. Any notice given by delivery otherwise than by post shall be deemed given at the time it is delivered to the address specified.

**20. MEETINGS OF BOND HOLDERS**

The rights and duties of the Bondholders in respect of attendance at meetings of Bondholders are set out in the Second Schedule of the Trust Deed (Provisions for Meetings of Bondholders). Decisions taken at Bondholders meetings may only be exercised by the Trustee in accordance with the Trust Deed or under these Conditions. For the avoidance of doubt, the Conditions of the Bond can only be amended in accordance with Clause 29 of the Trust Deed.

**21. GOVERNING LAW**

The Bonds are governed by, and shall be construed in accordance with, the laws of Nigeria.

**22. PRESCRIPTION**

Claims against the Issuer in respect of the Bonds shall be void unless presented for payment within six (6) years (in the case of principal and interest), from the due date for payment of any amount due on such Bonds.

## RISK FACTORS

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*This section does not describe all the risks (including those relating to each prospective investor's particular circumstances) with respect to an investment in the Bonds. The risks in this section are provided as general information only. Prospective investors should refer to, and carefully consider the risks described below and the information contained elsewhere in this Shelf Prospectus, which may describe additional risks associated with the Bonds. **Investors should also seek professional advice before making investment decisions in respect of the Bonds.***

*The Issuer disclaims any responsibility for advising prospective investors of such risks as they exist at the date of this Shelf Prospectus or as such risks may change from time to time. Prospective investors should consult their own financial and legal advisers about the risks associated with an investment in the Bonds.*

*An investment in the Bonds involves certain risks, most of which may or may not occur and neither the Issuer nor any of the Issuing Houses are in a position to express a view on the likelihood of any such contingency occurring. Accordingly, prospective investors should carefully consider, amongst other things, the following risk factors together with all the other information included in this Shelf Prospectus and any Applicable Pricing Supplement before purchasing the Bonds.*

### 1. IN RELATION TO NIGERIA

#### I. Economic Risks

##### ***Lack of economic diversification exposes the country to downside risks in oil price and production***

The Nigerian economy remains largely undiversified, import dependent and consumption driven. The country is dependent on oil for economic activities, fiscal revenues and foreign exchange. Oil accounts for majority of exports and foreign exchange earnings while the manufacturing sector accounts for a minority of total exports. Dominance of oil as the major source of export receipts, coupled with import dependence heightens Nigeria's vulnerability to external shocks. The impact of the steady decline in oil prices from mid-2015 was evident in the depreciation of the currency, foreign exchange illiquidity, decline in foreign reserves, and a slowdown in the economy. While the FGN advances in its efforts to diversify the economy from its dependence on oil revenue, global crude oil prices have recently appreciated to c.\$82 as at October 2021 (from US\$55 at the beginning of 2021) due to reduced global supply. The effect of this increase is expected to improve the earnings of the FGN in the short term. However, the 3-year average price of crude oil between 2018 – 2020 was \$57.72 compared to the 3-year average price of \$88 between 2013 - 2015. (Source: Central Bank of Nigeria).

##### ***Large infrastructure deficit poses a hindrance to the development of the economy***

The value of Nigeria's total infrastructure stock (road, rail, power, airports, water, telecoms and seaports) represents only 35% of GDP. This is far below the level of peer emerging market countries, where the average is 70%.<sup>1</sup> Nigeria lacks stable power supply and adequate infrastructure such as roads, rail, ports, broadband networks etc., which has led to challenges in the development of many sectors of the economy. The power sector still faces challenges which relate to governance, funding, legal, regulatory and pricing issues across the value chain. Given the huge capital investment required to address this deficit, there have been calls for the private sector to play a key role in providing critical infrastructure, either directly or in collaboration with the FGN. However, challenges with pricing and funding continue to call to question the viability of private sector investment.

##### ***Issues with governance and processes continue to weigh on doing business in Nigeria***

Bureaucracy, bribery and corruption, are of serious concern and constitute major barriers to doing business in Nigeria and hinder economic growth and social development. Nigeria moved up 15 places to rank 131 out of 190 countries in the 2020 Doing Business Report by the World Bank, measuring the ease of doing business. While this is an improvement, the country still performs poorly in the areas of paying taxes, enforcing contracts and trading across borders. This continues to impact negatively on tax revenue, investor confidence and

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<sup>1</sup> The Nigerian Economic Recovery & Growth Plan 2017-2020

mobility of goods. Failure to address these issues could negatively impact the Issuer's business and ability to raise capital.

- II. **Political, Social and Economic Risks:** Political, economic and social stability in Nigeria have historically been affected by political and religious conflicts, terrorism, and social and religious tensions.

Over the past year, there has been a moderate increase in the number and frequency of attacks and cases of kidnapping across various parts of Nigeria. Acts of banditry continues in the Northern part and likewise, a stay-at-home order was initiated by the Indigenous People of Biafra (IPOB- a separatist organisation geared toward restoring an independent state of Biafra) in the southeast region of the country as part of the continued struggles for independence by members of the IPOB. These issues highlighted need to be addressed by the Federal Government to achieve stability in the country and resolve weak enforcement of law and order, which could potentially be stumbling blocks for all companies operating in Nigeria.

## 2. IN RELATION TO THE ISSUER

- I. **Business Risks** – These are the risks that the Issuer faces in its operations and include the following:

a) ***Regulatory and Environment Risks***

The company is subject to laws and regulations in various locations in Nigeria where it operates.

b) ***Supply and Demand Risks***

The company is exposed to risks arising primarily from fluctuations in the price of palm oil, and very seldom in volume. As highlighted under Snapshot of the Palm Oil Sub-sector, pages 46 to 49, Nigeria is the largest consumer of palm oil in Africa and a net importer of the commodity because of its high demand and inadequacy of local production to meet the nation's demand.

c) ***Climate Risks***

The company's plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces.

d) ***Competition risk – the Issuer market share could be lost to other players***

The oil palm industry is very fragmented and dominated by smallholder farmers accounting for 80% of local production in Nigeria. The remaining 20% are from the two major players namely Presco and Okomu Oil. The issuer could lose market share to other competitors which would lead to a loss in Issuer's profitability.

e) ***Health / Medical risk***

The Issuer may be susceptible to operational challenges as a result of outbreaks of infectious diseases or pandemics in its chosen markets of operation. In West Africa, incidences of such diseases have included Ebola haemorrhagic fever, Lassa fever and other health epidemics; and most recently, the coronavirus (COVID-19) pandemic.

The COVID-19 pandemic is having significant adverse effects on the global scene, and negatively impacting national and regional economies, including that of Nigeria. As a result of the pandemic, the global economy contracted by 4.36% in 2020 (Statista). According to the Nigeria Centre for Disease Control, Nigeria had recorded 212,150 confirmed cases as of 02 November 2021.

f) ***Legal Risk***

There is a risk that the Issuer's counterparties in agreements it has entered into may fail to fulfil their obligations. The Issuer is involved in litigation or claims from time to time, arising from the conduct of its business. Where proceedings lead to a substantial

legal liability, this could have a detrimental effect on the Issuer's business, results, operations, reputation and financial position.

**g) Business Continuity Risk**

There is a risk that the business operations of the Issuer may be interrupted or threatened due to unforeseen events such as natural disaster, fire, flood, lockdowns and curfews imposed by the government and social unrest. The COVID-19 pandemic for instance, resulted in the imposition of lockdowns in major cities in Nigeria.

**h) Liquidity Risk**

This is the risk of loss on account of insufficient liquid assets to meet cash flow requirements or fulfil our financial obligation. This could be broken down into the following:

**Asset liquidity:** The risk that the Issuer is unable to execute a transaction at the prevailing market price because there is, temporarily, no appetite for the deal on the other side of the market.

**Funding liquidity:** This relates to Issuer's inability to raise the necessary cash to service its debt; meet working capital requirements; cash, margin, and collateral requirements of counterparties.

**II. Market Risk** - This is the risk that the value of financial instruments changes due to movements in market factors. Such movements may be occasioned by market factors (including volatility) that are directly related to an individual investment and/or systemic. The Company's risk exposure within the market risk spectrum are:

**a) Interest Risk**

The potential for investment losses by the Company that result from a change in interest rates

**b) Foreign Exchange Risk**

The risk of conversion of Naira to foreign currencies for the purchase of raw materials. The risk therefore applies to the Company as the Naira may depreciate against other currencies.

**III. Credit Risk** - Credit risk refers to the risk that a counterparty will default on its contractual obligations or will be downgraded by a rating agency resulting in financial loss to the Issuer. The Issuer enters various contracts with its customers and distributors. A default by a counterparty poses the risk of the Issuer incurring higher costs in debt recovery. Where the debts are recovered or obligations enforced late, there are financial losses as a result of the time value of money for the period the debt was unrecovered or delays in production due to delays in performance. If the debt cannot be recovered, financial loss is incurred.

**3. IN RELATION TO THE BOND ISSUANCE PROGRAMME**

**I. Limited active trading market for the Bonds**

Any Series or Tranche issued under the Programme will be new securities for which there may be no active two-way quote trading market, thus, the liquidity of the Bonds may be limited. Although an application will be made for Bonds issued under the Programme to be admitted to the NGX, FMDQ or any other SEC registered stock exchange (subject to the provisions of the applicable Pricing Supplement), there is no assurance that an active trading market will develop or any listing or admission to trading of the Bonds will be maintained. Accordingly, there is no assurance of the development or liquidity of any trading market for any particular Series or Tranche.

**II. Credit ratings may not reflect the full impact of the Bonds' risks**

The Bonds will be assigned a rating by Agosto & Co. Limited. The ratings may not reflect all the risks related to structure, market, additional factors discussed above and any other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

**III. Modifications, waivers and substitution**

The conditions of the Bonds contain provisions for calling general meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders including Bondholders who did not attend or vote at the relevant general meeting and Bondholders who voted in a manner contrary to the majority.

**IV. Early Redemption**

The Bonds may be subject to early redemption. Therefore, Bondholders may face the risk that the Bonds will be redeemed before maturity in a falling interest rate environment, forcing the Bondholders to reinvest the proceeds at a lower rate of return.

**V. Tax Exemption Status for Corporate Bonds in Nigeria**

The exemption granted under the CIT Order is for a period of ten (10) years commencing from 02 January 2012 till 02 January 2022, after which any Coupon payment made will be subject to withholding tax, in a case where the exemption is not renewed.

Also applicable is the exemption on bonds and notes with respect to personal (as distinct from companies) income tax which is for an indefinite period.

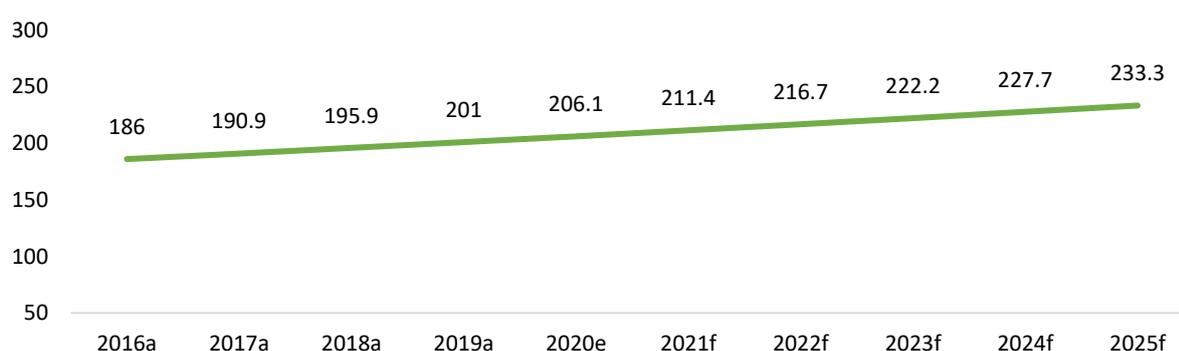
**(i) GENERAL OVERVIEW**

The Federal Republic of Nigeria is located in West Africa, bordered by the Republic of Benin to the west, Niger Republic and Chad to the north, Cameroon to the east and the Gulf of Guinea to the south.

Nigeria consists of 36 states and the Federal Capital Territory, Abuja, which is located in central Nigeria. The states and the Federal Capital Territory are grouped into six geopolitical zones: North West, North Central, North East, South East, South South and South West. There are currently 774 constitutionally recognized local government areas and area councils in Nigeria. Nigeria has experienced considerable economic growth since its return to democratic rule in 1999 and subsequent adoption of market friendly economic policies.

Nigeria is currently the most populous country in Africa, with an estimated population of 206,000,000 in 2020 according to the EIU (growing from 186,000,000 in 2016 to 201,000,000 in 2019 and forecasted to grow by c.16% to 233,000,000 by 2025). The Country is also Africa's biggest crude oil exporter, with the largest natural gas reserves on the continent and is also blessed with an abundance of natural resources such as tin, iron ore and coal.

**FIGURE 1: Nigeria's Population, millions (2016-2026)**



a-actual, e-estimate, f-forecast

Source: Economic Intelligence Unit (EIU)

Economic indicators	2016	2017	2018	2019	2020
Population (mn)	186.0	190.9	195.9	201.0	206.1
Nominal GDP (US\$bn)	404.6	375.7	421.7	475.3	432.9
Real GDP growth (%)	-1.6%	0.8%	1.9%	2.2%	-1.8%
Average Inflation (%)	15.7%	16.5%	12.1%	11.4%	13.2%
Exchange rate (NGN/US\$)	253.5	305.8	306.1	306.4	356.3
FX reserves (US\$bn)	27.2	39.6	42.8	38.3	36.7

Source: Economist Intelligence Unit

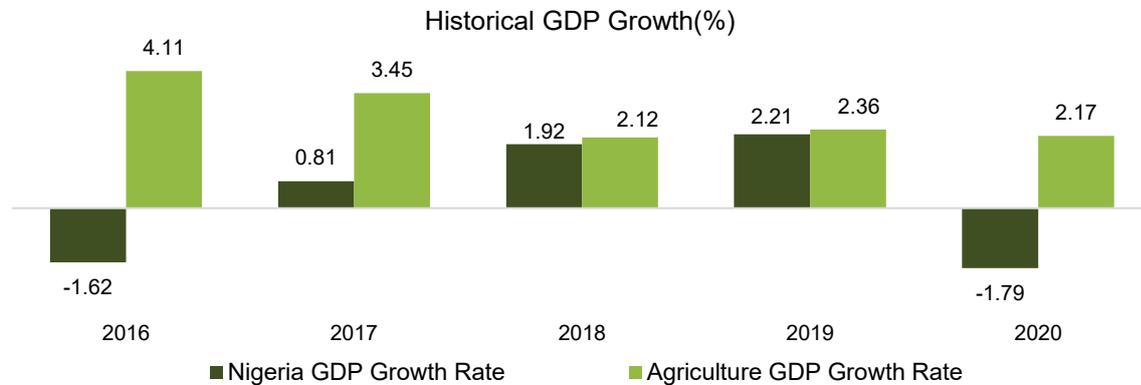
**(ii) ECONOMIC OVERVIEW**

Nigeria boasts the highest total trade volumes in the West Africa region, in large part due to its wealth of oil and gas resources and its large population base. The hydrocarbons sector remains the most important area of the Nigerian economy due to the high levels of foreign investor participation, the Nigerian government's extensive involvement in the industry and its consequent contribution to state revenues.

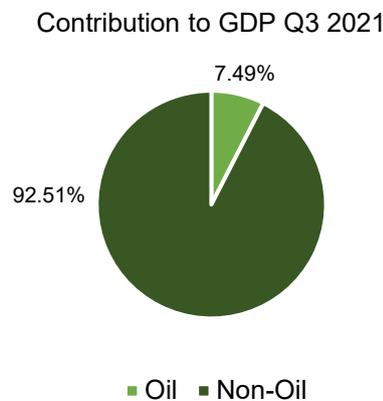
The Nigerian economy is fairly diversified with services contributing 49.65% to the economy in Q3 2021. An expanding higher and middle-income group, broad population growth and the gradual development of supporting transport and energy infrastructure is underpinning the expansion of Nigeria's service sectors, helping to attract fresh investment from foreign firms looking to gain a foothold in the market despite expectations of slower near-term economic growth (compared to that experienced during the oil price boom years)

## OVERVIEW OF NIGERIA

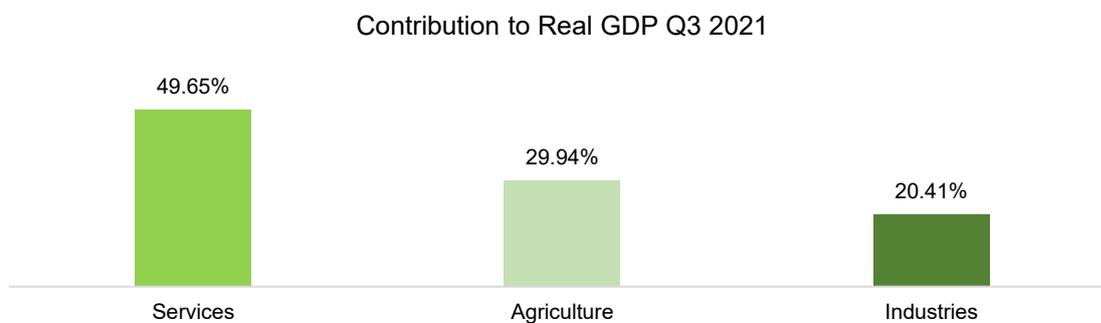
In Q3 2021, the non-oil sector of the economy grew by 5.44.% in real terms. The growth rate was higher by 7.95% points compared to the rate recorded in the same quarter of 2020 and 1.30.% points higher than the second quarter of 2021. During the quarter, the sector was driven mainly by growth in Trade, Information and Communication (Telecommunications), Road Transportation, electricity, Agriculture (Corp Production), Manufacturing (Food, Beverage, & Tobacco) reflecting easing of movement, business and economic activity across the country relative to the same period a year earlier. The sector contributed 92.51% to the nation's GDP in Q2 2021, higher from shares recorded in the Q3 2020, which was 91.27% and lower than the Q2,2021 recorded 92.58%. The agricultural sector accounted for 29.94% of GDP in Q3, 2021, while industry and services contributed 20.41% and 49,656% respectively.



Source: Nigerian Bureau of Statistics



Source: Nigerian Bureau of Statistics



Source: Nigerian Bureau of Statistics

The Government's revenue is however highly dependent on the oil and gas sector as it contributes over 70% its revenue, making government spending vulnerable to oil price volatility. Given that the government is the largest spender in the economy, the effect of the oil and gas sector on the economy is usually more pronounced than the sector's contribution to GDP. The economy contracted by 1.8% in 2020 largely due to the slowdown in economic activities as a result of the pandemic. However, the economy exited recession in Q4 2020 and is expected to grow in 2021. (Source: Nigerian Bureau of Statistics).

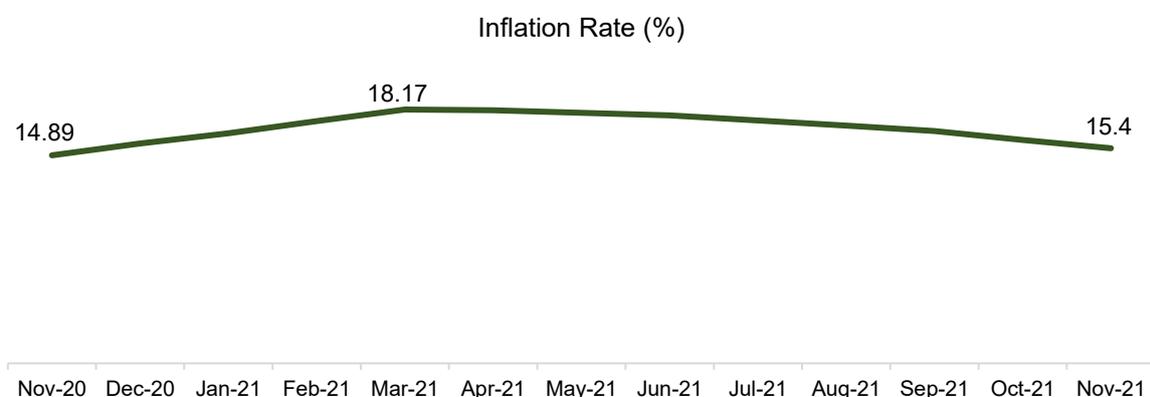
Nigeria has made significant progress in socio-economic reforms over the last decade, but still faces key developmental challenges, particularly in infrastructure. Nigeria needs to focus on meeting its infrastructural needs including power generation, transportation and social infrastructure, to ensure stable, substantial, sustainable and inclusive economic growth.

Restoring strength to Nigeria's agriculture sector is a core component of the government's strategy for the economy. There is critical focus on restoring competitiveness in palm oil, cocoa, rice, cassava, sesame and kola nuts amongst others, which would drive rural incomes, GDP growth and employment, improve the balance of payments and reduce reliance on imported food products.

Looking ahead, the upward trend in oil prices and production will be the key driver to improving economic growth, infrastructure development and providing the government with sufficient financial and political capital to pursue key reforms over the medium term. Higher oil prices not only boost export revenues, but they are critical to the country's Foreign Exchange liquidity and fiscal balance. However, the risks to the oil revenue outlook is heavily skewed to the downside, due to capital expenditure constraints, aging infrastructure, terrorism risks and compliance with Organization of the Petroleum Exporting Countries (OPEC) + production cuts.

### Interest rates, inflation, and exchange rates

Nigeria experienced the longest build up in the inflation figure from September 2019 to March 2021. The upward pressure emanating from pre-existing border closure measures, energy reforms and currency depreciation. Price increases were recorded across various individual consumption divisions - housing, water, electricity, other fuels, education, gas, food, clothing and transportation services. This however changed as headline inflation has been on a downward trend from 18.17% March 2021 to 15.4% in November 2021 partly due to a decline in the food sub-index which could be linked to the slowdown in food inflation to the base effect, continued CBN interventions, and commencement of the main harvest season in parts of the country.



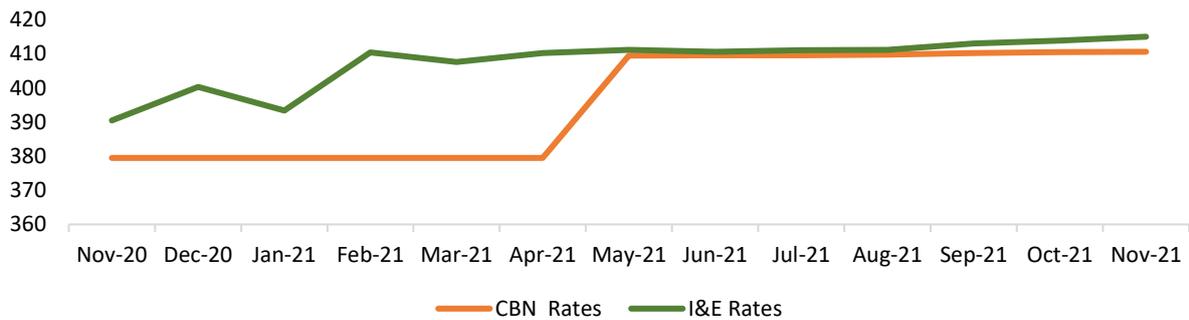
**Sources: Nigerian Bureau of Statistics, CBN**

This increase is attributed to the persistence of insecurity across the country as well as lingering structural deficiencies impacting the logistics of moving food items to urban areas. Other factors include the impact of COVID-19 pandemic, and hikes in the price of energy products (premium motor spirits and electricity), amongst others.

Another major factor is the predominance of imported (household and everyday) goods, including food. Due to the fact that most goods sold at the commercial market are imported, the prices of these goods are subject to and significantly affected by currency movements. Despite the substantial growth witnessed in the Nigerian agricultural sector (which grew by 14.01% year-on year in nominal terms in Q4 2020), Nigeria continues to rely heavily on imports for foods and other goods, which in conjunction with other factors, has led to a depreciation in the value of the Naira against the US Dollar.

As at May 2021, the CBN had devalued the Naira three (3) times over the last twelve months. The Naira devaluation has brought the local currency closer to the exchange rate unification agenda of the CBN as recommended by the IMF and World Bank. As of November 2020, the CBN exchange-rate was ₦379.5 to US\$1, compared to ₦415.07 to US\$1 as of November 2021.

### USD/NGN Exchange Rates

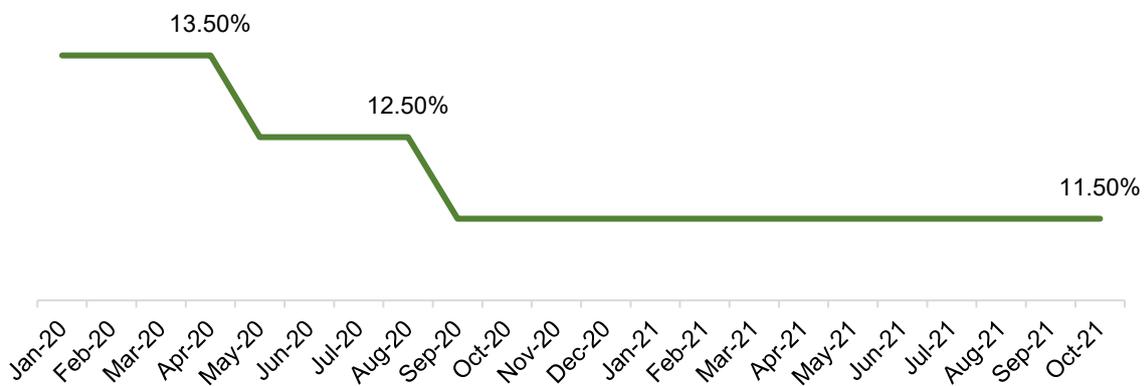


Sources: FMDQ, CBN

With the continued rise in inflation and modest recovery from the recession, price stability is expected to re-emerge as a focus in future Monetary Policy Committee (MPC) meetings. Development financing and improved target funding could also be relied upon to taper inflationary spikes.

Since the 200 basis points (bps) reduction in the Monetary Policy Rate (MPR) in August 2020, the MPR rate has been stable at 11.5% month on month. Barring any drastic policy changes, the benchmark rate is expected to be retained at current levels throughout 2021 due to the economic recovery agenda of the Committee.

### Monetary Policy Rate



Sources: Nigerian Bureau of Statistics, CBN

### Fiscal Policy

Over the last decade, public expenditure has risen consistently, propelled most recently by the increase in minimum wage. Although personnel cost has accounted for a significant proportion of the expenditure base in times past, capital expenditure has regained priority in recent times, touching an all-time high of ₦2.3 Trillion in 2019. Meanwhile, revenue has been highly correlated with oil price swings due to the large component of oil in the Federal Government’s revenue base. Unlike its peer countries, tax contributions in Nigeria remain underwhelming at 6% of GDP, despite the implementation of an asset declaration scheme and hike in Value Added Tax. The relevant authorities are now prioritizing business-friendly policies, evidenced in its recent exemption of low-income earners and small businesses from personal income tax and company income tax respectively.

Since the re-inauguration of the current administration in 2019, there has been a commitment to prompt passage of the country’s annual budget. This aided the swift review of the budget following the pandemic-shock on oil prices in 2020. A prompt adjustment in budget estimates enabled reliable fiscal planning and budget reprioritization.

President Muhammadu Buhari signed the 2021 Appropriation Bill into law on 31 December 2020 following the passage of same by the National Assembly. The 2021 budget has been signed into law alongside the Finance Act 2020. The budget indicates aggregate revenue and planned expenditure of ₦7.99 trillion and ₦13.59 trillion respectively. Despite a planned deficit of ₦5.6 trillion, government

spending is expected to continue to rise in a bid to further support economic recovery. Thus, the country's fiscal deficit-to-GDP may rise beyond the 3% limit stipulated by the law for the third consecutive year.

The Federal Government of Nigeria under the 2021-2023 Medium term Expenditure Framework and Fiscal Strategy Paper highlighted the fiscal strategies for 2021-2023 to include fiscal measures to diversify and improve government revenues and entrench a regime of prudence with emphasis on achieving value for money. The goal of the fiscal interventions is to keep the economy active through carefully calibrated regulatory measures designed to boost domestic value addition, de-risk the enterprise environment, attract external investment and sources of funding while managing existing debt obligations in the most fiscally sustainable manner. The government is seeking to intensify economic diversification to ensure growth in non-oil exports, reduce the import bill and improve economic competitiveness.

As fiscal deficit rises, public debt levels is expected to follow suit. According to the DMO, Nigeria's total public debt stock rose to US\$84.57 billion in September 2020, of the outstanding public debt, the external component was US\$31.99 billion, increasing from US\$26.94 billion in September 2019. This increase was largely driven by the budget support loan obtained from the IMF. In December 2020, the World Bank approved an additional US\$1.5 billion facility to cushion the effects of the COVID-19 pandemic as the country seeks to implement more expansionary fiscal policies. The Federal Government also benefitted largely from the low yield environment in 2020. Following the assent of the ₦13.59 trillion budget in 2021, public debt stock is expected to rise significantly during the year.

Although the country's debt levels as a portion of GDP is largely below the benchmark for peer countries, further accumulation in debt could impact fiscal sustainability considering the country's high debt service-to-revenue ratio. As a result, the Federal Executive Council approved a new medium-term debt management strategy for the period 2020 – 2023. In this new strategy, the country's debt-to-GDP ceiling and domestic-to-external debt mix were reviewed. The debt-to-GDP ceiling was raised from 25% to 40%, to support the financing of future budget deficits. In addition, the Council altered its domestic-external debt mix in favour of domestic debt. The ratio was reviewed from 60:40 to 70:30, reflecting higher future patronage of the local debt market.

While lower foreign borrowing would reduce dollar exposure of FGN liabilities, increased local borrowing could result in higher yields in the future. The country's current domestic-to-external debt mix (63:37) indicates additional room for domestic borrowing. Consequently, the strategy seeks to prioritize long-term funding in the domestic debt market and concessional funding from multilateral and bilateral sources. The country could take advantage of moratoriums and low-interest rates while moderating high costs of servicing debts.

### **Economic Reform Programmes**

Due to the vulnerability of crude oil prices, the Federal Government has remained focused on inducing growth in other sectors of the economy and has introduced specific reforms towards creating an enabling environment for doing business within the country.

As such, the Federal Government has over time set up several frameworks and initiatives with an objective of channelling the economy towards sustainable growth and development. Some of these recent frameworks and initiatives include the Medium-Term Expenditure Framework and Fiscal Strategy Paper ("**MTEF/FSP**") 2021 – 2023, fiscal measures in response to the COVID-19 pandemic and the Nigeria Economic Sustainability Plan 2020 ("**NESP**").

### ***The Nigeria Economic Sustainability Plan, 2020***

The Nigeria Economic Sustainability Plan was established and approved by the Federal Executive Council (**FEC**) to stimulate the Nigerian economy and prevent the collapse of businesses by ensuring liquidity; retain or create jobs using labour intensive methods in key areas like agriculture, facility maintenance, housing and direct labour interventions; undertake growth enhancing and job creating infrastructural investments in roads, bridges, solar power, and communications technologies, among others.

The NESP is based on three (3) pillars – Real Sector Measure, Fiscal and Monetary Measures and Implementation. The first pillar comprises a mix of project and policy approaches, which focus on the creation of jobs across the fields of agriculture and agro-processing, food security, housing construction, renewable energy, infrastructure, manufacturing and the digital economy. The objective is to safeguard

existing micro, small and medium scale businesses while ramping up the production capacity of local industries by encouraging opportunities for innovation across various sectors of the economy.

The second pillar – Fiscal and Monetary Measures – outlines measures that will be taken to maximise government revenue, optimise expenditure and enshrine a regime of prudence with an emphasis on achieving value for every money spent. The overriding objective is to keep the economy active through carefully calibrated regulatory interventions designed to de-risk the environment for local production and enterprise, galvanise external sources of funding, rationalise existing debt obligations and boost investments in strategic sectors affected by the COVID-19 pandemic, while supporting the financial viability of state governments.

The last pillar upon which the success of the entire plan has been hinged is Implementation. The NESP emphasizes the need for all responsible parties, especially Ministers to be responsible for supervising the implementation of plans situated in their Ministry through a Ministerial Implementation Committee chaired by the Minister. The Ministerial Implementation Committee will be responsible for ensuring synergy between stakeholders, especially the public and private sector, whilst the Economic Sustainability Committee (**ESC**) will be responsible for general oversight of implementation and will report to the President.

### **Finance Bill 2020**

On 31 December 2020, President Muhammadu Buhari signed the Finance Bill 2020 (the “Finance Act” or the “Act”) into law with an effective date of 1 January 2021. The Finance Act introduced over 80 amendments to the existing tax and regulatory legislations in Nigeria, including the CGT Act, CITA, PITA, VAT Act and Nigeria Export Processing Zone Act.

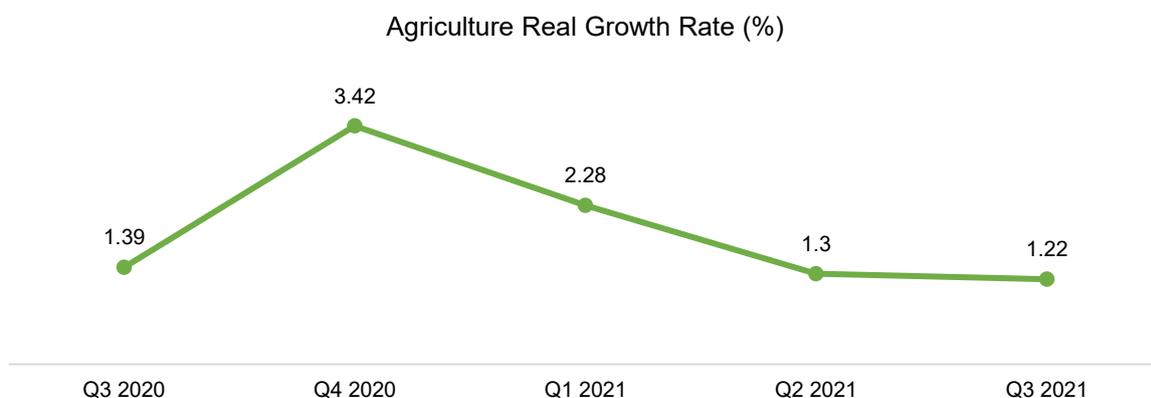
The aforementioned amendments were primarily aimed at addressing ambiguities and providing clarity to certain provisions in the laws, and also providing certain incentives to companies to mitigate the impact of COVID-19. Major amendments to the Finance Act 2020 include:

- Minimum tax for companies in respect of returns for years of assessments due between 1 January 2020 and 31 December 2021 has been reduced from 0.50% to 0.25% of gross turnover less franked investment income;
- Cost of donation made in cash or kind to any fund set up by government in respect of any pandemic or natural disaster to be tax deductible subject to a maximum of 10% of assessable profit after other allowable donations;
- FIRS may prescribe the form of accounts other than audited financial statements for small and medium companies as defined under CITA;
- A small or medium company engaged in primary agricultural production may be granted pioneer status for an initial period of 4 years and an additional 2 years (making a total of 6 years);
- Reduction of import duty on tractors from 35% to 5%; mass transit vehicles for transport of more than 10 persons and trucks from 35% to 10%, and reduction of import levy on cars from 30% to 5%;
- A non-resident person that makes a taxable supply to Nigeria is required to register for tax and obtain a tax identification number, include VAT on its invoice; and
- Goods liable to excise duties have been expanded to include telecommunication services provided in Nigeria as may be prescribed in the law or an order issued by the President.

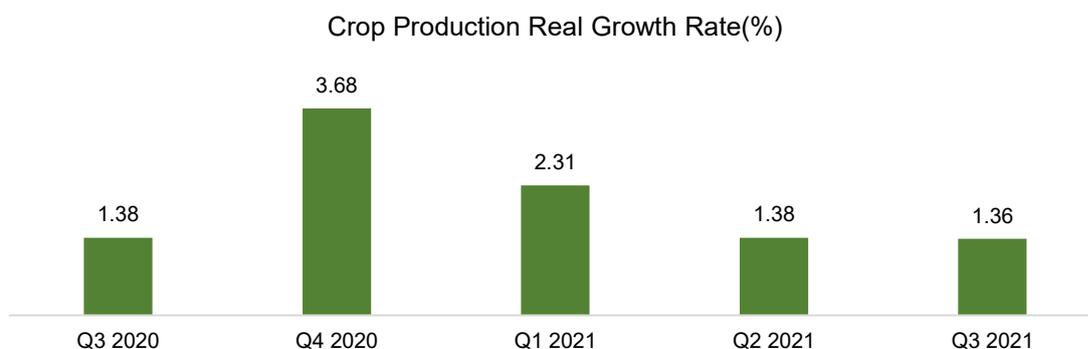
### Overview of Agriculture Industry

The rising awareness of the importance of food security and production sustainability has made agriculture a key growing industry at both local and international level. Bringing it home to Nigeria, there is a continuous effort by the Government to diversify the economy with emphasis on the non-oil sector of the economy. Government policies and initiatives are geared towards increasing the contribution of the sector to the nation’s GDP by encouraging investors and farmers with various incentives.

Agriculture represents c.27% of Nigeria's GDP with agriculture and agribusiness activities providing employment for 70% of the population. The sector is made-up of four subsectors: Crop Production, Livestock, Forestry and Fishing with Crop Production accounting for c.90% of the sector. The sector grew by 1.22% year-on-year in real terms in Q3 2021.



Source: Nigeria Bureau of Statistics



Source: Nigeria Bureau of Statistics

Nigeria continues to experience widened agricultural trade deficits amid the push for a self-sufficiency in the sector. In four years (2016 -2019) cumulative agricultural imports of ₦3.35 trillion is four times bigger that export value at ₦803billion.

Government has introduced some policies and programme aimed at developing local trade and exports, these include the following:

- Agricultural Promotion Policy: Aims to improve access to international markets by enhancing access to market information through a National Agricultural Information System and creating specialized export market support teams to enhance export capacity.
- Nigeria-Africa Trade and Investment Promotion Programme (**NATIPP**): NATIPP is a programme jointly launched by the African Export-Import Bank, Nigerian Export-Import Bank and the Nigerian Export Promotion Council. The aim of NATIPP is to facilitate the expansion of Nigeria’s trade and investment into Africa.
- Presidential Economic Diversification Initiative: The Presidential Economic Diversification Initiative (**PEDI**) aims to enhance trade capacity in Agriculture by facilitating new investments in the Agricultural and Agro-allied industries, reducing regulatory bottlenecks and enabling access to credit.

- **Zero Reject Initiative:** The Zero Reject Initiative was launched to enhance the acceptability of Nigerian products internationally. It is aimed at improving Agricultural exports through the institution of global quality standards and product standardisation.
- **Economic and Export Promotion Incentives:** The Government has placed trade barriers on select Agric. goods to protect local producers and stimulate growth of the industry. In addition, several economic incentives are offered to Agric. Investors in Nigeria including income tax relief, zero import duty on equipment, VAT exemptions, etc

In addition to the above, the government has enacted various import substitution measures to improve local production. as well as developing the required infrastructure stock to boost agricultural produce.

- **Establishment of Special Agro-Industrial Processing Zones (SAPZs):** The Federal government is establishing Special Agro-Industrial Processing Zones to concentrate agro-processing activities. The SAPZs are aimed at boosting productivity, integrating production and enhancing the processing and exporting of select commodities
- **Development of Railway Infrastructure:** As part of its plans to aid the free flow of goods, the Government is in constructing rail lines across the country. Once complete, these would serve as an alternative to road transport and enhance the distribution of goods and commodities within the country.
- **Enhancement of Ports Infrastructure:** In addition to the six existing seaports, the government has commenced the development of additional ports in Akwa Ibom and Lagos to enhance its maritime capabilities. The Nigerian Ports Authority has also signed a MOU with the Royal Port of Antwerp to enhance.

The regulatory landscape of the industry is monitored, control and regulated by the entities below.

- **National Agricultural Quarantine Service (NAQS):** Harmonises plants, veterinary and aquatic resources to promote and regulate sanitary measures in connection with the import and export of agricultural products.
- **National Agency for Food and Drug Administration and Control (NAFDAC):** Responsible for regulating and controlling the manufacture, importation, exportation, distribution, advertisement, sale and use of regulated products.
- **Standards of Organization (SON):** SON's mandate includes the preparation of standards related to products, measurements, materials, processes and services, amongst others; their promotion at national, regional and international levels.
- **Nigerian Export Promotion Council:** Ensures the promotion, development and diversification of exports from the country. It coordinates all export promotion and administration activities and trade capacity building.
- **National Export Processing Zones Authority:** Responsible for promoting the economic development and diversification in Nigeria through establishing and regulating free zone areas within the country.

The sector is still embattled with major issues including lack of access to finance, resource shortages, insufficient supply to meet the growing population demand, inadequate and outdated system of farming, absence of value addition and supply-chain linkages, and violent conflict.

With the implementation of the Agreement on Africa Continental Free Trade Area in January 2021, the agriculture business in Africa is expected to experience a new trend. This includes creation of new regional markets, strengthening of the agro-value chains and significant reduction of agricultural imports from outside the continent. The aim of the agreement is to foster agricultural transformation and advancement in Africa in order to promote food security and competitiveness through the improvement of regional agricultural value chains and investments in production. The agreement is projected to bring greater market access to neighbouring countries. Although, whole implementation of the Agreement may take some time as countries would have to negotiate aspects of the agreement such as trade, dispute settlement processes, tariffs, and intellectual property rights.

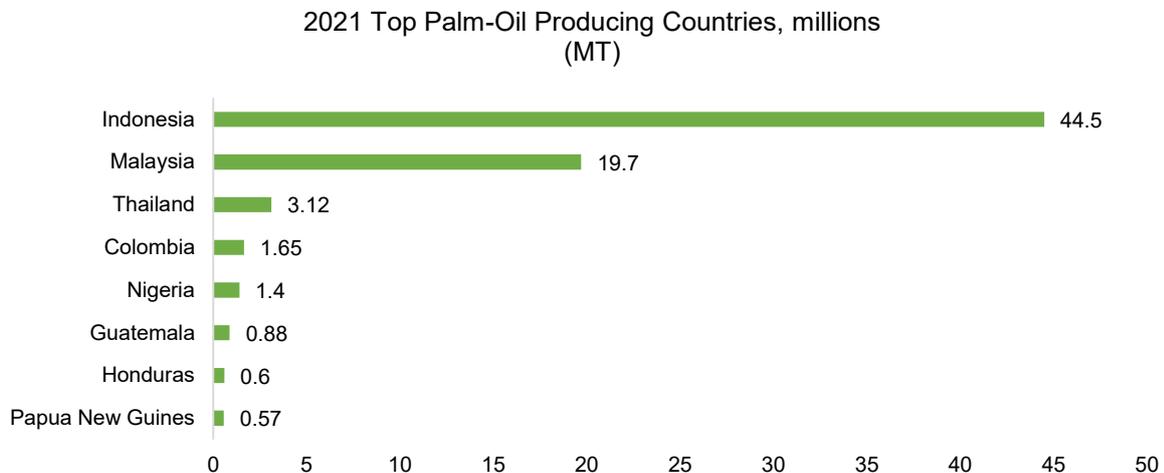
### Snapshot of the Palm Oil Sub-Sector

Palm is a product of high importance as it is used as a raw material in the production of several products globally. With a population of 206 million people, Nigeria is the largest consumer of palm oil in Africa. 3 million Metric Tonnes (MT) of fats and oils were consumed in Nigeria in 2018 with palm oil accounting

## INDUSTRY REVIEW

for 44.7% (1.34 million MT). Nigeria is a net importer of palm oil because of its high demand and inadequacy of local production to meet the nations demand.

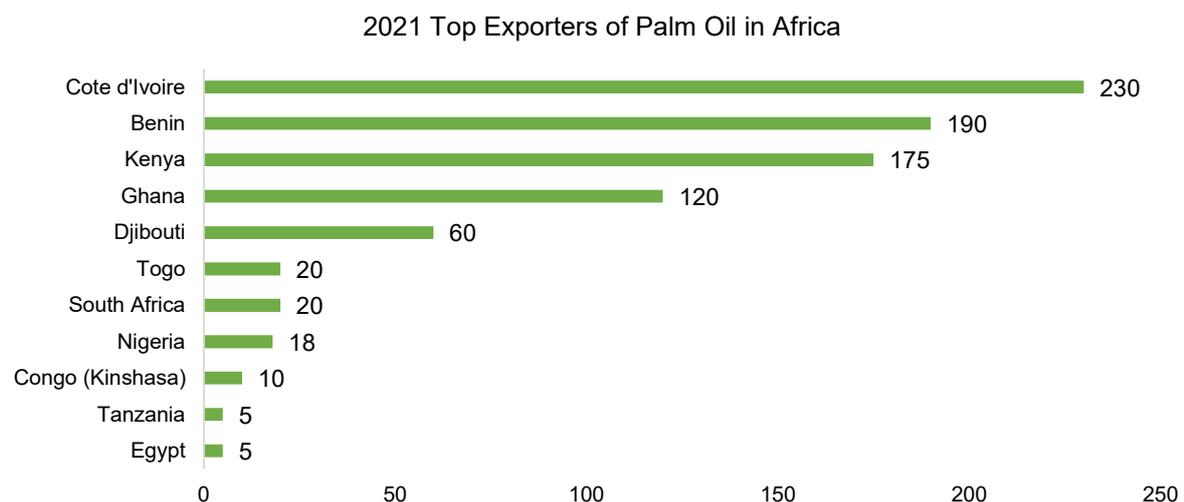
Nigeria was the world's largest palm oil producer in the 1960s accounting for 43% of the global market share. Today, Nigeria is ranked as the fifth largest producer with less than 2% of the total global market productions of 76.519 million MT. The two major players in the palm oil market international are Malaysia and Indonesia, they both account for c.80% of the total global output. Major producers of both palm oil and palm kernel oil in West Africa are Cote d'Ivoire, Ghana, Nigeria and Sierra Leone. Palm oil production in Nigeria increased from 0.998 million MT in 2016 to the current 1.4 million MT in 2021. Unlike, Malaysia and Indonesia, Nigeria does not have a palm oil council, which is a body that provides oversight, research and development in the palm industry.



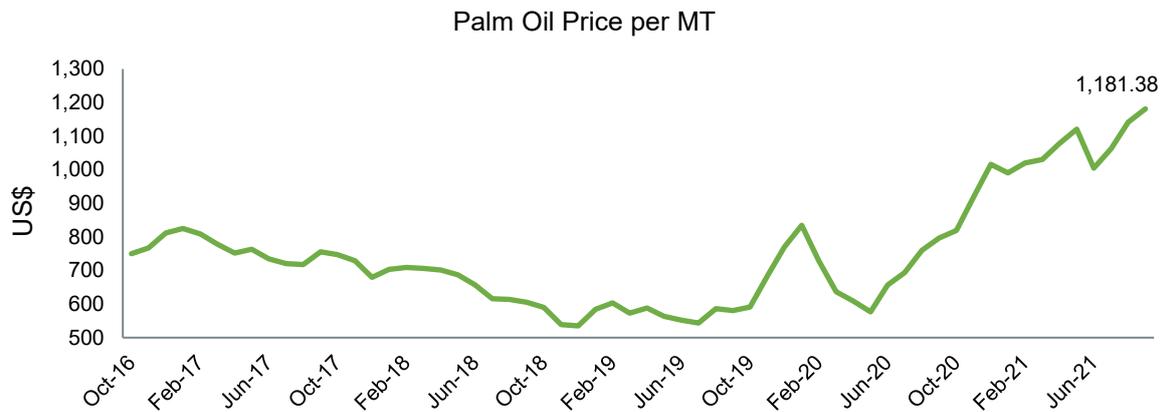
Source: United States Department of Agriculture

In order to deter importation of palm oil and to protect local manufacturers, the Federal Government of Nigeria included Refined Palm Oil (RPO) as one of the items restricted from accessing foreign exchange in the official market. The CBN also launched a series of intervention schemes which includes the Anchor Borrowers programme, which is aimed at providing single-digit interest rate loans to farmers through Deposits Money Banks and other participating institutions. The government has also commenced the distribution of automated oil palm mills, oil palm cargo tricycles, and oil palm motorized harvesters for small scale farmers.

Nigeria was ranked the 8<sup>th</sup> largest exporter of palm oil in Africa after countries like Cote d'Ivoire, Benin, Kenya, Ghana, Djibouti and Togo. Cote d'Ivoire, the largest exporter in Africa, exported 230,000 MT while Nigeria was 18,000 MT. Global palm oil price has been on an upward trend in 2021 due to global supply tightness, surging crude oil prices have also kept palm oil prices elevated as higher crude oil prices make palm oil more attractive for biofuel feedstocks.



Source: United States Department of Agriculture

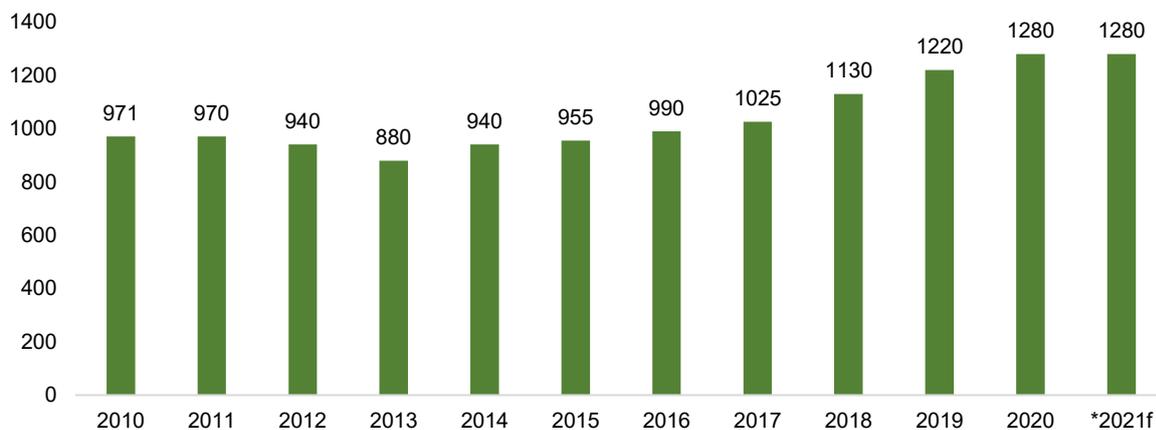


Source: United States Department of Agriculture

The Nigerian palm industry is not structured and is significantly dominated by small-scale famers producing 80% of the total market out while the remaining 20% is shared between the two largest players: Presco and Okomu Oil Palm Company. These famers rely on traditional facilities and approaches in cultivation and harvesting which result in inefficiencies and wastages in the production process. The lack of adequate technology, technical incompetence and trainings resulted in poor management causing them to cease operations. However, there has been going number of backward integrations of major food manufacturer entering the upstream and midstream segments of the industry. In 2018, PZ Wilmar, via a joint venture between PZ Cussons International UK and Wilmar International Ltd Singapore invested over \$650 million in palm oil plantations and processing facilities. The company also planted almost 26,500 hectares of palm oil in Cross river state and installed a 65-ton per hour palm oil mill, which translates to estimated annual capacity of c.40,000 tons. In 2019, Dufil Prima, manufacturers of Indomie noodles and Power oil, finalized acquisition of 17,954 hectares of land in Edo State and a 1,040-hectare palm oil farm in Abia State. Despite recent investments by established and fringe players in the sector, the gap between local supply and consumption bodes well for all players.

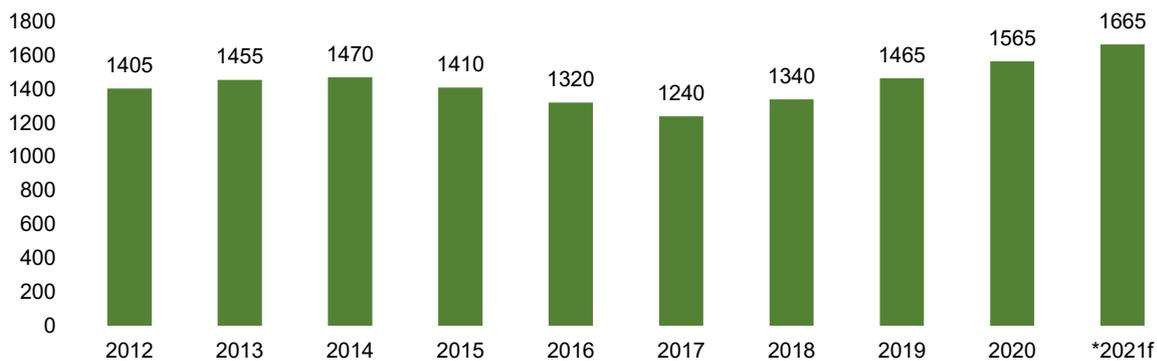
Due to Nigeria’s status as the fifth largest producer of palm oil in the world, as well as the increasing demand owing to growing population, the issue of sustainability is of utmost importance in the palm industry. Palm processing generates three major wastes namely, solid, liquid and gaseous waste. The solid wastes are originated from threshing, pressing and kernel cracking which are burnt thereby, causing air pollution. Aside the air pollution generated, the soil and water quality are also negatively impacted because of the discharge of Palm Oil Mill Effluents (POME) into the soil. This affects the pH level of the soil thus making the soil more acidic and unsuitable for crop cultivation. Furthermore, during the rainy season, the POME becomes a breeding ground for insects and mosquitoes and when discharged into the waterways, it makes the waterways slimy thereby negatively impacting water quality for everyday use and affecting the lives of aquatic organisms.

Palm Oil Production in Nigeria (MT'000)



\*2021f is an estimated figure

Source: United States Department of Agriculture

**Palm Oil Consumption in Nigeria (MT'000)**

*\*2021f is an estimated figure*

*Source: United States Department of Agriculture*

### **Federal and State Governments Initiatives aimed at boosting Oil Palm Production in Nigeria**

In 2020, the Federal Government of Nigeria, through the Federal Ministry of Industry Trade and Investment shared a draft policy which aims at providing a framework to revitalise the oil palm industry in Nigeria. To encourage local production and reduce importation of oil palm, the Federal government imposed a 35% import duty on oil palm importation.

The Edo State Oil Palm Programme (ESOPP), in partnership with other private sector stakeholders, including the Central Bank of Nigeria committed funds to the tune of ₦100 billion for the rejuvenation oil palm production in the state for global competitiveness. Included in the programme also is 45,000 hectares of land allocated to seven companies for the cultivation of oil palm.

The Akwa Ibom State Government in August 2021 announced an aggressive revamping of the state palm oil plantation which cut across three local governments. The plantation currently has 200,000 oil palm trees and a 300,000-capacity nursery for oil palm seedlings. Historically, Akwa Palm plantation had 500 staff in its workforce.

Both ECOWAS Trade Liberalisation Scheme (ETLS) and AfCFTA provide larger markets for Nigeria's producers to access over one billion people in Africa.

### 1. HISTORICAL OVERVIEW

Presko is a public limited liability company incorporated on September 24, 1991 under Nigerian law. It is a subsidiary of Siat SA, a Belgian agro-industrial company specialized in industrial as well as smallholder plantations of tree crops, mainly oil palm and rubber, and allied processing industries such as palm oil mills, palm oil refining / fractionation, soap making and crumb rubber factories. The Company holds the Obaretin Estate (a concession of 6,387 hectares), the Ologbo Estate (a concession of 13,545 hectares), both located in Edo State, the Cowan Estate, a concession of 2,800 hectares in Delta State and a new concession called Sakponba Estate (16,797 hectares. is also located in Edo State. The company's operations are fully integrated with plantations, palm oil mill, palm kernel crushing plant and vegetable oil refining plant. It is the only fully integrated operation in Nigeria.

In 1991, the Government of former Bendel State of Nigeria initiated a programme for the development of oil palm cultivation with the financial support of the World Bank. The state-owned Oil Palm Company Limited (OPC) established Obaretin Estate and planted 1,150 hectares between 1975 and 1980. Siat SA became involved in Presko in 1991, at which time there were 2,700 hectares planted at Obaretin Estate. Under Siat's management, a new expansion programme commenced from 1993 and an additional 3,000 hectares was planted at Obaretin Estate. The total planted area as of 30 April 2021 is 5,408 hectares.

In 1996 Presko acquired the 2,780-hectare Cowan Estate at Ajagbodudu, Delta State, from the Delta State Government-owned Oil Palm Company Limited. The total planted area at 30 April 2021 is 2,370 hectares.

In 2002, Presko acquired 6,000 hectares from the Edo State Government and another 1,500 hectares from other parties making a total of 7,500 hectares in the Ologbo Estate. Other subsequent acquisitions in Ologbo bring the estate to a concession of 13,545 hectares, of which 8,607 hectares have been planted. Presko also became a public company in 2002.

Recently, the Sakponba estate was acquired, 16,797 hectares concession of which 7,247 hectares have been planted. The Presko total planted area amounts to 23,632 hectares as of 30 April 2021. The company's operations are fully integrated with plantations, palm oil mill, palm kernel crushing plant and vegetable oil refining plant. It is the only fully integrated operation in Nigeria.

In a bid to improve capacity and efficiency, Presko recently expanded its palm oil mill capacity from 60MT FFB / hour to 90 MT FFB / hour and a new 350 MT / day palm kernel crushing plant also replaced the prior 60MT / day plant with a new 500MT vegetable oil refining plant added to the existing 100MT / day refining and fractionation plant. Presko is also diversifying into rubber, a move which is at a very early stage. The Company continues to invest in research and development to become a known leader in research and development in the oil palm industry and has invested over N819 million over the past three years.

### 2. BUSINESS OVERVIEW

Presko 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 is a major producer and supplier of specialty oils and fats of outstanding quality and to customers' specifications for industrial use and domestic consumption and guarantees reliable supply all year round due to the fully integrated nature of operations. Produce include Special Palm Oil (SPO), Crude Palm Kernel Oil (CPKO), Refined Bleached Deodorized Oil (RBDO), Olein, Stearin, Palm Fatty Acid Distillate (PFAD), Palm Kernel Cake.

The company today consists of:

- Oil palm plantations of 23,632 hectares of which 22,164 are mature but with an overall average age of 9 years (4-8 years: 8,626Ha; 9-18 years: 5,898Ha; 19-25 years: 3,231Ha; 26-30 years: 839Ha)

- A palm oil mill with a capacity of 90 tonnes fresh fruit bunches/hour
- A refinery plant with a capacity of 500 tonnes/day
- A refinery fractionation plant with a capacity of 105 tonnes/day
- A palm kernel crushing plant with a capacity of 350 tonnes/day

### 3. DESCRIPTION OF PRODUCTS

#### Special Palm Oil

This is a premium grade palm oil with less than 3% free fatty acid (FFA) content, extracted from the mesocarp of palm fruits used for cooking, frying soap, detergent and nutritious supplement.

#### Palm Fatty Acid Distillate (PFAD)

PFAD contains a very high free fatty acid level. It is used for soap, detergents, cooking, frying, salad oil, creams, spreads and mayonnaise.

#### Olein

A light-yellow edible oil obtained from the fractionation of Refined Bleached and Deodorized Palm Oil, which is separated in two fractions by partial crystallization.

#### Crude Palm Kernel Oil (CPKO)

CPKO is a light-yellow crude oil, extracted from the palm kernels, containing mainly lauric acid. It is used in ice cream, margarine, soap, detergent, chocolate and confectionary products.

#### Refined Palm Kernel Oil (RPKO)

It is known as palpita and used in ice cream, margarine, soap, detergent, chocolate and confectionery products.

#### Stearin

Stearin is the solid fraction obtained from the fractionation of Refined Bleached and Deodorized Palm Oil used by the food industry for biscuits, snacks, crisps, chocolate and confectionery products. Its premium grade is known as palma.

#### Refined Bleached and Deodorised Palm Oil (RBDO)

It contains between 0.05% and 0.15% free fatty acid used for cooking, frying, soap, detergent, nutritious supplement and in dairy products.

### 4. PROFILE OF THE DIRECTORS

#### Felix Onwuchekwa Nwabuko

Mr. Felix Onwuchekwa Nwabuko is a chartered accountant and previously worked as a consultant with extensive multi industry, international, and business management experience within a big four audit firm, international industrial group and world class university environments including twenty five years in expert management of leading large scale industrial oil palm plantation and processing enterprises in the Nigerian and Ghanaian oil palm and vegetable oil industry. He is a Fellow of the Institute of Chartered Accountants of Nigeria, Associate of Chartered Institute of Taxation Nigeria, Alumni of Manchester Business School (2008), United Kingdom and University of Benin, Nigeria (1991). He was appointed Group Country Managing Director of Presco PLC with effect from 1st February 2015.

#### Gerald Royle Ray

Mr. Gerald Royle Ray joined Presco PLC on July 24, 2019 as Chief Operating Officer (**COO**) from Siat Nigeria Limited (SNL) where he worked from January 2016 – July 2019 as Chief Operating Officer. Gerald has broad and diverse operational and agriculture background that spans 37 years in South, East and West Africa. His previous roles include General Manager Land Preparation (Golden Veroleum Liberia), General Manager (New Forests Company Rwanda), Director of Operations (Buchanan Renewables Liberia) Harvesting and Transport Manager (Shiselweni Forestry Company Swaziland). Gerald worked for Mondi Ltd over a period of 26 years in which he had various positions. He has completed several acknowledged in-

house management and training courses; he has also attended external courses at Stellenbosch University, Saasveld Forestry Collage, Pretoria Technicon and ICFR.

### **Kenneth William Crockett**

Mr. William Kenneth Crockett is a Global Chartered Management Accountant and Fellow of the Chartered Institute of Management Accountants. He is a former Council Member of the Institute in the Republic of Ireland and former President of the institute's Cork and Kerry region and also a Business graduate from the National University of Ireland, University College, Cork. Prior to joining Presco PLC as Chief Financial Officer he was Financial Director of PW Nigeria LTD, an Irish Civil Engineering, Construction and Mining company based in Nigeria. Prior to that he was Financial Director of Minteq Europe Limited, (a subsidiary of Minerals Technologies Inc.), Manufacturers and Distributors of Refractory Products for the steel industry. His area of responsibility covered Europe, Middle East, Russia, Turkey and South Africa. Before joining Minteq Europe Limited he was Financial Manager of PW Ghana Limited an Irish Mining Civil Engineering and Construction Company. Previous positions include Financial Controller & Company Secretary of Peter France and Manford Clothing Ireland, Group Internal Auditor for O.K.R. Group (Burgerking ), Restaurants in Ireland, Finance and Administration Manager at F.H. Thompson & Sons Limited, Bakers, Ireland and Branch Accountant and Credit Controller at Chadwicks Limited, Builders Merchants, ( Grafton Group PLC), Ireland.

### **Dirk Lambrecht**

Mr. Dirk Lambrecht is currently the Chairman of SIAT SA. He is a lawyer registered with the Brussels Bar in 2001 and the Managing Partner of Praxiislaw Law Firm in Belgium where he has been a Partner since 2012. He studied Law at Catholic University of Leuven, Belgium where he obtained 1st Licentiate Law in 1999, 2nd Licentiate Law in 2000 and 3rd Licentiate Law in 2001. Dirk Lambrecht is specialized and practices real estate law, tenancy law, commercial law, banking law and civil law. His experience includes internship at Deloitte Touche (Tax & Legal, European Law) in 2000, internship at Vergels Advocaten (2001-2004), First Directive-assistant to the President of the Committee of Justice in the Senate (2006-2007) and Partner/Managing Partner at Praxislaw Law Firm (2012 to date). He was Deputy Director of the Trainee School at the Dutch Bar Association, Brussels (2005-2015), Chairman of the Flemish Pleading Association at the Bar of Brussels (2008-2009), Vice Chairman of the Internship Committee at the Dutch Bar Association Brussels (2009-2010), Member of the Council of the Dutch Order of Lawyers Brussels (2009-2012) and Member of the General Assembly of the Order of Flemish Bars (2010-2013).

### **Ingrid Wandewiele**

Mrs. Ingrid Vandewiele was appointed as non-executive director (NED) of Presco PLC on May 22, 2020. For 16 years, she worked in Financial Management within the Siat Group, Belgium. She has contributed to more consistent and drill down accounting by standardization and automatization. Her core skills include; commercial finance in an international environment, cash management, operational efficiency and analyst. Prior to her appointment as non-executive director of Presco PLC; She acquired professional experience in (1), SIAT N.V., Brussels, Belgium; a Belgium agro-industrial company, operational in Western Africa, China, USA and Cambodia in the Palm oil, rubber and ornamental sector as Group Chief Financial Offer; (2) IMPERBEL N.V., Lot, Belgium; Producer of Bituminous, water proofing products mainly for flat roofs; such as membranes ("DERBIGUM") and cold adhesives as an Assistant-Cost controller as CEO Assistant – Cost Controller; (3) SKF International S.A. (Brussels) – Headquarters of Middle East and Africa area as Credit Controller, Overall Accountant Finance Department, and as Assistant Logistic Manager. Her education includes High School at Ten Doorinstituut in Eeklo – majoring in Classic language (Latin) and Mathematics; Masters in Savonic Philology Rijksuniversiteit Gent – Belgium (1988) and Post University Diploma in Business Management VUB (1990)– Belgium.

### **James B. Erhuero**

(Engr.) J.B. Erhuero joined the Board of Presco PLC on 15 July 2004. He was one-time Secretary to the Delta State Government where he previously served as Head of Service. Before he became the Head of Service to the Delta State Government, he was a Permanent Secretary in the defunct Bendel State and Delta State Civil Service in the Ministries of Com & Industry, Finance & Economic Planning & Works & Transport. Engr. Erhuero holds a B.Sc. honours degree in Mechanical Engineering and an MBA from University of Benin (Year). He

also holds a certificate in Industrial Projects' Appraisal from the University of Bradford, UK. Jame is a member of the Nigeria Institute of Policy Strategic Studies, Kuru, Jos, fellow of the Nigerian Institute of Management, and once a member of the Governing Council of the Institute 2009 to 2013. He is a Knight of St. Mulumba (KSM).

### **Aiguobasinmwin Ogie Akenzua**

HRH (Prince) Aiguobasinmwin Ogie Akenzua was appointed a Director of Presco PLC on April 16, 2015. He holds a B.Sc. in Computer Science and Information Technology (2005), Igbinedion University, Okada and MPA, University of Benin, Benin City. He is Enogie of Siluko. He is also a Special Adviser to the Governor of Edo State on Special Duties. He was the Special Adviser to the Executive Governor of Edo State on Youth and Special interests from 2008 to 2012 and the Special Adviser to the Executive Chairman of Ovia South West Local Government Area from 2007 to 2008.

### **Bassey Edem Orok Edem**

Chief Bassey Edem Orok Edem is an administrator, Chartered Accountant and an Agri-Business Magnate. He holds a Diploma in Accountancy from Yaba College of Technology, a Bachelor of Science (B.Sc.) in Accounting from University of Lagos, a Master of Business Administration (MBA) from University of Calabar and a Doctor of Business Administration (DBA) from the London Graduate School of Commonwealth University. He worked with the United Africa Company of Nigerian (UACN) PLC. In November 1979, he was transferred to Pamol (Nigeria) Limited where he was Promoted Managing Director/Chief Executive Officer 1982 and appointed Vice Chairman, MD/CEO. He voluntarily retired in 2006. He was also an Executive Director of Dunlop Nigeria PLC (the parent company of Pamol Nigeria Limited). Chief Edem won the Unilever international Managing Director of the year Award in 1988. He is a fellow of Chartered Association of Certified Accountants UK; Fellow of the Institute of Chartered Secretaries and Administrators UK, Fellow of the Institute of Chartered Accountants of Nigeria and Alumnus of The Lagos Business School (CEP. 1994) and the past President of NACCIMA. He was appointed as a director of Presco PLC on December 6, 2013.

### **Nonye Udo**

Ambassador Nonye Udo is an accomplished career diplomat who represented Nigeria admirably both at home and abroad. Her distinguished service to Nigeria in the Ministry of Foreign Affairs earned her the 2017 Presidential Civil Service Merit Award. At the United Nations Headquarters she was a well-respected expert member of the United Nations revered Advisory Committee on Administrative and Budgetary Questions, the ACABQ. As a female officer in a mostly male dominated field of diplomacy, Ambassador Udo was very sensitive to women empowerment, gender mainstreaming and mentoring of the underprivileged. This was a continuation of her work on Sustainable Development Goals (SDGs) at the United Nations as well as Nigeria's expert to the Committee on Responsibility to Protect (R2P). As a further recognition of her expertise and dedication to service both to humanity in general and Nigeria in particular, she was nominated and served as the first Nigeria female Ambassador to the Kingdom of Belgium, Luxembourg and to the European Union headquarters.

### **Osa Osunde**

Osa Osunde, FCS, FCTI, F.IoD is an alumnus of Auchi Polytechnic with a qualification in Accounting. With vast experience in Capital Market Operations, Banking and Financial Services. Mr. Osunde belong to several professional bodies amongst which are: Fellow, Chartered Institute of Stockbrokers, Fellow, Institute of Administrative Management of Nigeria, Fellow, Chartered Institute of Taxation of Nigeria and Member, Nigeria Institute of Management. As part of his early working experiences, he was Head of Stockbroking with Wintrut Limited, one of the early stockbroking firms in Nigeria based in Lagos at the time before moving to Fidelity Finance Company Limited as the company's pioneer Managing Director/Chief Executive Officer soon after incorporation. He is a graduate of the prestigious New York Institute of Finance, New York, USA in 1992 and has attended several local and international multi-disciplinary courses. A member of New York Stock Exchange, he is also an Authorized Dealer/Clerk of the Nigerian Stock Exchange (NSE) and he was one time a member of Council of The Exchange. He sits on the boards of many quoted and private limited liability companies. Mr. Osunde is currently the Executive Chairman of Fidelity Finance Company Limited. He was appointed as a director of Presco PLC on May 7, 2003. He is widely traveled and happily married.

**Patrick Uwadia**

Patrick Uwadia, Esq. is the Company Secretary. He joined the Company in April, 2013. A Chartered Secretary, PGD, ACIS UK. He has worked for Federal Ministry of Housing, Urban and Environment - Internal Audit, Road Construction Company of Nigeria Limited - Internal Audit, Godfray Konu & Co/Island Nominees Ltd. Company Secretary, Peat, Marwick, Ani, Ogunde & Co/Marina Nominees Limited - Company Secretary, Abdulai Taiwo & Co Ltd – Company Secretary and The Okomu Oil Palm Company PLC - Company Secretary.

**5. KEY PILLARS OF THE BUSINESS****Employment Generation**

Presco is one of the largest employers of labour in Edo and Delta states, with a total of about 7,000 employees. Indirectly, operations positively impact on the livelihoods of many more people through transport contracts, construction contracts, fresh fruit bunches and kernel purchases from farmers, as well as by the company being a large consumer of goods and services.

**Plantation Development**

Presco aspires to maintain a leading position in the oil palm sub-sector of the agro-industry in Nigeria. The company plans to continue its forward-looking vision of plantation expansion through its continuous planting of additional hectares of oil palm plantations and further expansion of its processing facilities. As of 30 April 2021, the total planted area is 23,632 hectares of oil palm plantations.

**Industrial Facilities**

Presco continually invests in facilities to boost production. For instance, the palm oil mill capacity has increased from 60 to 90 tonnes fresh fruit bunches (FFB) / hour. The palm kernel crushing plant operates at 300 tonnes/day. The refinery has been increased to 500 metric tonnes per day and fractionation plant capacity of 105 tonnes/day. The company plans to construct a second palm oil mill in its Sakponba estate within the next four years to cope with its increasing harvest of fresh fruit bunches.

**Community Relations**

Presco aims to create healthy operations and ensure that its presence has positive impact on the lives and social well-being of host communities. More specifically, the company focuses on employment, educational infrastructure provision, road maintenance, scholarship for students, provision of electricity, potable water supply and other essential facilities.

**Environmentally Friendly**

Presco believes in environmentally friendly and sustainable operation. All waste oil from the mill are recycled into the plantation or used as fuel to generate green process steam and electricity. The company is involved in a joint research programme with CIRAD. This research programme focuses on developing criteria for sustainable and environmentally responsible plantation development and management

**6. CAPITAL STRUCTURE**

The capital structure of the Company as at 30 September 2021 is as follows:

S/N	Line Item	Company NGN'000
A)	Cash and cash equivalent	15,018,679
B)	Short term debt	17,293,881
C)	Long term debt	7,935,282
D)	Total shareholders' equity	42,826,889
E)	Guarantees	Nil

## **USE OF PROCEEDS**

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The net proceeds from each issue of the Bonds will be stated in the applicable Pricing Supplement, and may include, amongst other uses, refinancing of existing debt obligations of the Issuer, completion of designated capital projects, working capital and general corporate purposes.

The applicable Pricing Supplement for each Series will specify details of the exact use of proceeds of the Tranche or Series.

# PRESCO PLC

₦34.5 Billion 12.85% Seven-Year Senior Unsecured Fixed Rate Bonds Due 2029  
Under the ₦50 Billion Programme

## A+

**Outlook:** Stable  
**Issue Date:** 30 December 2021  
**Expiry Date:** 30 June 2022

*"This Issue rating is indicative and a final rating will be based on receipt of all duly executed contractual agreements and receipt of an unqualified legal opinion."*

**Issuer's Rating:** A+  
**Issue Date:** 30 December 2021  
**Expiry Date:** 30 June 2022

**Industry:** Oil Palm

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**Analysts:**  
**Bolaji Balogun**  
bolajibalogun@agusto.com

**Isaac Babatunde**  
isaacbabatunde@agusto.com

**Agusto & Co. Limited**  
UBA House (5th Floor)  
57, Marina  
Lagos  
Nigeria  
[www.agustoinfra.com](http://www.agustoinfra.com)

*Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on local currency debt in a timely manner.*

## RATING RATIONALE

Agusto & Co. hereby assigns an indicative "A+" rating to Presco Plc's up to ₦30 billion Seven-Year Senior Unsecured Fixed Rate Bonds Due 2029 (the Issue or the Bond). The assigned rating reflects the credit quality of Presco Plc ("Presco" "the Company" or "the Issuer") evidenced by its good profitability, strong cash flow position, low leverage and a stable, qualified and experienced management team as well as the Issuer's position as one of the top players in the Nigerian Oil Palm Industry. The rating is also upheld by the favourable business fundamentals amid rising demand for oil palm, as well as the strong support it enjoys from the government. However, the rating is constrained by the Company's working capital position that requires improvement in our opinion.

Presco Plc (Presco, "the Company" or "the Issuer") is a fully-integrated agro-industrial company with oil palm plantations in Edo and Delta states. Presco Plc has a diversified portfolio of speciality fats and oil products. The Company is a member of Societed'Investissement pour l'AgricultureTropicale ('SIAT sa') group – a Belgian agro-industrial company specialized in industrial and smallholder plantations of tree crops as well as allied processing industries including palm oil milling, refining in addition to soap making and crumb rubber factories.

Presco Plc issued ₦34.5 billion Seven-Year Senior Unsecured Fixed Rate Bonds due 2029 under its ₦50 billion Bond Issuance Programme by way of an offer for a subscription to qualified investors. The Bonds shall rank pari-passu with the existing obligations of the Issuer and will attract a fixed coupon rate of 12.85% determined through a book-building process payable semi-annually over seven years, while the aggregate principal will be redeemed every six months until maturity in 2029 after the expiration of the moratorium period, which is three years from the issue date.

The Series 1 coupon and principal obligations will be repaid from the operating cash flow of the Issuer. Agusto & Co. has adopted the Issuer's financial forecasts and based on our review, we believe that the projected operating cash flow will be sufficient to repay the interest 10.9 times, while the debt service coverage of 4.1x is good in our view.

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## TAX CONSIDERATIONS

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*The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Bonds issued under this Programme. In particular, it does not constitute a representation by the Issuer or its advisers the tax consequences attaching to a subscription or purchase of Bonds issued under the Programme or applicable to all categories of investors.*

In 2010, Nigeria's taxation landscape underwent a major change as the FGN announced that it would exempt certain taxes on all categories of bonds (including corporate bonds) and short-term government securities such as treasury bills.

In accordance with the provisions of the Personal Income Tax Amendment Act 2011, income and interest earned by an individual from corporate bonds are exempted from PIT, and the exemption granted under this Act is indefinite. By virtue of the CIT Order and VAT Order, corporate bonds and interest earned thereon are exempt from CIT and proceeds from the disposal of corporate bonds are exempt from VAT for the duration of both the CIT Order and VAT Order. These orders both became effective on 2nd January 2012 and are valid for a period of ten (10) years.

In view of the above tax regulations, the Bonds issued under the Programme will be exempt from PIT in perpetuity. However, the Bonds will only be exempt from CIT until 1st January 2022. The exemption on VAT may however continue to apply after 1st January 2022 on account of the provisions of the Finance Act which specifically exempts "securities" from the definition of goods under the VAT Act. On this basis, it is likely that upon the expiration of the VAT Order, disposals of corporate bonds will still be exempt from VAT.

Thus, from the foregoing, and from 2nd January 2022, corporate bondholders holding the Bonds will be subject to CIT on all principal and coupon received under the Bonds. Commissions payable to SEC, NGX and the Depositary in connection with the Bonds shall be subject to VAT.

*The foregoing summary is not a comprehensive summary, and does not constitute advice, on tax to any actual or potential purchaser of Bonds issued under the Programme. In addition, it does not constitute a representation by the Issuer or its advisers on the tax consequences of a subscription or purchase of Bonds issued under the Programme. Any tax consideration that may be relevant to a decision of a person to acquire, hold or dispose of Bonds issued under the Programme and to each actual or potential purchaser of the Bonds may vary. Therefore, any actual or potential purchaser of the Bonds who intends to ascertain its/his/her tax position should seek professional advice from its/his/her preferred professional advisers as to the tax consequences arising from subscribing to or purchasing the Bonds. Neither the Issuer nor its advisers shall be liable to any subscriber or purchaser of the Bonds in any manner for placing reliance upon the contents of the above summary.*

## STATUTORY AND GENERAL INFORMATION

### 1. AUTHORISATION OF THE PROGRAMME

At the meeting of the Board of Directors held on 28 July 2021, the Board approved the establishment of a ₦50,000,000,000 Bond Issuance Programme by the Issuer and the issuance of Bonds thereunder.

### 2. INCORPORATION AND SHARE CAPITAL HISTORY OF THE ISSUER

Date issued	Authorised Share Capital			Issued Share Capital			Consideration
	Number of Shares'000	Increase N'000	Cumulative N'000	Number of Shares'000	Increase N'000	Cumulative N'000	
1991	50,000	50,000	50,000	50,000	50,000	50,000	Cash
1994	50,000	50,000	100,000	50,000	50,000	100,000	Cash
1996	130,000	30,000	130,000	100,000	-	100,000	
1998	130,000	-	130,000	130,000	30,000	130,000	Conversion of Debt to Equity
1999	260,000		130,000	260,000		130,000	Conversion of share ₦1 to 50K
2001	500,000	120,000	250,000	300,000	20,000	150,000	Conversion of Debt to Equity
2002	500,000	-	250,000		100,000	250,000	Initial Public Offering
2008	1,000,000	250,000	500,000	1,000,000	250,000	500,000	Bonus (1 for 1)
2014	1,100,000	50,000	550,000	1,000,000		500,000	

### 3. SHARE CAPITAL AND SHAREHOLDING STRUCTURE OF THE ISSUER

The issued share capital of the Issuer evidenced by the Status report from CAC is 1,000,000,000 ordinary shares of ₦0.50 each.

As of 30 September 2021, the ordinary shares in the issued share capital of Presco were held as follows:

S/N	Name of Shareholders	Holdings	% of holdings
1	Siat SA	600,000,000	60.00%
2	ZPC / SIPML RSA Fund II-Main A/C	71,788,718	7.18%

Except as stated above, no other shareholder holds more than 5% of the issued share capital of the Company.

### 4. DIRECTORS' BENEFICIAL INTERESTS

The interests of the Directors in the issued share capital of the Issuer as recorded in the register of directors' interests or as notified by them for the purpose of section 301(1) of CAMA as at 30 September 2021 are as follows:

S/N	Name of Director	Units (Direct)	Units (Indirect)
1	Felix Nwabuko	250	5,768
2	Gerald Ray	Nil	Nil
3	William Kenneth Crockett	56,242	Nil
4	Dirk Lambrecht	Nil	Nil
5	Ingrid Vandewiele	Nil	Nil
6	James Erhuero	624,000	Nil
7	Aiguobasinmwin Akenzua	Nil	Nil
8	Bassey E.O Edem	50,000	Nil
9	Nonye Udo	Nil	Nil
10	Osa Osunde	1,000	Nil

### 5. INDEBTEDNESS OF THE ISSUER

As at 30 September 2021, total indebtedness of the Company was ₦25.2 billion. Details of the indebtedness and others at the time of issuance of any Bonds under the Programme will be disclosed in the applicable Pricing Supplement to that particular series of Bonds.

### 6. SUBSIDIARIES, ASSOCIATED COMPANIES AND INVESTMENTS

As at the date of this Shelf Prospectus, the associated companies of the Issuer are:

## STATUTORY AND GENERAL INFORMATION

S/N	Names	Classification	%Shareholding
1	SIAT Nigeria Limited	Sister Company	Nil
2	SIAT Gabon	Sister Company	Nil
3	Ghana Oil Palm Development	Sister Company	Nil
4	Company (GOPDC) Limited	Sister Company	Nil
5	Siat Cambodia	Sister Company	Nil
6	Compagnie Heveicole de Cavally	Sister Company	Nil
7	Swift Rubber	Sister Company	Nil

### 7. CLAIMS AND LITIGATION

The opinion of the Solicitors to the Transaction, in connection with the issuance of the Series 1 Bonds by the Issuer is set out below:

“For the purpose of issuing our opinion on the claims and litigation, we requested for information in respect of all outstanding litigation involving the Issuer (the **Litigation Portfolio**). Further to our request, we were provided with case files, a schedule of litigations involving the Issuer (the **Litigation Schedule**), showing a summary of cases involving the Issuer (the **Litigation Summary**), in the Nigerian courts and supplemental lists, detailing the status of the cases (the **Status Update**).

From our review, the Litigation Portfolio comprises twenty-four (24) cases, in respect of which we note that (a) there are eighteen (18) cases involving claims for declaration of title to land (**Land Matters**); (b) four (4) cases relate to employment disputes in respect of employees dismissed by the Issuer; (c) one (1) case involves the enforcement of fundamental human rights against the Issuer for alleged violations of fundamental human rights; while (d) one (1) case relates to an alleged breach of contract. These cases are at various stages of hearing in various courts.

Based on our review, we note that the total amount claimed against the Issuer in the cases comprising the Litigation Portfolio is ₦13,029,754,880 (Thirteen billion, twenty-nine million, seven hundred and fifty-four thousand, eighty hundred and eighty Naira) (**Material Contingent Liability Amount**). As these claims are at various stages, it is difficult to determine the likelihood of success of the claims or the position that the courts may take on same. Nonetheless, in our opinion, any adverse decision in respect of any of the cases comprising the Litigation Portfolio is unlikely to have an adverse effect on the Transaction”.

### 8. OFF BALANCE SHEET ITEMS

As of 30 September 2021, the Issuer had no off-balance sheet items other than in the ordinary course of business.

### 9. COSTS AND EXPENSES

Costs and expenses in respect of any issuance of Bonds under this Programme shall be payable by the Issuer and shall be disclosed in the applicable Pricing Supplement relating to the Bonds being issued.

### 10. MATERIAL CONTRACTS

The following agreement has been entered into by the Issuer and are considered material to the Programme:

A Programme Trust Deed dated 05 April 2022 between the Issuer and Stanbic IBTC Trustee Limited (as Trustee) in connection with the establishment of the Programme;

Other than as stated above, the Issuer has not entered any material contract except in the ordinary course of business.

Other material contracts in respect of any issuance of Bonds under the Programme will be disclosed in the applicable Pricing Supplement in respect of that Series of Bonds.

### 11. EXTRACTS FROM THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The following are the relevant extracts from the Issuer's Memorandum and Articles of Association:

#### **Memorandum of Association**

(xii) To borrow or raise money for the purpose of the Company and for that purpose to mortgage otherwise charge the whole or any part of the Company's undertaking, property and assets including the uncalled capital of the Company.

(xiv) To borrow and raise money and secure or discharge any debt or obligations or bound the Company in such manner as may be thought fit, and in particular by mortgages of or charges upon the undertaking and all or any of the real and personal property (present and future) and the uncalled capital of the Company and by the creation and issue of debentures, debenture stock or other obligation or securities of any description.

#### **Articles of Association**

94. The Directors may exercise all the powers of the Company any time to borrow or raise for the purpose of the Company such sums of money and at such rates of interest, in any form or manner for any amount, as the Directors may think proper and may secure the repayment of such moneys or any other money which the Company may be liable to pay, by mortgage or by charge of Debentures of Debenture Stock, perpetual or otherwise, forming a charge upon the whole or any part of the property, assets or undertaking of the Company, both present and future including its unpaid or uncalled capital for the time being, in such manner and upon such terms and conditions and with such security as the Directors shall determine.

### 12. EXTRACTS FROM THE PROGRAMME TRUST DEED

The following are extracts from the Programme Trust Deed dated 05 April 2022

#### **2. APPOINTMENT OF TRUSTEE**

2.1 The Issuer hereby appoints the Trustee, and the Trustee hereby agrees and accepts to act as Trustee for the benefit of Bondholders, to hold the benefit of the covenants and other obligations on the part of the Issuer herein contained on behalf of the Bondholders and itself (in accordance with the terms of this Deed). The Trustee hereby agree to act as trustees for the benefit of the Bondholders on the terms and conditions in this Trust Deed.

2.2 All sums received by the Trustee in respect of the Bonds or amounts payable under this Deed shall be received by the Trustee on trust to apply same in accordance with the rights of each Bondholder as set out in this Deed and the relevant Series Trust Deed.

#### **3. DECLARATION OF TRUST**

##### **3.1 The Trustee**

The Trustee hereby declares itself as trustee for the Bondholders with effect from the date of this Deed to hold the benefit of the covenants, rights and other obligations on the part of the Issuer herein contained on trust for the Bondholders and itself according to theirs' and the respective interests of the Bondholders, subject to the terms and conditions of this Deed.

##### **3.2 Duration of Trust**

The Trust created by this Deed shall remain in full force and effect until the date on which, following the redemption of all Bonds issued pursuant to the Programme and receipt by the Trustee of unconditional confirmation in writing from the Registrar that the Bondholders have been paid all outstanding obligations, the Issuer receives an unconditional release in writing from the Trustee from all of its obligations under this Deed. For the avoidance of doubt, the Parties to this Deed agree that the common law rules against perpetuities will apply to this Deed.

### 4. THE TRUST DEED BINDING ON ALL PARTIES

The provisions of this Deed shall be binding on the Issuer, the Trustee and the Bondholders and all persons claiming through them respectively as if such Bondholders and persons are Parties to this Deed. Subject to clause 18 of this Trust Deed, a bondholder who feels dissatisfied can personally initiate a legal action to enforce his rights under this Deed irrespective of the legal duty of the Trustees to take such legal action.

### 7. COVENANTS OF THE ISSUER

#### 7.1 Covenant of Compliance

The Issuer hereby covenants with the Trustees that it shall comply with and perform all the provisions of this Deed which are binding on it. The Conditions shall be binding on the Issuer, Trustee and Bondholders. The Trustee shall be entitled to enforce the obligations of the Issuer under the Bonds as if the same were set out and contained in the Trust Deed, which shall be read and construed as one document with the Bonds. The Trustee shall hold the benefit of this covenant upon trust for themselves and the Bondholders according to their respective interests.

#### 7.2 Covenant to Repay and to Pay Coupon on the Bonds

7.2.1 The size of the Bonds under the Programme is limited to the Aggregate Principal Amount and the aggregate principal amount of the Bonds of each Series is limited to the amount specified in the Series Trust Deed(s) in respect of such Series.

7.2.2 The Issuer hereby acknowledges that, to the extent that any such Bonds are constituted under the relevant Series Trust Deed and are issued, it will be indebted to the Bondholders in an aggregate Principal Amount specified in the Series Trust Deed(s) in respect of such Series. The Issuer covenants with and undertakes to the Trustee that the Bonds, to the extent constituted and issued, shall be redeemed together with any outstanding Coupon and other moneys on the Redemption Date (or earlier on an amortised basis) provided for in the relevant Series Trust Deed or such earlier date as the same or any part thereof may become due and repayable thereunder. As and when the Bond or any part thereof ought to be redeemed or repaid in accordance with the provisions of the relevant Series Trust Deed, the Issuer shall pay or procure to be paid to or to the order of the Trustee in immediately available funds, the full Principal Amount of the Bond or as the case may be such part of the Bond as ought to be redeemed on that date together with such premiums (if any) thereon as may be payable, and shall in the meantime and until such date (both before and after any judgment or other order of a court of competent jurisdiction) pay or procure to be paid unconditionally to or to the order of the Trustee as aforesaid, Coupon (as provided in the relevant Series Trust Deed) on the principal amount of the Bonds.

7.2.3 In any case where payment is not made to the Trustee on or before the due date or improperly withheld or refused by the Issuer, the Coupon shall continue to accrue on the Principal Amount Outstanding of the Bonds so withheld or refused (both before and after any judgment or order of a court of competent jurisdiction) at the Coupon Rate up to and including the date on which the Trustee determines to be the date on and after which payment is made to the Bondholders.

7.2.4 Every payment of principal and or Coupon on the Bonds shall be made free of all costs, commissions, charges, fees, or other payments or deductions, other than any tax on income which the Issuer may by any Applicable Laws be required to deduct.

#### 7.3 Authorisations

7.3.1 The Issuer shall obtain, make and keep in full force and effect all authorisations that may be required for the validity and enforceability of the Programme Documents against the Issuer.

7.3.2 The Issuer shall at all times execute all such further documents and perform all acts and things as may be reasonably necessary at any time or times in the reasonable

## STATUTORY AND GENERAL INFORMATION

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opinion of the Trustee for the purpose of discharging its functions under, or giving effect to, this Deed.

### 7.4 Compliance with Laws

The Issuer shall comply in all respects with all Applicable Laws, permits, and licences to which it may be subject and which in each case are material to its business and its obligations under the Programme Documents for as long as any Bonds are outstanding under the Programme, and shall obtain and maintain such permits and licences except where such non-compliance will not result in a Material Adverse Effect on its business or its obligations under the Programme Documents.

### 7.5 Financial Statements and Covenants

7.5.1 The Issuer shall furnish the Trustee with a copy of the financial statement on its quarterly performance within ten (10) Business Days of sending the financial statement to the Commission and Exchange.

7.5.2 The Issuer shall furnish the Trustee with at least 5 (five) copies of its audited financial statements, including its balance sheet as at the close of each fiscal year and its profit and loss account and statement of cashflows for that fiscal year, prepared in accordance with IFRS and is concurred to by the Auditors as giving a true and fair representation of the financial condition of the Issuer as at the close of each fiscal year, at the same time as such statements are being sent to its ordinary shareholders.

### 7.6 Ranking

The ranking of the Issuer's payment obligation in respect of the Bonds (principal and Coupon) shall be as specified in the applicable Series Trust Deed and/or Pricing Supplement.

### 7.7 Mergers and other arrangements

The Issuer shall not, for as long as any Bonds remain outstanding and, without the prior written consent of the Trustee (such consent not to be unreasonably withheld, in so far as the Trustee is of the opinion that the interests of the Bondholders would not be jeopardised in any material way), enter into any amalgamation, de-merger, merger, consolidation or corporate reconstruction, if such amalgamation, de-merger, merger, consolidation or corporate reconstruction would have a Material Adverse Effect, unless:

7.7.1 the Issuer shall be the continuing person, or the successor person (as a result of such amalgamation, de-merger, merger, consolidation or corporate reconstruction), shall continue to be a company incorporated and validly existing under the laws of Nigeria, and shall assume all of the obligations of the Issuer under the Trust Deed by way of a supplemental trust deed to this Deed in form and substance satisfactory to the Trustee;

7.7.2 immediately before and after giving effect to such amalgamation, de-merger, merger, consolidation or corporate reconstruction no Potential Event of Default or Event of Default shall have occurred and be continuing;

7.7.3 a Rating Reaffirmation is obtained in respect of such merger or consolidation or transfer of assets, as the case may be; and

7.7.4 the Issuer or such successor person, as the case may be, shall have delivered to the Trustee (a) an opinion of independent legal adviser(s) of recognised standing, stating that the amalgamation, de-merger, merger, consolidation or corporate reconstruction complies with the provisions of subparagraph (i) above and (b) a certificate signed by 2 (two) of its Directors stating that the amalgamation, de-merger, merger, consolidation or corporate reconstruction complies with the provisions of subparagraphs 7.6 and 7.7.2 above.

### 7.8 Share Capital and other matters

The Issuer shall not change or amend its constitutional documents being the Memorandum and

## STATUTORY AND GENERAL INFORMATION

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Articles of Association in a manner that would adversely affect its ability or obligation to pay principal and/or coupon on the Bonds issued under this Deed or the Programme and/or any moneys payable under this Deed unless the written consent of the Trustee is first obtained, which consent shall not be unreasonably withheld.

### 7.9 **Auditors**

The Issuer shall retain a reputable firm of auditors as its auditors at all times.

### 7.10 **Taxation**

The Issuer shall duly and punctually pay and discharge all Taxes (a) for which it reasonably believes it is liable pursuant to any self-assessment procedure and (b) assessed upon it or its assets under any Applicable Law within the period allowed without incurring penalties, except solely, in the case of (b), to the extent that:

7.10.1 such payment is being contested in good faith;

7.10.2 adequate reserves are being maintained for those Taxes and any interest or penalties; and

7.10.3 such payment can be lawfully withheld.

### 7.11 **Statutory Payments**

The Issuer shall pay all stamp duties or other taxes imposed by any Authority upon or in connection with the issue and subscription of the Bonds and the execution and delivery of the Programme Documents. The Issuer shall also indemnify the Trustee and the Bondholders from and against all stamp or other taxes paid by any of them in connection with any action taken by or on behalf of the Trustee in relation to the Bonds or, as the case may be, the Bondholders to enforce the Issuer's obligations under this Trust Deed or the Bonds.

### 7.12 **Legal Status**

The Issuer shall ensure that it maintains its legal status and ensure that it complies with all Applicable Laws required to maintain such status.

### 7.13 **Information - Miscellaneous**

The Issuer shall ensure that information that has been or will be made available to the Bondholders, or the Trustee, by the Issuer or any director, officer, employee, or representative of the Issuer in connection with the transactions contemplated herein shall:

7.13.1 be complete and correct in all material respects; and

7.13.2 not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein misleading in light of the circumstances under which such statements were or are made.

### 7.14 **Proper Books of Account**

The Issuer shall keep proper books of account and make true and proper entries therein and, at any time after an Event of Default or Potential Event of Default has occurred or if the Trustee reasonably believes that an Event of Default or Potential Event of Default may have occurred or may be about to occur, allow the Trustee and the Issuer's Auditors free access to such books of account at all reasonable times during normal business hours.

### 7.15 **Consent for Divestment**

The Issuer shall not, for as long as any Bonds remain outstanding and, without the prior written consent of the Trustee (such consent not to be unreasonably withheld), divest any of its majority interest in any of its subsidiaries.

## **STATUTORY AND GENERAL INFORMATION**

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### **7.16 Establishment of a Debt Service Reserve Account**

The Issuer may establish a Debt Service Reserve Account in a manner as may be provided for under the Pricing Supplement and the relevant Series Trust Deed.

### **7.17 Restricted Payments**

The Issuer shall not declare or pay any dividend in cash or otherwise or make a distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital if an Event of Default or a Potential Event of Default has occurred and is continuing.

### **7.18 Additional Covenants**

The Issuer further covenants to the Trustee that it shall:

- 7.18.1 use its best endeavours to maintain the quotation or listing of the Bonds on the Exchange on which the Bonds are quoted or listed or, if it is unable to do so having used such endeavours, use its best endeavours to obtain and maintain a quotation or listing of such Bonds on the Exchange or securities market or markets as the Issuer may decide and also upon obtaining a quotation or listing of such Bonds issued by it on the Exchange or securities market or markets enter into a deed supplemental to this Trust Deed or the relevant Series Trust Deed to effect such consequential amendments as the Trustee may require or as shall be requisite to comply with the requirements of the Exchange or securities market. Provided that the Issuer shall not delist the Bonds from any Exchange without the prior approval of the Majority Bondholders;
- 7.18.2 provide to the Trustee all such documents and information as the Trustee may reasonably require in connection with the performance by the Trustee of its obligations under this Deed within 15 (fifteen) Business Days of receipt of a written request from the Trustee or, in the event that the Issuer may require a longer period to obtain such documents or information from third parties as soon as is reasonably practicable after such request and in any event by such longer period as may be agreed with the Trustee in writing; and
- 7.18.3 on written request, issue to the Trustee in each year in which any part of the Principal Amount and any Coupon accrued thereon remains outstanding a certificate stating that;
  - 7.18.3.1 all arrangements required during the next financial year to meet payment obligations of the Issuer have been put in place by the Issuer; and
  - 7.18.3.2 to the best of its knowledge, the Issuer is not aware of any facts or unforeseen circumstances in its ordinary course of business that will affect its ability to meet its payments obligations as and when due.

## **10. REPRESENTATIONS AND WARRANTIES OF THE PARTIES**

### **10.1 Representations and warranties of the Issuer**

The Issuer hereby undertakes, represents and warrants to the Trustee that, as of the date of this Deed and to the Trustee and the Bondholders of the relevant Series as at the Closing Date and Coupon Payment Date of any Series of the Bonds, that:

- 10.1.1 it is a public limited liability company duly incorporated under Nigerian law and has full power and authority, and has obtained all governmental licences, authorisations, consents and approvals, to enter into, execute, deliver and perform its obligations under the Programme Documents;
- 10.1.2 its execution and delivery of the Programme Documents, the issuance of the Bonds and its performance thereunder:

## STATUTORY AND GENERAL INFORMATION

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- 10.1.2.1 have been duly authorised by all necessary corporate action (including any necessary shareholder or similar action);
  - 10.1.2.2 will not contravene any Applicable Law;
  - 10.1.2.3 will not contravene or constitute a default under any contractual obligation, judgment, injunction, order or decree binding upon it or its assets; and
  - 10.1.2.4 will not contravene other agreements and any of the provisions of the Issuer's constitutional documents;
- 10.1.3 each of the documents required to be executed and delivered in connection with the issue of the Bonds have been or will be duly executed and delivered by it and (with respect to any Bond, upon its authentication and delivery by the Trustee) constitutes its legal, valid and binding obligation, enforceable against it (subject to corporate insolvency and similar exceptions) in accordance with its terms;
- 10.1.4 it is in material compliance with all Applicable Laws in relation to its obligations under the Programme;
- 10.1.5 it has obtained and, to the extent that it has not obtained, will obtain the required registration necessary for the issuance of the Bonds;
- 10.1.6 neither the Issuer nor any of its assets has any right of immunity on the ground of sovereignty or otherwise, from the jurisdiction, attachment (before or after judgment) or execution in respect of any action or proceeding relating in any way to the Programme Documents that may be brought in the courts of the Federal Republic of Nigeria or any relevant jurisdiction and where any such right is conveyed while the Bonds are outstanding, the Issuer hereby waives such right;
- 10.1.7 the obligations of the Issuer under the Programme Documents are direct, general and unconditional obligations of the Issuer and rank at least pari passu with all other present and future unsecured and unsubordinated Financial Indebtedness, if any, of the Issuer;
- 10.1.8 that it is neither unable nor has it admitted to an inability to pay its debts as they fall due and has not suspended making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commenced negotiations with one or more of its creditors with a view to rescheduling any of its Financial Indebtedness;
- 10.1.9 no Moratorium has been declared in respect of any of its current Financial Indebtedness;
- 10.1.10 the value of its assets is not less than its actual liabilities;
- 10.1.11 save as may be otherwise disclosed in the applicable Pricing Supplement, no litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if determined, might reasonably be expected to have a Material Adverse Effect has (to the best of its knowledge and belief) been started or threatened against it or any of its assets; and
- 10.1.12 That all the information in the Programme Documents and any other document(s) that has been or will hereafter be made available to the Bondholders by the Issuer or any director, officer, employee or representative of the Issuer in connection with the transactions contemplated herein is, and will at all times be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or

are made.

### 10.2 Representations and warranties of the Trustee

The Trustee hereby undertakes, represents and warrants to the Issuer that, as of the date of this Deed and as at the Closing Date of any Series of the Bonds:

- 10.2.1 it is a company duly registered under the laws of the Federal Republic of Nigeria;
- 10.2.2 it is duly registered and authorised by the Commission to act as a trustee in connection with capital market transactions;
- 10.2.3 it has full power and authority to enter into this Deed and to exercise its rights and perform its obligations hereunder and has obtained all authorisations and consents necessary for it to enter, exercise rights and perform obligations under this Deed and such authorisations and consent are in full force and effect;
- 10.2.4 it has the resources, capacity and expertise to act on behalf of the Bondholders;
- 10.2.5 the obligations expressed to be assumed by it under this Deed are legal and valid obligations binding on it in accordance with their terms and it shall comply with the provisions of the ISA, SEC Rules, the Trustee Investments Act, and this Deed and the relevant Series Trust Deed, in the performance of its obligations;
- 10.2.6 it shall provide any information that the Commission or the Issuer may require in connection with its obligation to act on behalf of the Bondholders;
- 10.2.7 it shall not allow any conflicts to occur between its obligations in connection with the Bonds and its commercial interests;
- 10.2.8 it shall not delegate its duties, except as permitted by the Deed;
- 10.2.9 it does not have any subsisting and undisclosed fiduciary relationship with the Issuer; and
- 10.2.10 it shall comply with its obligations under this Deed.

### 11. ENFORCEMENT

The rights and duties of the Trustee, and the rights and duties of the Bondholders, in respect of the Bonds as to recovery of amounts owing on the Bonds and the Coupons are set out in Condition 19 (*Events of Default*) of the First Schedule.

### 15. METHOD OF PAYMENT OF PRINCIPAL MONEY, COUPON AND PREMIUM

- 15.1 Payment of principal, Coupon and premium (if any) for the time being owing or due on all or any part of the Bond will be credited to the bank account nominated for this purpose by a Bondholder (or in the case of joint registered Bondholders, by the joint Bondholders) or any other method as the Trustee may determine.
- 15.2 Without prejudice to the provisions of the Conditions attaching to the Bonds referred to in the First Schedule, the receipt by each Bondholder or in the case of joint Bondholders by any one of such joint Bondholders of any principal or interest payable in respect of the Bond held by such Bondholder or joint Bondholders shall constitute a discharge of the payment obligations of the Issuer to pay such principal or Coupon.

### 19. POWERS, DUTIES, RELIEFS AND INDEMNITIES OF TRUSTEE

- 19.1 The Trustee shall enjoy all powers, reliefs and indemnities granted to trustees pursuant to all applicable laws for the time being in force.

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- 19.2 The Trustee shall have the power to do any act in accordance with this Deed, the relevant Series Trust Deed, the ISA, SEC Rules and any Applicable Law which shall be on behalf of and for the benefit of the Bondholders.
- 19.3 The Trustee shall have the following duties and responsibilities:
- 19.3.1 safeguard the rights of the Bondholders for the Issuer's obligations under the Programme;
  - 19.3.2 to summon, as and when necessary, meetings of all Bondholders of a Series or Tranche where a statement of affairs on the management of any funds on behalf of the Bondholders shall be presented and/or any other necessary business and or matter shall be presented and determined. A meeting shall be convened by the giving of at least 28 (twenty-eight) clear days' written notice to all Bondholders (specifying the agenda at the meeting), and the said notice may also be published in at least 2 (two) national newspapers. The procedure of and regulations for such a meeting of the Bondholders shall be in accordance with the Second Schedule to this Deed;
  - 19.3.3 not to enter into contracts or other arrangements that would amount to a conflict of interest in the performance of its obligations under this Deed, or any other customary obligations of a trustee; and
  - 19.3.4 to comply with its fiduciary duties owed to the Bondholders under this Deed and Applicable Laws, including:
    - 19.3.4.1 to manage the trust property (where applicable) in a prudent manner;
    - 19.3.4.2 to act for the benefit of the Bondholders in the management of the trust property (where applicable) and not to let its duties and that owed to the Bondholders conflict;
    - 19.3.4.3 to ensure that the property (where applicable) is vested according to the terms of the trust herein established;
    - 19.3.4.4 to act honestly, prudently and in good faith in the performance of its duties and to exercise all due care, skill, diligence, and vigilance in carrying out its functions and duties as trustee and in safeguarding the rights and interests of the Bondholders;
    - 19.3.4.5 to clearly identify the property which are held on trust for the Bondholders;
    - 19.3.4.6 not to commingle its funds with those of the trust;
    - 19.3.4.7 to segregate its assets from the trust property and any other trust administered by the Trustee;
    - 19.3.4.8 not to deal with any of the trust assets except in accordance with the provisions of this Trust Deed, the ISA and the SEC Rules; and
    - 19.3.4.9 to act impartially and solely in the best interest of all Bondholders.
- 19.4 The Trustee acting through its specified office shall make payments of Coupon and principal in respect of the Bonds in accordance with the Conditions and this Trust Deed and for so long as the Bonds are evidenced by records confirmed by the Registrar.
- 19.5 The Trustee shall not make any payment of Coupon or principal in respect of any Series of the Bonds in an amount which is greater than the amount of Coupon or principal payable in accordance with the Conditions in respect of such Series of Bonds and determined or calculated by the Trustee.

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- 19.6 Prior to an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the Trustee shall not be liable except for the performance of such duties as specifically set down in this Deed.
- 19.7 The Trustee shall make available for inspection by Bondholders at its specified office, copies of this Deed, the relevant Series Trust Deed and the latest consolidated audited accounts of the Issuer.
- 19.8 The Trustee shall have no liability for any act or omission to act hereunder, or under any other instrument or document executed pursuant hereto except for the Trustee's negligence, fraud, willful default and misconduct.
- 19.9 The duties and obligations of the Trustee shall be determined solely by the express provisions hereof, and no implied powers, duties or obligations of the Trustee, save as mandated by the ISA or any other Applicable Law, shall be construed into this Deed.
- 19.10 Upon the occurrence of an Event of Default, the Trustee shall, subject to the provisions of this Deed, exercise such rights and utilise such powers vested in it under this Deed, and the ISA, and shall use the required degree of care and skill in the exercise of its duties.
- 19.11 The Trustee shall not be required to expend or risk its own funds or otherwise incur any liability in the performance of its duties or in the exercise of its rights or powers as Trustee, except such liability as may result from its negligence, wilful default and/or misconduct.
- 19.12 Notwithstanding any other provisions hereof, the Trustee shall have no liability for (a) an error of judgment made in good faith by an officer or employee of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts or (b) action taken or omitted to be taken by it in good faith in accordance with the lawful direction of the Majority Bondholders.
- 19.13 It is hereby expressly agreed and declared as follows:
- 19.13.1 the Trustee may in relation to this Deed act on the opinion or advice of, or any information from any solicitor, valuer, surveyor, broker, auctioneer, accountant, or other expert, whether obtained by the Issuer or by the Trustee or otherwise, and shall not be responsible for any loss occasioned by so acting provided that it has used its best efforts to ensure that such persons are competent; and any such advice, opinion or information may be obtained or sent by letter, or, electronic mail, and the Trustee shall not be liable for acting on any advice, opinion or information purporting to be so conveyed even though the same shall contain some error;
- 19.13.2 the Issuer shall bear the fees and reasonable costs and expenses incurred by the Trustee in the appointment of any solicitor, valuer, surveyor, broker, auctioneer, accountant or any other agent, expert or professional in respect of the trust and agreed in advance in writing by the Issuer. The Issuer hereby agrees to pay to the Trustee such fees and expenses within 14 (fourteen) days on a full indemnity basis together with any VAT or similar tax payable in respect thereof in connection with the engagement of any such agent, expert or professional upon receipt of the Trustee's written request;
- 19.13.3 the Trustee shall not be bound to give notice to any person or persons of the execution of this Deed or of any acts or deeds made or done by virtue of this Deed or to see to the registration of this Deed in any registry or to any other formalities (except to the due execution by it of this Deed) in connection herewith;
- 19.13.4 save as herein otherwise provided, the Trustee shall not be bound to take any steps to ascertain whether any event has happened upon the occurrence of which the Bonds may be declared immediately repayable;
- 19.13.5 save as herein otherwise expressly provided, the Trustee shall, as regards all trusts, powers, authorities and discretions hereby vested in it, have absolute

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- and uncontrolled discretion as to the exercise thereof, and in the absence of fraud, negligence, or misconduct, shall not be responsible for any loss, costs, damages, expenses or inconvenience that may result from the exercise or non-exercise thereof, and in particular, the Trustee shall not be bound to act at the request or discretion of the Bondholders under any provision of this Deed unless the Trustee shall first be indemnified to its satisfaction by the Bondholders against all costs, charges, expenses and liability which may be incurred in complying with such request;
- 19.13.6 the Trustee shall not be responsible for the monies subscribed by applicants for the Bonds or be bound to see to the application thereof;
- 19.13.7 the Trustee shall be at liberty to accept:
- 19.13.7.1 a certificate signed by any two (2) Directors as to any fact or matter on which the Trustee may need or wish to be satisfied as sufficient evidence of such fact or matter including the certification that any properties or assets in the opinion of such people have a particular value or produce a particular income or are suitable for the Issuer's purposes as sufficient evidence that they have that value or produce a particular income or are so suitable; and
- 19.13.7.2 the Trustee shall not be bound in such case to call for further evidence or be responsible for any loss that may be occasioned by its failing to do so or by its acting on any such certificate;
- 19.13.8 the Trustee shall not be responsible for having acted upon any resolution purporting to have been passed at any meeting of the Bondholders in respect whereof minutes have been made and signed, even though it may subsequently be found that there was some defect in the constitution of the meeting or the passing of the resolution with the effect that the resolution was not valid or binding upon the Bondholders except where the Trustee had actual knowledge of such defect prior to taking such action;
- 19.13.9 the Trustee shall not be bound to declare any Series of the Bonds immediately repayable or to take any steps to enforce payment thereof or any of the provisions of this Deed unless and until in any of such cases the Trustee is required to do so in writing by Majority Bondholders or by an Extraordinary Resolution passed at a duly convened meeting of the Bondholders; provided that the Trustee shall in any case inform the Bondholders of the happening of any Event of Default that comes to its knowledge;
- 19.13.10 without prejudice to the right of indemnity by law given to the Trustee and every attorney, manager, agent or other person appointed by it hereunder, (the "Indemnified Persons") the Trustee shall be entitled to be indemnified by the Issuer in respect of all liabilities and expenses incurred by the Indemnified Persons in the execution or purported execution of the powers and trusts hereof or of any powers, authorities or discretions vested in it pursuant to this Deed; provided that the Trustee, the attorney, agent or manager or other person appointed by the Trustee have not acted fraudulently, negligently or in default of its powers, duty and obligations, and the Trustee may retain and pay out of any monies in its hands upon the trusts of these, the amount of any such liabilities and expenses and also the remuneration of the Trustee as hereinbefore provided; and
- 19.13.11 the Trustee shall not be liable for any thing save only a breach of trust committed by it, PROVIDED NEVERTHELESS that nothing contained in this Clause 19 shall exempt the Trustee from indemnifying the Issuer or Bondholders against any liability for negligence, wilful misconduct or breach of trust where the Trustee fails to show the degree of care and diligence required of them having regard to the provisions hereof conferring on them powers, authorities or discretions.

**25. APPOINTMENT, REMUNERATION AND REMOVAL OF TRUSTEE**

- 25.1 Subject to the notification and approval of the Commission, the power to appoint a new trustee hereof shall, for so long as any of the Bonds is outstanding, be vested in the Issuer but no person shall be appointed who shall not previously have been approved by an Ordinary Resolution of the Bondholders for the time being which Bondholders shall in addition have power at any time by an Extraordinary Resolution to remove from office any trustee appointed pursuant to this Deed. Provided that the Bondholders can only move to remove the appointed trustee when the trustee is in breach of its representations and warranties in Clause 10.2 of this Deed, as well as in the case of negligence, default, breach of duty or breach of trust in relation to its duties as provided in Clause 19 of this Trust Deed. A removal of the Trustee shall not be effective until the Issuer has appointed a new trustee (and such appointment has been approved by an Extraordinary Resolution of the Bondholders and by the Commission).
- 25.2 Such successor trustee(s) shall be a reputable, duly registered and experienced trustee, have accepted such appointment, and shall have delivered to the Issuer the duly executed Accession Instrument in or substantially in the form in the Third Schedule to this Deed.
- 25.3 In the event of a removal of the Trustee in accordance with Clause 25, the Trustee shall deliver up all assets within its custody and control relating to its obligations under this Deed, to the appointed successor trustee(s), including all books, accounts, documents, reports and records including, where applicable, access to all required software and electronic records. Provided always that the removal of the Trustee shall be subject to the approval of the Commission.
- 25.4 Notwithstanding the provisions above, the Trustee may, upon obtaining the written consent of the Issuer, such consent not to be unreasonably withheld and upon obtaining the approval of the Commission, appoint any other trustee registered with the Commission or any other relevant regulator to act either as a separate trustee or as a co-trustee jointly with the Trustee only in the following circumstances:
- 25.1.1 for the purposes of conforming to any legal requirements, restrictions or conditions in any jurisdiction in which any particular act or acts is or are to be performed; or
  - 25.1.2 for the purposes of obtaining a judgment in any jurisdiction or the enforcement in any jurisdiction of either a judgment already obtained or any of the provisions of this Deed against the Issuer.
- 25.5 The Issuer irrevocably appoints the Trustee to be its attorney in its name and on its behalf to execute any such instrument of appointment pursuant to Clause **Error! Reference source not found.** above. Such trustee shall (subject always to the provisions of this Deed) have such trusts, powers, authorities and discretions (not exceeding those conferred on the Trustee by these provisions) and such duties and obligations as shall be conferred or imposed by the instrument of appointment. The Trustee shall have power in like manner to remove any such trustee. Such reasonable remuneration as the Trustee may pay to any such trustee, together with any attributable liabilities incurred by it in performing its function as a separate trustee or co-trustee, shall for the purposes of these provisions be treated as liabilities incurred by the Trustee.
- 25.6 The Issuer shall during the continuance of this trust and until the trusts hereof shall be finally wound up and whether or not the trusts of this Deed be in the course of administration by or under the direction of any court, pay to the Trustee for its services hereunder, the Trustee's fees in accordance with this Deed or any other agreed terms between the Issuer and the Trustee, subject to such upward review as the Parties may agree in writing from time to time subject to the regulatory limit on trustee fees prescribed by the Commission.
- 25.7 The Issuer shall pay the Trustee the sign-on/participation fee and the annual fees in the amount and manner agreed to by the Parties in the Trustee's engagement letter.
- 25.8 The Issuer shall in addition pay to the Trustee an amount equal to the amount of any Value Added Tax, or any similar tax chargeable in respect of its remuneration under this Deed.

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- 25.9 The Trustee may retain and pay to itself out of any monies held by it upon the trusts of this Deed, all sums owing to it in respect of agreed remuneration costs, charges, expenses or interest or by virtue of any indemnity from the Issuer to which it is entitled hereunder or by law and all such sums as aforesaid shall rank in priority to the claims of the Bondholders. The Trustee shall not incur cumulative expenses in excess of ₦1,000,000 (one million Naira) per annum without the prior written approval of the Issuer. Provided that the prior approval of the Issuer shall not be required in relation to expenses which are incurred in connection with Events of Default or Potential Events of Default.
- 25.10 The Issuer shall also pay all costs, charges and expenses incurred by the Trustee in the exercise of the powers, authorities and discretions vested in it under this Deed.

### 13. DECLARATIONS

Except as otherwise disclosed in this Shelf Prospectus:

- a) No share of the Issuer is under option or agreed conditionally or unconditionally to be put under option;
- b) No commissions, brokerages or other special terms have been granted by the Issuer or to any person in connection with the Programme or sale of any securities of the Issuer;
- c) Save as disclosed herein, the directors of the Issuer have not been informed of any holding representing 5% or more of the issued share capital of the Issuer;
- d) There are no founders', management or deferred shares or any options outstanding in the Issuer;
- e) There are no material service agreements between the Issuer or any of its directors and employees other than in the ordinary course of business;
- f) There are no long-term service agreements between the Issuer or any of its directors and employees other than in the ordinary course of business;
- g) No director of the Issuer has had any interest, direct or indirect, in any property purchased or proposed to be purchased by the Issuer in the five (5) years prior to the date of this Shelf Prospectus;
- h) No prosecution has commenced against the Issuer or any of its subsidiaries in respect of any breach of any securities or Companies and Allied Matters Act, 2020; and
- i) No action has been taken against the Issuer by the NGX, FMDQ or any other recognised exchange in respect of any breach of the listing requirements of the exchange.

It is further declared that to the best of the Directors' knowledge as at 30 September 2021,

- a) None of the Directors/shareholders/key management staff is under any bankruptcy or insolvency proceedings filed (and not struck out) against such person or any partnership in which he was a partner or any company in which he was a director of key personnel in any court of law;
- b) None of the Directors/shareholders/key management staff has been convicted in any criminal proceeding or is named subject of pending criminal proceedings relating to fraud or dishonesty; and
- c) None of the Directors/shareholders/key management staff is the subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty, restraining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

### 14. CONFIRMATION OF GOING CONCERN STATUS

The Directors affirm that the Issuer is a going concern and has no pending insolvency proceedings instituted against it. The Directors also confirm that the Issuer will continue in operations for the foreseeable future and that there are no threats to the operations of the Issuer.

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### 15. RELATIONSHIP BETWEEN THE ISSUER, ISSUING HOUSES AND OTHER ADVISERS

There are no relationships (other than the professional ones established pursuant to this Programme) existing between the Issuer and any of its advisers.

### 16. OVERVIEW OF CORPORATE GOVERNANCE

The Company's corporate governance structure provides a framework that aims to:

- a) Enhance accountability to shareholders and other stakeholders;
- b) Ensure timely and accurate disclosures of all material matters;
- c) Deal fairly with shareholders' and other stakeholders' interests;
- d) Maintain high standards of business ethics and integrity; and
- e) Ensure risks are managed prudently, while pursuing business objectives.

Presco's Board of Directors comprises ten (10) members with three (3) Executive Directors.

The Board is led by the Non-Executive Chairman and includes individuals with vast experience and achievement in their respective fields. The Board meets regularly to set broad policies for its business and operations ensuring that actions are taken on a fully informed basis, in good faith with due diligence in the best interest of its shareholders.

Responsibilities of the Board are well defined, and the Board is not dominated by one individual. The position of the Chairman is separate from that of the Managing Director and the Chairman is not involved in the day-to-day operations of the Company.

Grant Thornton Consultants, an international corporate consultant, carried out the annual Board Assessment for the year 2020. Their report forms part of the annual report and accounts as required by the SEC Code and the 2018 National Code of Corporate Governance Practice.

The Board of Directors is responsible for providing leadership to deliver long-term value to shareholders and other stakeholders. It also guides and supervises the executive leadership team to act in the interest of the public as well as its shareholders, in case of conflict, the former shall prevail. The board establishes corporate policies, sets strategic direction, ensures that an effective internal control environment is in place, and oversees the management which is responsible for day-to-day operations. The board recognises that delegating its functions and authorities to any committee and the management does not absolve its overall responsibility for governance.

The Managing Director, supported by the management team (known as the Executive Leadership Team), facilitates the business and operational duties of the Issuer. The managing director is responsible for supervising and coordinating all key business and operational activities in relation to the implementation of the company's overall strategy. The Executive Leadership Team is made up of the senior executives of the company who have the delegated authority from the board to perform day-to-day management functions of the business and to implement all projects and initiatives as approved by the board. The team meet at least once a month and may attend board meetings by invitation, where they present a report and provide input and perspective on their areas of responsibility.

The Board, Managing Director and Executive Leadership Team are further supported by the Company Secretary and external Auditors. The Company Secretary facilitates the Board process as well as communications between Board members, Shareholders and Management, and advises the Board on all governance matters. The external Auditors provide assurance on financial reporting and ensure accountability and audit quality.

The Company holds regular general meetings of its shareholders and is also mindful of adhering to its governance framework in its interactions with other stakeholders in the company's daily operations including clients, employees, regulatory bodies, suppliers and vendors.

#### **Composition of Board Committees**

The Board functioned through its Risk Management Committee, Remuneration Committee, Nomination and Governance Committee, Complaint Management Committee and, Statutory

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Audit Committee during the 2020 financial year. Board Committees make recommendations for approval by the Board.

### **The Risk Management Committee**

The Risk Management Committee comprises six (6) members. The six members are made of five Non-Executive Directors and the Company Secretary. The Committee is chaired by Nonye Udo, a Non-Executive Director.

### **The Terms of Reference for the Risk Management Committee are as follows:**

- (a) Help to set the tone and develop a culture of the enterprise vis-a-vis risk, promote open discussion regarding risk, integrate risk management into the Company's goals and compensation structure, and create a corporate culture such that people at all levels manage risks rather than avoid them
- (b) Provide input to management regarding the enterprise's risk appetite and tolerance and, ultimately, approve risk appetite and the statement of risk appetite and tolerance messaged throughout the company and by line of business
- (c) Monitor the Company's risk profile - its on-going and potential exposure to risks of various types
- (d) Approve on behalf of the Board, the risk management policy and plan. Management develop both the risk management policy and the plan for approval by the committee. The risk management plan should consider the maturity of the risk management of the company and should be tailored to the specific circumstances of the company. The risk management plan includes:
  - 1. The company's risk management structure
  - 2. The risk management framework i.e. the approach to be followed
  - 3. The measurable milestones such as tolerances, intervals, frequencies, frequency rates, etc
  - 4. Risk management guidelines reference to integration through, for instance, training and awareness programmes, and details of the assurance and review of the risk management process.
  - 5. The Committee should review the risk management plan at least once a year.
  - 6. Define risk review activities regarding the decisions (e.g. acquisitions), initiatives (e.g. new products), and transactions and exposures (e.g. by amount) and prioritise them prior to being sent to the board's attention.
  - 7. Review and confirm that all responsibilities outlined in the Charter have been carried out.
  - 8. Monitor all enterprise risks; in doing so, the Committee recognises the responsibilities delegated to other committees by the board and understands that the other committees may emphasise specific risk monitoring through their respective activities.
  - 9. Conduct an annual performance assessment relative to the Committee's purpose, duties, and responsibilities.
  - 10. Oversee the risk programme/interactions with Management.
  - 11. Review and approve the risk management infrastructure and the critical risk management policies adopted by the Company.
  - 12. Periodically review and evaluate the company's policies and practices with respect to risk assessment and risk management and annually present to the full board a report summarising the Committee's review of the company's methods for identifying, managing, and reporting risks and risk management deficiencies.
  - 13. Continually, as well as at specific intervals, monitor risks and risk management capabilities within the Company, including communication about escalating risk and crisis preparedness and recovery plans.
  - 14. Continually obtain reasonable assurance from management that all known and emerging risks have been identified and mitigated or managed.
  - 15. Communicate formally and informally with the executive team regarding risk governance and oversight.
  - 16. Discuss with the CEO and management the company's major risk exposures and review the steps Management has taken to monitor and control such exposures, including the company's risk assessment and risk management policies.
  - 17. Review and assess the effectiveness of the company's enterprise-wide risk assessment processes and recommend improvements, where appropriate; review

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- and address, as appropriate, management's corrective actions for deficiencies that arise with respect to the effectiveness of such programmes.
18. Monitor governance rating agencies and their assessments of the company's risk and proxy advisory services policies, and make recommendations as appropriate to the Board.
  19. In coordination with the Audit Committee, understand how the company's internal audit work plan is aligned with the risks that have been identified and with risk governance (and risk management) information needs. Understand and approve management's definition of the risk-related reports that the Committee could receive regarding the full range of risks the Company faces, as well as their form and frequency.
  20. Respond to reports from Management so that Management understands the importance placed on such reports by the Committee and how the Committee views their content.
  21. Read and provide input to the Board and Audit Committee regarding risk disclosures in financial statements and other public statements regarding risk.
  22. Keep risk on both the full board's and management's agenda on a regular basis.
  23. Disclose in the Company's Integrated Report how it has satisfied itself that risk assessments, responses and interventions are effective.
  24. Approve the appointment and, when and if appropriate, replacement of the Chief Risk Officer, who shall report directly to the Committee as well as to the Chief Executive Officer and who shall have qualifications commensurate with applicable legal and regulatory guidance relating to risk management expertise.
  25. Review and evaluate annually the qualifications, performance and compensation of the Chief Risk Officer.
  26. Review with the Chief Risk Officer the adequacy of staffing and resources of the risk management function.
  27. Make such recommendations with respect to any of the above and other matters as the Committee deems necessary or appropriate.
  28. Regularly evaluate its performance and that of its individual members.
  29. Have such other authority, duties and responsibilities as may be delegated to the Committee by the Board.

### **The Nomination and Governance Committee**

The Nomination and Governance Committee comprises four members with three all Non-executive Directors and the Company Secretary. It is chaired by Osa Osunde.

#### **The following are the terms of reference of the Committee:**

1. Consider and review proposals from Management for the recruitment, promotion and employment /termination of Senior Management Staff.
2. Consider and make recommendations to the Board for approval of disciplinary action to be carried out against Senior Management Staff.
3. Consider and make recommendations to the Board for approval on the organizational structure, and policies covering the evaluation, compensation and provision of benefits to employees and any other human capital issues.
4. Consider and make recommendations to the Board for approval of the Company's policy on Health and Safety at work and any proposed amendments.
5. Consider and make recommendations to the Board for approval of the Company's human resource strategies and Compensation Policy.
6. Assess the effectiveness of the Corporate Governance Framework.
7. Consider and make recommendations to the Board on composition and the experience required by Board committee members, committee appointments and removal, operating structure, reporting and other Committee operational matters
8. Consider and make recommendations to the Board on appointment and re-election of directors.
9. Ensure that all new directors receive formal letters of appointment specifying their tenure, responsibilities, board committee involvement and other relevant details.
10. Ensure that new directors receive a formal induction training to familiarize them with the Company's business, strategy and operations, assist them in discharging their fiduciary duties, responsibilities, and understand their powers and potential liabilities.

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11. Ensure the development and implementation of an annual training plan for continuous education of all Board members which will provide for periodic briefings on relevant laws and regulations to Board members.
12. Ensure adequate succession planning for Board of Directors and key management staff in the Company.
13. Review and make recommendations to the Board for approval of the company's organization structure, and the company's policies on evaluation, compensation and provision of benefits to its employees and any other human capital issues.
14. Review and make recommendations to the Board for approval of the terms and conditions of employment of company's staff, its staff handbook and any proposed amendment.
15. Consider and advise the Board on its size, composition and balance of the Board and its Committees, retirement and appointment of additional Directors, and the replacement of Directors
16. Prepare a description of the role and capabilities required for appointment and ascertain that nominees for the position of director are fit and proper and are not disqualified from being directors.
17. Oversees the implementation of the Company's Code of Business Conduct and reporting lapses and recommending appropriate actions to the Board from time to time.
18. Ensure the performance evaluation of the CEO is performed by the Board on an annual basis and formal feedback provided to the CEO.
19. Nominate independent consultants to conduct annual review/appraisal of the performance of the Board and make recommendations to the Board in this regard. This review/appraisal should cover all aspects of the Board's structure, composition, responsibilities, individual competencies, board operations, board's role in strategy setting, oversight over corporate culture, monitoring role and evaluation of management performance and stewardship to shareholders.
20. Regularly evaluate its performance and that of its individual members.
21. Perform such other matters as may be specifically delegated to the Committee by the Board.

### **The Remuneration Committee**

This is a four-man committee was constituted in 2020 in line with the requirement of Security and Exchange Commission (SEC). Members include three Non-Executive Directors and the Company Secretary. The Board Remuneration Committee (the "Committee") is established to assist the Board of Presco PLC (the "Board") to ensure the effectiveness of the overall governance of remuneration of members of the Board and Senior Management staff and to undertake any other assignments that the Board may assign to it from time to time.

#### **The following are the terms of reference of the Committee:**

1. Review and make recommendations to the Board on all retirement and termination payment plans due to employees on the Executive Management cadre.
2. Make recommendations to the Board regarding the remuneration of the members of the Board and its Committees.
3. Ensure proper disclosure of directors' remuneration to stakeholders.
4. Review the Remuneration Policy and make appropriate recommendations to the Board
5. Present any recommendations for change to the Board for discussion and vote
6. Perform other activities related to this Charter as requested by the Board of Directors.
7. Regularly evaluate the performance of this Committee performance and that of its members.

### **The Statutory Audit Committee**

The Statutory Audit Committee consists of six members, made up of three representatives of shareholders elected at the previous Annual General Meeting for a tenure of one year; and two representatives of the Board of Directors nominated by the Board. The Chairperson of the Committee is Mr. Bassey E.O Edem, a Chartered Accountant, and Independent Non-Executive Director. The Company Secretary is the Secretary to the Committee. Meetings of the Committee were attended by representatives of Deloitte and Touche Limited. The Committee operates within the provisions of the Companies and Allied Matters Act; the Securities and Exchange Commission's Code of Corporate Governance for Public Companies; the Nigerian Code of Corporate Governance; and the Audit Committee Charter.

#### **The following are the terms of reference of the Committee:**

## STATUTORY AND GENERAL INFORMATION

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1. Examine the auditors' report and make recommendations thereon to the annual general meeting as it may deem fit
2. Ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices
3. Review the scope and planning of audit requirements
4. Review the findings on management matters in conjunction with the external auditor and departmental responses thereon
5. Keep under review the effectiveness of the company's system of accounting and internal control
6. Make recommendations to the board regarding the appointment, removal and remuneration of the external auditors of the company
7. Authorise the internal auditor to carry out investigations into any activities of the company which may be of interest or concern to the committee
8. Such other additional functions and powers that the company's articles may stipulate

### **Complaint Management Committee**

The committee provides oversight on complaints management framework within the organization ensuring the effectiveness of the complaint management policy. It ensures complaints are investigated and resolved in a timely manner. This is a four-man committee comprising three Non-Executive Directors and the Company Secretary.

### **The following are the terms of reference of the Committee:**

1. To establish and maintain complaints management framework in compliance with rules relating to complaints management framework of the Nigeria Capital Market.
2. To establish and maintain open easily accessible window to enable all stakeholders and members of the public present to lodge complaints concerning the company's operations, business activities, management, administration and public relations.
3. To establish and maintain competent and functional complaints committee to investigate and resolve complaints received or lodged.
4. To establish and maintain electronic complaints register.
5. To take all necessary measures in full compliance with the provisions of the code of good corporate governance for public quoted company and organizations in general.
6. To carry out the Complaints Management Policy of the company as summarized above.

## **17. RELATED PARTY TRANSACTIONS**

The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. Additional information on Related Party transactions can be found in the audited financial statements.

## **18. MERGERS AND TAKEOVERS**

Presco is currently finalizing the acquisition of 100% Siat Nigeria Limited a co-subsiary of Siat Group Belgium. The acquisition is to drive efficiencies and improve production capacity.

## **19. CONSENTS**

The following have given and not withdrawn their written consents to the issue of this Shelf Prospectus with their names and reports (where applicable) included in the form and context in which they appear:

### **Directors of the Issuer:**

Felix O. Nwabuko  
Gerald Ray  
Kenneth William Crockett  
Bassey E.O Edem  
James B. Erhuero  
Ingrid Vandewiele  
Nonye Udo  
Prince Aiguobasinmwin O. Akenzua  
Osa Sunde  
Dirk Lambrecht

### **Company Secretary of the Issuer:**

Patrick Uwadia

## STATUTORY AND GENERAL INFORMATION

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<b>Lead Issuing House:</b>	Stanbic IBTC Capital Limited
<b>Joint issuing Houses:</b>	CardinalStone Partners Limited and Quantum Zenith Capital and Investments Limited
<b>Solicitors to the Issuer:</b>	Abdulai Taiwo &Co. Limited
<b>Solicitors to the Transaction:</b>	Olaniwun Ajayi LP
<b>Trustees:</b>	Stanbic IBTC Trustees Limited
<b>Reporting Accountants:</b>	KPMG Professional Services
<b>Auditor:</b>	Deloitte and Touche
<b>Stockbrokers:</b>	Stanbic IBTC Stockbrokers Limited and Mega Equities Limited
<b>Receiving Banks:</b>	Stanbic IBTC Bank PLC and Zenith Bank Plc
<b>Registrar:</b>	First Registrar and Investor Services Limited
<b>Rating Agency:</b>	Agusto & Co. Limited

### 20. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the Issuing Houses offices between 8.00 a.m. and 5.00p.m. on any Business Day throughout the validity of the Programme:

- a. Certificate of Incorporation of the Issuer, duly certified by the CAC;
- b. Memorandum and Articles of Association of the Issuer, duly certified by the CAC;
- c. Reporting Accountants' Report on the audited accounts of the Issuer for the years ended 31 December 2020, 2019, 2018, 2017 and 2016;
- d. The Programme Trust Deed dated 05 April 2022 between the Trustees and the Issuer;
- e. Extracts of the Minutes of the Board of the Issuer dated 28 July 2022 authorising the Bond Issuance Programme;
- f. Letter from SEC dated on or before 05 April 2022 approving the registration of the Shelf Prospectus;
- g. The schedule of the Claims and Litigation referred to above and the Solicitors' opinion thereon;
- h. The Material Contracts Opinion issued by Olaniwun Ajayi LP referred to on page 59
- i. Audited Financial Statement of the Issuer for the years ended December 2020, 2019, 2018, 2017 and 2016;
- j. The Management accounts for the 9 months ended 30th September 2021;
- k. Shelf Prospectus issued with respect to the Bond Issuance Programme;
- l. Any Series Trust Deeds;
- m. Any Pricing Supplement;
- n. Any Vending Agreements in relation to specific issuances under the Programme;
- o. Written Consents of the Directors and Professional Parties to the Issue

# REPORTING ACCOUNTANT'S REPORT



## KPMG Professional Services

KPMG Tower  
Bishop Abovade Cole Street  
Victoria Island  
PMB 40014, Falomo  
Lagos.

Telephone 234 (1) 271 8955  
234 (1) 271 8589  
Internet home.kpmg/ng

## INDEPENDENT REPORTING ACCOUNTANTS' REPORT

The Directors  
Presco Plc  
Obaretin Estate  
Km. 22, Benin - Sapele Road  
Edo State  
Nigeria

### Report on the Financial Statements

We have reviewed the accompanying financial statements of Presco Plc, which comprise the statements of financial position as at December 31, 2016, 2017, 2018, 2019 and 2020, and the statements of profit or loss and other comprehensive income, statements of changes in equity, statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Accountants' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The accountants perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of Presco Plc as at 31 December, 2016, 2017, 2018, 2019 and 2020, and its financial performance and cash flows for the years then ended, in accordance with the International Financial Reporting Standards.

### Restriction on Distribution and Use

Without modifying our conclusion, our report was prepared for inclusion in the prospectus for the proposed issuance of N30 billion Series 1 Notes under a N50 billion bond issuance programme by Presco Plc and as a result, the financial information may not be suitable for another purpose. Our report is intended solely for Presco Plc and other relevant parties to the offer and should not be distributed to or used by other parties other than Presco Plc and other relevant parties to the offer.

Signed:

**Ayodele Othihiwa, FCA**  
FRC/2012/ICAN/0000000425  
For: KPMG Professional Services  
Chartered Accountants  
31 December 2021  
Lagos, Nigeria

KPMG Professional Services, a partnership registered in Nigeria and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG Network (Limited), a private English company limited by guarantee. All rights reserved.

Registered in Nigeria No BN 988925

#### Partners:

Akingbo A. Oyiniran	Ayodele H. Othihiwa	Juwon D. Jegbo	Otanke I. James	Iyan I. Ogunghenro
Adekunle A. Eneke	Baleke S. Jibala	Kabi O. Okunka	Olufemi A. Sabeni	Tamara A. Oyin
Adeola P. Adesoye	Chibuzor N. Anyanwuchi	Lawrance C. Amadi	Okunika O. Obayinka	Tolulope A. Odakole
Adeyemi K. Ajayi	Chibeme B. Nwigho	Marans I. Aroge	Olusegun A. Sowande	Uzodima G. Nwankwo
Ayoola O. Olanisa	Ejigh O. Oshinmoye	Mohammed M. Adema	Olutayo I. Ogunlowo	Victor U. Ovwierika
Ayemisi Afolade	Goodluck C. Olu	Nesha C. Euna	Oluwalemi C. Awotoye	
Ayobami L. Salami	Isotomi M. Adepoju	Obimpeke S. Afobati	Oluwatoyin A. Obaj	
Ayodele A. Soyinka	Ifeoma T. Emezie-Ezigho	Oladimeji I. Salaucean	Osame J. Obaige	

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**Statement of financial position**
*As at 31 December*

	Notes	2020	2019	2018	2017	2016
		₺'000	₺'000	₺'000	₺'000	₺'000
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment	16	52,109,564	48,211,859	41,728,907	28,122,101	22,444,658
Intangible assets	18	74	121	826,845	352,043	192,566
Other non-current assets	18,1	-	-	-	-	110
Right of use asset	19	1,624,456	1,647,846	616,612	-	-
<b>Total non-current assets</b>		<b>53,734,094</b>	<b>49,859,826</b>	<b>43,172,364</b>	<b>28,474,144</b>	<b>22,637,334</b>
<b>Current assets</b>						
Inventories	20	3,226,174	3,095,011	3,489,314	4,704,706	1,420,597
Biological assets	17	6,937,844	5,092,477	3,260,413	5,892,483	6,239,697
Trade and other receivables	21	6,933,285	6,798,315	4,986,615	3,548,815	702,025
Other assets	23	29,474	34,092	1,321,991	58,846	393,876
Deposit for imports	24	-	-	216,988	-	-
Cash and cash equivalents	22	2,585,092	5,934,937	3,072,404	3,307,211	2,585,128
<b>Total current assets</b>		<b>19,711,869</b>	<b>20,954,832</b>	<b>16,347,725</b>	<b>17,512,061</b>	<b>11,341,323</b>
<b>Total assets</b>		<b>73,445,963</b>	<b>70,814,658</b>	<b>59,520,089</b>	<b>45,986,205</b>	<b>33,978,657</b>
<b>Equity</b>						
Share capital	25	500,000	500,000	500,000	500,000	500,000
Share premium	25	1,173,528	1,173,528	1,173,528	1,173,528	1,173,528
Retained earnings		29,194,982	26,060,913	22,440,193	20,156,005	15,929,800
Other reserves		(140,088)	(41,737)	60,621	45,003	87,448
<b>Total equity</b>		<b>30,728,422</b>	<b>27,692,704</b>	<b>24,174,342</b>	<b>21,874,536</b>	<b>17,690,776</b>
<b>Non-current liabilities</b>						
Defined benefit obligation	26	938,705	694,053	449,502	409,751	313,445
Borrowings	27	6,810,189	8,487,757	6,619,142	3,969,140	4,071,916
Deferred income	28	466,365	682,697	59,481	126,608	217,849
Obligations under finance lease	29	186,529	186,531	432,440	462,074	491,668
Deferred tax liabilities	30	9,055,816	6,784,632	5,735,101	6,169,596	5,585,450
<b>Total non-current liabilities</b>		<b>17,457,604</b>	<b>16,835,670</b>	<b>13,295,666</b>	<b>11,137,169</b>	<b>10,680,328</b>
<b>Current liabilities</b>						
Overdrafts	31	6,364,154	7,093,238	6,867,291	3,174,048	791,557
Borrowings	27	6,425,272	9,155,154	5,179,745	1,371,973	1,097,053
Current tax liability	32	628,181	1,562,333	1,850,812	860,163	1,792,041
Obligations under finance lease	29	33,506	33,506	29,614	29,614	28,906
Trade and other payables	33	11,541,335	8,180,956	8,034,114	7,428,137	1,699,761
Deferred income	28	267,489	261,097	88,505	110,565	198,235
<b>Total current liabilities</b>		<b>25,259,937</b>	<b>26,286,284</b>	<b>22,050,081</b>	<b>12,974,500</b>	<b>5,607,553</b>
<b>Total liabilities</b>		<b>42,717,541</b>	<b>43,121,954</b>	<b>35,345,747</b>	<b>24,111,669</b>	<b>16,287,881</b>
<b>Total equity and liabilities</b>		<b>73,445,963</b>	<b>70,814,658</b>	<b>59,520,089</b>	<b>45,986,205</b>	<b>33,978,657</b>

**Statement of profit or loss and other comprehensive income**
*For the year ended 31 December*

	Notes	2020	2019	2018	2017	2016
		¥'000	¥'000	¥'000	(Restated) ¥'000	(Restated) ¥'000
Revenue	7	23,891,766	19,723,641	21,344,730	22,365,372	15,716,198
Cost of sales	8	(7,803,248)	(7,001,810)	(5,452,616)	(5,941,308)	(4,404,785)
<b>Gross profit</b>		<b>16,088,518</b>	<b>12,721,831</b>	<b>15,892,114</b>	<b>16,424,064</b>	<b>11,311,413</b>
Trade receivables impairment (provision)/write back	9.1	37,258	(33,392)	(31,725)	-	-
Distribution expenses	9.1	(318,364)	(382,709)	(539,408)	(317,248)	(223,945)
Selling, general and administrative expenses	10	(6,943,054)	(6,592,691)	(5,418,422)	(7,184,418)	(4,174,137)
Other (losses)/gains	11	(287,800)	386,202	321,061	213,358	118,489
<b>Operating profit</b>		<b>8,576,558</b>	<b>6,099,241</b>	<b>10,223,620</b>	<b>9,135,756</b>	<b>7,031,820</b>
Gain/ (loss) on biological asset revaluation	17	1,845,367	1,832,064	(2,632,070)	(347,214)	(24,303,895)
Financial cost	12	(1,918,292)	(2,133,709)	(1,339,324)	(973,479)	(684,655)
Financial income	13.0	58,858	66,915	68,784	-	-
<b>Profit/(loss) before tax</b>		<b>8,562,491</b>	<b>5,864,511</b>	<b>6,321,010</b>	<b>7,815,063</b>	<b>(17,956,730)</b>
Income tax expense	15.1	(3,428,422)	(2,220,937)	(2,036,822)	(2,088,858)	5,263,968
<b>Profit/(loss) for the year</b>		<b>5,134,069</b>	<b>3,643,574</b>	<b>4,284,188</b>	<b>5,726,205</b>	<b>(12,692,762)</b>
<b>Item(s) that will not be reclassified subsequently to profit or loss</b>						
Remeasurement of defined benefit obligation	26.2	(140,501)	(146,225)	22,311	(60,636)	41,034
Income tax relating to components of OCI	15.1	42,150	43,867	(6,693)	18,191	(12,310)
<b>Other comprehensive income, net of tax</b>		<b>(98,351)</b>	<b>(102,358)</b>	<b>15,618</b>	<b>(42,445)</b>	<b>28,724</b>
<b>Total comprehensive income for the year</b>		<b>5,035,718</b>	<b>3,541,216</b>	<b>4,299,806</b>	<b>5,683,760</b>	<b>(12,664,038)</b>

**Statement of changes in equity**
*For the year ended 31 December*

	Share capital	Share premium	Retained earnings	Other reserves	Total equity
	₹'000	₹'000	₹'000	₹'000	₹'000
<b>As at 1 January 2016</b>	500,000	1,173,528	29,622,562	58,724	31,354,814
Profit for the years	-	-	21,735,465	-	21,735,465
Actuarial gain on defined benefit plans	-	-	-	28,724	28,724
	500,000	1,173,528	51,358,027	87,448	53,119,003
Dividend paid	-	-	(1,000,000)	-	(1,000,000)
<b>Balance as 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>
Biological asset valuation adjustment	-	-	(34,428,227)	-	(34,428,227)
<b>Restated 1 January 2017</b>	<b>500,000</b>	<b>1,173,528</b>	<b>15,929,800</b>	<b>87,448</b>	<b>17,690,776</b>
Restated Profit for the years	-	-	5,726,205	-	5,726,205
Actuarial gain on defined benefit plans	-	-	-	(42,445)	(42,445)
	500,000	1,173,528	21,656,005	45,003	23,374,536
Dividend paid	-	-	(1,500,000)	-	(1,500,000)
<b>Balance as at 31 December 2017 Restated</b>	<b>500,000</b>	<b>1,173,528</b>	<b>20,156,005</b>	<b>45,003</b>	<b>21,874,536</b>
Profit for the year	-	-	4,284,188	-	4,284,188
Net remeasurement loss on defined benefit	-	-	-	15,618	15,618
	500,000	1,173,528	24,440,193	60,621	26,174,342
Dividend declared	-	-	(2,000,000)	-	(2,000,000)
<b>Balance at 31 December 2018</b>	<b>500,000</b>	<b>1,173,528</b>	<b>22,440,193</b>	<b>60,621</b>	<b>24,174,342</b>
Adjustment on initial application of IFRS 16	-	-	1,964,686	-	1,964,686
<b>Adjusted balance at 1 January 2019</b>	<b>500,000</b>	<b>1,173,528</b>	<b>24,404,879</b>	<b>60,621</b>	<b>26,139,028</b>
Profit for the year	-	-	3,643,574	-	3,643,574
Net remeasurement loss on defined benefit	-	-	-	(102,358)	(102,358)
	500,000	1,173,528	28,048,453	(41,737)	29,680,244
Statute barred unclaimed dividend received	-	-	12,460	-	12,460
Dividend declared	-	-	(2,000,000)	-	(2,000,000)
<b>Balance at 31 December 2019</b>	<b>500,000</b>	<b>1,173,528</b>	<b>26,060,913</b>	<b>(41,737)</b>	<b>27,692,704</b>
Profit for the year	-	-	5,134,069	-	5,134,069
Net remeasurement loss on defined benefit	-	-	-	(98,351)	(98,351)
Total Comprehensive Income	500,000	1,173,528	31,194,982	(140,088)	32,728,422
Dividend paid	-	-	(2,000,000)	-	(2,000,000)
<b>Balance as at 31 December 2020</b>	<b>500,000</b>	<b>1,173,528</b>	<b>29,194,982</b>	<b>(140,088)</b>	<b>30,728,422</b>

**Statement of cash flows**
*For the year ended to 31 December*

	Notes	2020	2019	2018	2017	2016
		₹'000	₹'000	₹'000	₹'000	₹'000
<b>Profit for the year</b>		5,134,069	3,643,574	4,284,188	5,683,760	(12,664,038)
<i>Adjustments for:</i>						
Depreciation of PPE	16	1,759,029	1,431,276	1,283,223	1,096,238	1,246,068
Tax credit/(expense)	15	3,428,422	2,220,937	2,043,515	2,070,667	(5,251,658)
(Gain)/loss on disposal property plant and equipment	11	83,945	15,509	12,901	146,087	204,657
Intangible assets reclassified to CWIP	18	-	-	-	79,107	75,665
(Gain)/loss on biological asset valuation	17	(1,845,367)	(1,832,064)	2,632,070	347,214	24,303,895
Government grant on additional loan	28.1	(205,006)	(164,959)	91,241	107,553	(6,908)
Loss/ (gain) on disposal of palm seedlings	11	611,172	(82,332)	(3,283)	-	-
Finance cost	12	1,918,292	2,133,709	1,339,324	-	-
Finance income	13	(58,858)	(66,915)	(68,784)	-	-
Service cost	26.2	61,174	31,573	15,618	-	-
Actuarial loss on long service award	9.0	6,592	8,041	-	-	-
Actuarial (gain)/loss on gratuity						
Amortization of intangible assets	18	47	47	47	47	16,737
Provision for slow and obsolete inventory		127,860	195,172	-	-	-
Adjustment for spares utilised	16	-	-	-	-	96,674
Expected credit loss allowance/(write-back)	9.1	(37,258)	33,392	-	-	-
Depreciation of Right-of-use assets	19	23,390	23,390	-	-	-
		<b>11,007,503</b>	<b>7,590,350</b>	<b>11,630,060</b>	<b>9,530,673</b>	<b>8,021,092</b>
<b>Movement in working capital:</b>						
(Increase)/Decrease in trade&other receivables	21	(93,095)	(1,803,227)	(1,378,953)	(2,846,790)	2,075,757
(Increase)/Decrease in other assets	23	-	-	(1,321,991)	335,030	(393,874)
(Increase)/Decrease in deposit of imports	24	-	-	(216,988)	-	-
(Increase)/Decrease in inventories	20	(259,023)	1,341,532	1,215,392	(3,284,109)	(314,965)
Increase/(Decrease) in trade and other payables	33	3,281,778	195,083	605,977	5,728,376	(1,656,946)
Increase/(Decrease) in finance lease	29	-	-	(29,634)	(28,886)	(28,216)
Decrease in other non-current asset	18.1	-	-	-	110	-
Increase/(Decrease) in advance from customers	28	(4,934)	10,576	2,055	-	-
Increase/(Decrease) in deferred income	28.1	-	-	(91,241)	(178,911)	97,492
Strategic spares transferred to inventory	16	66,719	847,164	-	-	-
<b>Cash generated in operating activities</b>		<b>13,998,948</b>	<b>8,181,478</b>	<b>10,414,677</b>	<b>9,255,493</b>	<b>7,800,340</b>
Increase/(decrease) in retirement benefits	26	(50,236)	(17,112)	39,751	96,306	41,964
Tax paid	32	(2,049,240)	(1,416,018)	(1,487,361)	(2,418,399)	(914,034)
<b>Net cash generated in operating activities</b>		<b>11,899,472</b>	<b>6,748,348</b>	<b>8,967,067</b>	<b>6,933,400</b>	<b>6,928,270</b>
<b>Cash flows from investing activities</b>						
Acquisition of property, plant and equipment	16	(7,382,775)	(7,150,464)	(15,400,969)	(7,053,151)	(4,050,121)
Acquisition of intangibles	18	-	(210,452)	(608,321)	(238,631)	(101,387)
Proceeds from sale of PPE		12,813	2,555	14,899	133,382	48,075
Proceeds from sale of palm seedling		951,393	158,513	3,283	-	-
Interest received	13	58,858	66,915	68,784	-	-
<b>Net cash used in investing activities</b>		<b>(6,359,711)</b>	<b>(7,132,933)</b>	<b>(15,922,324)</b>	<b>(7,158,400)</b>	<b>(4,103,433)</b>
<b>Cash flows from financing activities</b>						
Proceeds from loans and borrowings	25	4,527,101	22,841,704	18,493,790	1,195,000	1,228,200
Repayment during the year	25	(9,130,665)	(16,212,450)	(12,127,257)	(1,130,407)	(622,123)
Dividends paid	33.2a	(2,000,000)	(2,000,000)	(2,000,000)	(1,500,000)	(1,000,000)
Interest paid	25	(1,569,177)	(1,950,787)	(1,339,324)	-	-
Unclaimed dividend from registrars	33.2b	51,069	60,932	-	-	-
Repayment of lease liabilities	29.3	(38,850)	(38,850)	-	-	-
<b>Net cash used in financing activities</b>		<b>(8,160,522)</b>	<b>2,700,549</b>	<b>3,027,209</b>	<b>(1,435,407)</b>	<b>(393,923)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,620,761)</b>	<b>2,315,964</b>	<b>(3,928,050)</b>	<b>(1,660,408)</b>	<b>2,430,914</b>
Cash and cash equivalents at 1 January		<b>(1,158,301)</b>	<b>(3,474,265)</b>	<b>133,163</b>	<b>1,793,571</b>	<b>(637,343)</b>
<b>Cash and cash equivalents at 31 December</b>		<b>(3,779,062)</b>	<b>(1,158,301)</b>	<b>(3,794,887)</b>	<b>133,163</b>	<b>1,793,571</b>

**Notes to the financial statements***For the year ended 31 December***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 Governments 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.

SA Siat NV, 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 ₦50,000,000 comprising 50 million ordinary shares of ₦1 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 ₦250,000,000 divided into 500,000,000 ordinary shares of 50k each. The authorized share capital was raised to ₦500,000,000 in 2008 divided into 1,000,000,000 ordinary shares of 50k each, issued and fully paid up. The company also increased its authorised share capital in 2014 to ₦500,000,000 divided into ordinary shares of 50 kobo each with 1,000,000,000 issued and fully paid. There are currently 9,194 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.

2. Changes in accounting policies

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 2020

The IASB has issued a number of new IFRSs and amendments thereto that are first effective for the current accounting period of the company as detailed below:

- (i) Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7
- (ii) Amendments to References to the Conceptual Framework in IFRS Standards
- (iii) Amendments to IFRS 3 Definition of a business
- (iv) Amendments to IAS 1 and IAS 8 Definition of material
- (v) Amendment to IFRS 16-Covid-19-Related Rent Concessions

(i) *Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.*

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

The amendments are not relevant to the Company given that it does not apply hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Company's accounting in the following ways:

- The Company has no floating rate debt, linked to, which it cash flow hedges using interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate, benchmark reforms.
- The Company has not issued-denominated fixed rate debt which it fair value hedges using interest rate swaps. The amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate, [Currency B] IBOR, may no longer be separately identifiable. However, this relief does not extend to the requirement that the designated interest rate risk component must continue to be reliably measurable. If the risk component is no longer reliably measurable, the hedging relationship is discontinued.
- The Company will need not retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Company consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

**2 Amendments to IFRSs that are mandatorily effective for periods beginning on or after 1 January 2020 (cont'd)****Amendments to References to the Conceptual Framework in IFRS Standards**

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework.

Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

The amendments did not have impact on the Company's financial statements as the Company has no associates or joint ventures.

**Amendments to IFRS 3 Definition of a business**

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The Company's activities and assets has outputs. Therefore it is a business.

**Amendments to IAS 1 and IAS 8 Definition of material**

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

**2 Amendments to IFRSs that are mandatorily effective for periods beginning on or after 1 January 2020 (cont'd)****Amendments to IAS 1 and IAS 8 Definition of material (cont'd)**

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The directors agree that it is appropriate to align the definition of materiality as disclosed in IFRS standards and conceptual framework.

**Amendment to IFRS 16-Covid-19-Related Rent Concessions**

In the current year, the Company has applied amendments to IFRS 16 Leases and other standards that are effective for an annual period that begins on or after 1 January 2020. Amendment to IFRS 16 Leases provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. A lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

It applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 June 2021).

There is no substantive change to other terms and conditions of the lease.

**Accounting standards and interpretations issued but not yet effective**

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

The directors of the Company do not anticipate that the application of the Standard below in the future will have an impact on the Company's financial statements

- (i) IFRS 17: Insurance Contracts
- (ii) IFRS 10 and IAS 28 (amendments): Sale or Contribution of Assets between an investor and its Associates or Joint Venture
- (iii) Amendments to IAS 1: Classification of liabilities as Current or Non-current
- (iv) Amendments to IFRS 3: Reference to the Conceptual Framework
- (v) Amendments to IAS 16: Property, plant and equipment - Proceeds before intended use
- (vi) Amendments to IAS 37: Onerous contracts - Cost of fulfilling a contract

The directors of the Company have noted the below amendment and will be applied as and when due, if necessary

- (vii) Annual improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards, IFRS 9 Financial instruments, IFRS 16 Leases, and IAS 41 Agriculture

**Notes to the financial statements**

*For the year ended 31 December*

**3 Significant accounting policies**

**(a) Statement of compliance**

The financial statements for the year ended 31 December 2020 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**

*(i) Presentation currency*

These financial statements are presented in Nigeria Naira

*(ii) Functional and presentation currency*

These Financial Statements are presented as stated above 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 preparation and 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 the following below.

<b>Items</b>	<b>Measurement basis</b>
Inventories	- Lower of cost and net realisable value
Defined benefit obligation	- Present value of obligation
Biological assets	Fair value

Any other exceptions to the historical cost price method are disclosed in the valuation rules described hereafter.

**(d) Revenue**

The Company manufactures and produces Oil Palm products and recognizes revenue from the sale of these products which include RBDO, PFAD, Palm Olein, Palm Stearin, CPKO, RPKO amongst others.

Revenue is measured based on the consideration to which the company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

**Sale of goods**

For sales of consumer goods to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the company when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the company. Payment of the transaction price is due immediately at the point the customer purchases the goods. The Company has no variable consideration from its contracts with its customers as the contract consideration is pre-

**3 Significant accounting policies (cont'd)****(e) Foreign currencies****Functional and presentation currency**

Items included in the financial statements of the company is measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Nigerian Naira' (N).

**Transactions and balances**

In preparing the financial statement of the company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented separately in the income statement where material.

**(f) Finance income and expense**

Finance income and expense are recognised in the income statement in the period in which they are earned or incurred.

Interest income and expense are recognised using the effective interest method.

**(g) 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:

**3 Significant accounting policies (cont'd)****(g) Intangible assets (cont'd)**

- 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.

**(h) Biological assets****Produce growing on bearer plants**

Produce growing on bearer plants are measured at FairValue 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.

**(i) 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.

Historical cost includes purchase costs, expenditure that is directly attributable to the acquisition of the items and the estimate of the cost of decommissioning (dismantling, removing the asset and restoring the site).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. The carrying amount of the replaced cost is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3 Significant accounting policies (cont'd)

(i) Property, plant & equipment (cont'd)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. Strategic Spares is not depreciated. Land has an unlimited useful life and as such is not depreciated. 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:

• Freehold land	NIL
• Leasehold land	Over the lease period
• Other land related expenditure	20 years
• Buildings	30 years
• Processing equipment	10 - 20 years
• Heavy duty equipment	10 - 20 years
• Furniture, fixtures and fittings	3 - 10 years
• Utilities	10 years
• Vehicles, wheels & tractors	5 - 10 years
• Bearer plant	25 years
• Rubber Budwood	30 years
• Work-In-Progress	NIL

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.

Property, plant and equipment that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Property, plant and equipment that suffer impairment are reviewed for possible reversal of the impairment at each balance sheet date.

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-eight 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-five (25) 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.

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

**The Company as lessee**

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

**3 Significant accounting policies (cont'd)****(j) Leases (cont'd)**

The company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company made such adjustments during the course of the financial year.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

The company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset.

The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "rent and rate" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**3 Significant accounting policies (cont'd)****(j) Leases (cont'd)****The Company as lessor**

Leases for which the company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the company applies IFRS 15 to allocate the consideration under the contract to each component.

**(k) Impairment of tangible and intangible assets excluding goodwill**

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.

**(l) Financial instruments**

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3 Significant accounting policies (cont'd)

(l) Financial instruments (cont'd)

**Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification of financial assets**

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

*(i) Amortised cost and effective interest method*

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.

For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

3 Significant accounting policies (cont'd)

(l) Financial instruments (cont'd)

(i) *Amortised cost and effective interest method (cont'd)*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

For purchased or originated credit impaired financial assets, the Company recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

(ii) *Debt instruments classified as at FVTOCI*

Any corporate bonds held by the Company are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs.

Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) *Equity instruments designated as at FVTOCI*

On initial recognition, the Company may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is, contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has evidence of a recent actual pattern of short term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3 Significant accounting policies (cont'd)

(l) Financial instruments (cont'd)

(iii) *Equity instruments designated as at FVTOCI*

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Company does not have and neither have they designated any investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

(iv) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

(v) *Financial assets at FVTPL (cont'd)*

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in the Company's accounting policies.

**Foreign exchange gains and losses**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;

**3 Significant accounting policies (cont'd)****(i) Financial instruments (cont'd)**

- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

**Impairment of financial assets**

The company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts.

The company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

**Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

**3 Significant accounting policies (cont'd)****(l) Financial instruments (cont'd)****Significant increase in credit risk (cont'd)**

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- 1 the financial instrument has a low risk of default;
- 2 the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- 3 adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the company considers the changes in the-risk that the specified debtor will default on the contract. The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

**Definition of default**

The company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collateral held by the company).

Irrespective of the above analysis, the company considers that default has occurred when a financial asset is more than 365 days past due unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3 Significant accounting policies (cont'd)

(i) Financial instruments (cont'd)

**Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a. significant financial difficulty of the issuer or the borrower;
- b. a breach of contract, such as a default or past due event {see (ii) above};
- c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e. the disappearance of an active market for that financial asset because of financial difficulties.

**Write-off policy**

The company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(vi) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

For a financial guarantee contract, as the company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the company expects to receive from the holder, the debtor or any other party.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

**3 Significant accounting policies (cont'd)****(l) Financial instruments (cont'd)**

The company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

**Derecognition of financial assets**

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

**Financial liabilities and equity****Classification**

Debt and equity instruments 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.

**Equity instruments**

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

**Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

**(l) Financial instruments (cont'd)**

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value. With any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (Note 11) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, 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 recognised 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. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the company that are designated by the company as at FVTPL are recognised in profit or loss.

**Financial liabilities measured subsequently at amortised cost**

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently 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 amortised cost of a financial liability.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

**3 Significant accounting Policies (cont'd)****(1) Financial instruments (cont'd)****Other financial liabilities**

Other financial liabilities (including borrowings and trade and other payables) 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.

**Trade payables**

Trade payables are not interest bearing and are stated at fair value and subsequently measured at amortised cost.

**Loans and borrowings**

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of direct issue costs, and are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

**Foreign exchange gains and losses**

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss (note 11) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

**Derecognition of financial liabilities**

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

**3 Significant accounting policies (cont'd)****(m) Inventories**

Inventories are stated at the lower of cost and net realisable value. The costs of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

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 basis of costing is as follows:"

**Supplies (Spares)** - purpose cost on a weighted average basis including transportation and applicable clearing charges

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

**Goods in Transit** -purchase cost incurred to date

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.

**(n) 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 borrowings in current liabilities on the balance sheet.

**(o) 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.

**(p) 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.

**3 Significant accounting policies (cont'd)****(q) Dividend distribution**

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders. In respect of interim dividends these are recognised once paid. Dividends which remained unclaimed for a period exceeding twelve (12) years from the date of declaration and which are no longer actionable by shareholders in accordance with Section 385 of Companies and Allied Matters Act of Nigeria are written back to retained earnings.

**(r) Derivative financial instruments**

The company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, deposits. Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date less impairment losses. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the company has both a legally enforceable right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

**(s) 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 company;
- other employee benefits: post-employment medical care.

**Defined contribution scheme**

The company operates a defined contribution plan. The defined contribution plan pays a fixed contribution into a separate entity.

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 allowance) 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 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.

**3 Significant accounting policies (cont'd)****(s) Retirement benefits and other long term employees' benefits (cont'd)****Defined benefit scheme**

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.

**Termination benefits**

Termination benefits are recognised as an expense when the company is committed demonstrably, without realistic possibility of withdrawal to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

**Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**(t) 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.

**3 Significant accounting policies (cont'd)****(i) Government grants (cont'd)**

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The fair value of the government loan at below market rate of interest is estimated as the present value of all future cash flows discounted using the prevailing market rate(s) of interest for a similar instrument with a similar credit rating. The benefit of the government grant is measured as the difference between the fair value of the loan and the proceeds received.

**(ii) Current and deferred income tax**

The tax for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

**Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 at the reporting date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

**Deferred income tax**

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such 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 nor the accounting profit. In addition, a deferred liabilities in a transaction that affects neither the taxable nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the

**3 Significant accounting policies (cont'd)****Deferred income tax (cont'd)**

The carrying amount of deferred tax assets is reviewed at each reporting date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax liabilities on a net basis.

**Current tax and deferred tax for the year**

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**(v) 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.

**(w) Earnings per share (EPS)**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

**(x) Related parties**

Related parties include its parent company and other group entities. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Company are also considered to be related parties.

**(x) Related parties (cont'd)**

Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

3 Significant accounting policies (cont'd)

(y) **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described above, 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.

**Critical judgements in applying the company's accounting policies**

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.

(i) *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 (multi-period earning) as the primary valuation methodology. The multi-period earning 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 forecast extraction rate for Presco Pic, the forecast production and the respective sales price for each forecast year.

**Cash-out/costs:** The upkeep costs, harvesting/collection costs, overheads and factory costs have been included as part of the cash-out costs. Cash-out costs were computed thus:

- 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."

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 management's judgement while the purchase price is based on observable selling price per tonne.

The forecast growth rate was based on management's expectation and experience. Estimated cash flows derived was based on upkeep cost, harvesting/collection cost, and agric overhead cost. The net cash flow derived was discounted by the 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.

**3 Significant accounting policies (cont'd)****(y) Critical accounting judgements and key sources of estimation uncertainty****Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

**ii. 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.

**iii. 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.

**iv. 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.

**v. Valuation of financial liabilities**

As at the end of the reporting period, the Company had in its books 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 IFRS 9, 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.

**(vi) Calculation of loss allowance**

The company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

**3 Significant accounting policies (cont'd)****(y) Critical accounting judgements and key sources of estimation uncertainty**

The provision matrix is initially based on the company's historical observed default rates. The company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

**Notes to the financial statements**
*For the year ended 31 December*
**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 25 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.

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

**Gearing ratio**

The gearing ratio at the year end is as follows:

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Debt	19,599,615	24,736,149	18,666,178	8,515,161	5,960,526
Cash and bank balances	(2,585,092)	(5,934,937)	(3,072,404)	(3,307,211)	(2,585,128)
	<b>17,014,523</b>	<b>18,801,212</b>	<b>15,593,774</b>	<b>5,207,950</b>	<b>3,375,398</b>
Equity	30,728,422	27,692,704	24,174,342	21,874,536	17,690,776
Debt to equity	<b>55%</b>	<b>68%</b>	<b>65%</b>	<b>24%</b>	<b>19%</b>

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

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

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

**5 Financial instruments**

All the Company's financial assets and liabilities are measured at amortised cost and due to the short term nature of these financial instruments, the fair value reasonably approximates the carrying value in the statement of financial position.

**5.1 Categories of financial instruments**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Financial assets</b>					
Cash and bank	2,585,092	5,934,937	3,072,404	3,307,211	2,585,128
Loans and receivables	6,933,285	6,798,315	4,986,615	3,548,815	702,025
	<b>9,518,377</b>	<b>12,733,252</b>	<b>8,059,019</b>	<b>6,856,026</b>	<b>3,287,153</b>

Notes to the financial statements

For the year ended 31 December

5 Financial instruments (cont'd)

5.1 Categories of financial instruments (cont'd)

	2020	2019	2018	2017	2016
Financial liabilities	₹'000	₹'000	₹'000	₹'000	₹'000
<i>Amortized cost:</i>					
Borrowings	13,235,461	17,642,911	11,798,887	5,341,113	5,168,969
Overdrafts	6,364,154	7,093,238	6,867,291	3,174,048	791,557
Lease liabilities	186,529	186,531	432,440	462,074	491,668
Trade&other payables	11,541,335	8,180,956	8,034,114	7,428,137	1,699,761
	<b>31,327,479</b>	<b>33,103,636</b>	<b>27,132,732</b>	<b>16,405,372</b>	<b>8,151,955</b>

5.2 Financial risk

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
- 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
- Keeping abreast of technology and consumer trends and investing capital and resources where required.

The company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange rates, credit risk, liquidity risk and interest rates.

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. 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

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.

**Notes to the financial statements**

For the year ended 31 December

**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.

	2020		2019		2018		2017		2016	
	Average rate	Year end rate								
USD	-	-	-	-	344.83	342.10	348.75	340.03	253.19	352.70
EUR	-	-	-	-	406.66	391.70	396.25	407.79	279.90	371.11
GBP	-	-	-	-	459.08	437.46	452.67	459.63	339.35	435.41

The carrying amounts of the company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets					Liabilities				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
USD	283,119	1,712,314	1,650,346	-	-	121,198	1,741,697	403,758	-	-
EUR	2,629,071	4,869,402	3,053,123	-	-	6,793,670	6,638,985	4,907,786	-	-
GBP	3,024	3,024	3,024	-	-	-	-	-	-	-

The following table details the Company's sensitivity to a 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. The analysis assumes that all other variables remain constant.

**Notes to the financial statements**

For the year ended 31 December

5.2.1.1 Foreign currency risk management

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year-end exposure does not reflect the exposure during the year.

	2020	2019	2018	2017	2016
	Profit	Profit/ (loss)	Profit/ (loss)	Profit/	Profit/ (loss)
	/(loss) after	after tax	after tax	(loss) after	after tax
	tax			tax	
	₹'000	₹'000	₹'000	₹'000	₹'000
₹ strengthens by 15% against the \$	(2,062)	(1,580)	25,884	-	-
₹ strengthens by 15% against the €	(1,681)	(106,886)	(94,498)	-	-
₹ strengthens by 15% against the £	1,511	215	1,512	-	-
₹ weakens by 15% against the \$	1,845	1,580)	(25,884)	-	-
₹ weakens by 15% against the €	1,504	106,886)	94,498)	-	-
₹ weakens by 15% against the £	(1,352)	(215)	(1,512)	-	-

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year-end exposure does not reflect the exposure during the year.

The foreign exchange risk is mainly from related parties payable and receivable balances with foreign related parties

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. 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.

5.2.2 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments so that cash flows are appropriately balances and all funding obligations are met when due.

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.

The Company enjoys favourable 90 days credit from its suppliers as against 30 days of credit it gives to its customers. Thus the Company is always at an advantage position to meet its obligations because funding is quickly available from credits extended to its customers that the timing it requires to settle its obligations.

**Notes to the financial statements**

For the year ended 31 December

## 5.2.1.1 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.

	0-6 months	6-12 months	12-24 months	24 months and above	Total
	€'000	€'000	€'000	€'000	€'000
<b>2016</b>					
Trade and other payables	197,423	1,502,338	-	-	1,699,761
Borrowings	1,713,197	3,455,772	-	-	5,168,969
	<u>1,910,620</u>	<u>4,958,110</u>	-	-	<u>6,868,730</u>
<b>2017</b>					
Trade and other payables	4,442,518	2,985,619	-	-	7,428,137
Borrowings	656,805	580,027	2,627,220	1,477,061	5,341,113
Overdraft	3,174,048	-	-	-	3,174,048
	<u>8,273,371</u>	<u>3,565,646</u>	<u>2,627,220</u>	<u>1,477,061</u>	<u>31,886,596</u>
<b>2018</b>					
Trade and other payables	2,500,000	5,534,114	-	-	8,034,114
Borrowings	2,600,000	2,579,745	2,800,000	3,819,142	11,798,887
Overdraft	3,000,000	3,025,951	-	-	6,025,951
	<u>8,100,000</u>	<u>11,139,810</u>	<u>2,800,000</u>	<u>3,819,142</u>	<u>17,758,952</u>
<b>2019</b>					
Trade and other payables	4,565,425	3,615,531	-	-	8,180,956
Borrowings	5,660,470	3,500,074	2,529,305	5,953,062	17,642,911
Overdraft	2,748,249	4,344,989	-	-	7,093,238
Lease liabilities	16,753	16,753	33,506	153,025	220,037
	<u>12,990,897</u>	<u>11,477,348</u>	<u>2,562,811</u>	<u>6,106,087</u>	<u>33,137,143</u>
<b>2020</b>					
Trade and other payables	5,930,550	5,610,785	-	-	11,541,335
Borrowings	4,670,050	3,505,000	3,134,528	1,925,883	13,235,461
Overdraft	3,250,000	3,114,154	-	-	6,364,154
Lease liabilities	16,753	16,753	33,506	153,023	220,035
	<u>13,867,353</u>	<u>12,246,692</u>	<u>3,168,034</u>	<u>2,078,906</u>	<u>31,360,985</u>

**Notes to the financial statements**

*For the year ended 31 December*

**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.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the company reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the company's credit risk is significantly reduced. Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, a guarantee for such receivables is obtained.

The company does not believe it is exposed to any material concentrations of credit risk because the counterparties deal with banks with high credit-ratings.

**Overview of the Company's exposure to credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at 31 December 2020, the company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position. The related loss allowance is disclosed in Note 21.1.

The company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL- not credit impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL- credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the company has no realistic prospect of recovery	Amount is written off

**Notes to the financial statements**

For the year ended 31 December

**5.2.3 Credit risk management (cont'd)**
**Overview of the Company's exposure to credit risk (cont'd)**

The tables below details the credit quality of the company's financial asset as well as the company's maximum exposure to credit risk by credit risk rating grades:

2020	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount ¥'000	Loss allowance ¥'000	Net Carrying amount ¥'000
Trade receivables	21	See Note (i) below	Lifetime ECL (simplified approach)	529,371	(30,908)	498,463
Intercompany receivables	35	Doubtful	Lifetime ECL- not credit impaired	5,693,859	-	5,693,859
Bank and call deposits	22	Performing	12-month ECL	2,585,092	-	2,585,092
				<b>8,808,322</b>	<b>(30,908)</b>	<b>8,777,414</b>
2019	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount ¥'000	Loss allowance ¥'000	Net Carrying amount ¥'000
Trade receivables	21	See Note (i) below	Lifetime ECL (simplified approach)	774,765	(68,165)	706,600
Intercompany receivables	35	Doubtful	Lifetime ECL- not credit impaired	5,408,071	-	5,408,071
Bank and call deposits	22	Performing	12-month ECL	5,934,937	-	5,934,937
				<b>12,117,773</b>	<b>(68,165)</b>	<b>12,049,608</b>
2018	Note			Gross carrying amount ¥'000	Loss allowance ¥'000	Net Carrying amount ¥'000
Bank balances	22			2,551,685	-	2,551,685
Trade and other receivables	21			5,062,572	-	5,062,572
				<b>7,614,257</b>	<b>-</b>	<b>7,614,257</b>
2017	Note			Gross carrying amount ¥'000	Loss allowance ¥'000	Net Carrying amount ¥'000
Bank balances	22			3,307,211	-	3,307,211
Trade and other receivables	21			3,607,661	-	3,607,661
				<b>6,914,872</b>	<b>-</b>	<b>6,914,872</b>

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**Notes to the financial statements**

*For the year ended 31 December*

**5.2.3 Credit risk management (cont'd)**

**Overview of the Company's exposure to credit risk (cont'd)**

2016	Note	Gross ¥'000	Loss ¥'000	Net ¥'000
Bank balances	22	2,585,128	-	2,585,128
Trade and other receivables	21	1,095,901	-	1,095,901
		<b>3,681,029</b>	<b>-</b>	<b>3,681,029</b>

(i) For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determined the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 23.1 includes further details on the loss allowance for this asset. All of the Company's financial assets are carried at amortised cost. The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets in the statement of financial position.

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

**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.

**Notes to the financial statements**

For the year ended 31 December

**5.2.3 Credit risk management (cont'd)**

 c. *Fair value hierarchy*

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
<b>2020</b>				
<b>Financial assets</b>				
Cash and bank balances	-	2,585,092	-	2,585,092
Trade and other receivables	-	6,962,759	-	6,962,759
	-	<u>9,547,851</u>	-	<u>9,547,851</u>
<b>2020</b>				
<b>Financial liabilities</b>				
<i>At amortized cost:</i>				
Borrowings	-	13,235,461	-	13,235,461
Trade and other payables	-	11,541,335	-	11,541,335
Overdraft	-	6,364,154	-	6,364,154
Lease liabilities	-	220,035	-	220,035
	-	<u>31,360,985</u>	-	<u>31,360,985</u>
<b>2019</b>				
<b>Financial assets</b>				
Cash and bank balances	-	5,934,937	-	5,934,937
Trade and other receivables	-	683,240	-	6,832,407
	-	<u>12,767,344</u>	-	<u>12,767,344</u>
<b>Financial liabilities</b>				
<i>At amortized cost:</i>				
Borrowings	-	17,642,911	-	17,642,911
Trade and other payables	-	8,180,956	-	8,180,956
Overdraft	-	7,093,238	-	7,093,238
Lease liabilities	-	220,037	-	220,037
	-	<u>33,137,142</u>	-	<u>33,137,142</u>
<b>2018</b>				
<b>Financial assets</b>				
Cash and bank balances	-	3,072,404	-	3,072,404
Trade and other receivables	-	4,986,615	-	4,986,615
	-	<u>8,059,019</u>	-	<u>8,059,019</u>
<b>Financial liabilities</b>				
<i>At amortized cost:</i>				
Borrowings	-	11,798,887	-	11,798,887
Trade and other payables	-	8,034,114	-	8,034,114
Overdraft	-	6,867,291	-	6,867,291
	-	<u>26,700,292</u>	-	<u>26,700,292</u>

**Notes to the financial statements**

For the year ended 31 December

**5.2.3 Credit risk management (cont'd)**

## c. Fair value hierarchy (cont'd)

	Level 1 ₹'000	Level 2 ₹'000	Level 3 ₹'000	Total ₹'000
<b>2017</b>				
<b>Financial assets</b>				
Cash and bank balances	-	3,307,211	-	3,307,211
Trade and other receivables	-	3,607,661	-	3,607,661
	-	<u>6,914,872</u>	-	<u>6,914,872</u>
<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
	-	<u>15,943,298</u>	-	<u>15,943,298</u>
<b>2016</b>				
<b>Financial assets</b>				
Cash and bank balances	-	2,585,128	-	2,585,128
Trade and other receivables	-	702,025	-	702,025
	-	<u>3,287,153</u>	-	<u>3,287,153</u>
<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
	-	<u>7,660,285</u>	-	<u>7,660,285</u>

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

**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, 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.

**Notes to the financial statements***For the year ended 31 December***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 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 change 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.

**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.

## Notes to the financial statements

For the year ended 31 December

### 6 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

#### 6.5 Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions."

#### 6.6 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.

*Cash-out/costs:* The upkeep costs, harvesting/collection costs, overheads and factory costs have been included as part of the cash-out costs. Cash-out costs were computed thus: - 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.

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 management's judgement while the purchase price is based on observable selling price per tonne.

The forecast growth rate was based on management's expectation and experience. Estimated cash flows derived was based on upkeep cost, harvesting/collection cost, and agric overhead cost. The net cash flow derived was discounted by the 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.

**Notes to the financial statements**

*For the year ended 31 December*

**6 Critical accounting judgements and key sources of estimation uncertainty (cont'd)**

**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.

**Notes to the financial statements**
*For the year ended 31 December*
**7 Revenue**

	2020	2019	2018	2017	2016
	₹'000	₹'000	₹'000	₹'000	₹'000
<b>Local sales</b>					
Sales of main products	23,520,992	19,238,210	21,270,280	22,363,231	15,714,722
Mill by-products	3,530	41,476	74,450	2,141	1,476
Sales of FFB	367,244	443,955	-	-	-
	<b>23,891,766</b>	<b>19,723,641</b>	<b>21,344,730</b>	<b>22,365,372</b>	<b>15,716,198</b>

The revenue from the sale of goods is disaggregated as follows:

Local Sales	23,891,766	19,723,641	20,599,768	18,995,815	14,824,974
Export Sales	-	-	744,962	3,369,557	891,224
	<b>23,891,766</b>	<b>19,723,641</b>	<b>21,344,730</b>	<b>22,365,372</b>	<b>15,716,198</b>

**8 Cost of sales**

	2020	2019	2018	2017	2016
	₹'000	₹'000	₹'000	₹'000	₹'000
Raw materials consumed	322,172	10,813	542,090	715,559	16,442
Upkeep of mature plantings, harvesting & laboratory expenses	1,726,964	1,706,107	564,090	1,297,687	1,512,056
Mill processing, refinery & packaging costs	3,997,793	3,918,438	3,138,376	3,928,062	2,876,287
Depreciation (Note 16)	1,455,282	1,159,676	1,018,051	-	-
Depreciation of right-of-use assets (Note 19)	23,390	-	-	-	-
Repairs and maintenance	277,647	206,776	189,393	-	-
	<b>7,803,248</b>	<b>7,001,810</b>	<b>5,452,616</b>	<b>5,941,308</b>	<b>4,404,785</b>

Included in mill processing, refinery and packaging costs in 2020 is the sum of N967.338 million paid to seconded personnel from NV SIAT SA. Also included is the sum of N703.207 million relating to technical knowhow fees paid by the company to NV SIAT SA.

**Notes to the financial statements**
*For the year ended 31 December*
**9.0 Selling, General & Admin Expenses**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>
Clearing and handling	320,051	554,369	634,113	327,780	131,859
Office & housing expenses	161,213	142,463	90,987	41,517	72,825
Rent and rate	7,732	10,667	103,952	26,619	15,052
Repairs and maintenance	166,088	125,540	123,131	239,192	233,819
Gratuity service cost	28,938	31,573	31,648	34,256	19,324
Actuarial loss/(gain) on long service award	6,592	8,041	-	2,779	4,774
Postage and telephone	17,777	19,546	18,595	31,788	22,408
Insurance	184,133	200,612	162,051	153,321	108,610
Legal	21,870	20,000	30,124	26,838	28,088
Audit fees	40,000	31,610	29,000	31,400	31,000
Professional & consultancy fees	183,259	416,435	116,146	73,799	54,125
Donations	29,578	16,484	38,923	31,965	30,397
Subscription and licences	42,486	50,726	54,075	39,848	47,914
Transport and travelling	2,018,261	1,509,437	1,389,179	567,937	328,809
Management fees	332,794	254,677	344,227	2,299,319	-
Security	186,538	203,218	219,999	139,339	104,645
Selling expenses	0	-	-	311,188	97,479
Community development	51,071	22,985	52,326	36,220	52,149
Meeting and entertainment	87,392	216,483	131,384	88,554	66,720
Directors' fees	94,072	101,526	90,756	35,506	25,172
Staff costs	1,232,598	1,205,444	1,032,617	993,294	824,964
Depreciation	303,747	294,989	265,172	753,438	407,408
Amortisation	46	47	47	47	-
Bank charges	265,940	333,916	182,134	190,188	68,128
Exchange losses	501,286	389,596	260,446	524,003	1,238,602
Fines and penalties	191	9,680	1,330	-	-
Other taxes	-	217,613	-	-	-
Others	531,541	9,842	16,060	184,283	159,868
Provision for slow and obsolete spares	127,860	195,172	-	-	-
	<b>6,943,054</b>	<b>6,592,691</b>	<b>5,418,422</b>	<b>7,184,418</b>	<b>4,174,137</b>

**9.1 Impairment provision**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>
Trade receivables impairment (provision) / writeback	37,258	(33,392)	(31,725)	-	-

**10 Selling and distribution expenses**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>
Selling expenses	19,125	24,947	172,485	-	-
Finished products	299,239	357,762	366,923	317,248	223,945
	<b>318,364</b>	<b>382,709</b>	<b>539,408</b>	<b>317,248</b>	<b>223,945</b>

**Notes to the financial statements**
*For the year ended 31 December*

	2020	2019	2018	2017	2016
	₹'000	₹'000	₹'000	₹'000	₹'000
<b>11 Other gains and losses</b>					
Live-stock sales	2,447	3,034	-	937	1,977
Others operating income	-	-	239,438	250,955	211,498
Financial income (Government grant)	205,006	164,959	91,241	107,553	109,671
Loss on disposal of fixed assets	(83,945)	(15,509)	(12,901)	(146,087)	(204,657)
Scrap sales	22,385	39,349	-	-	-
Short delivery of finished products	24,006	37,933	-	-	-
Fertilizer sales	-	8,123	-	-	-
Petrol and diesel sales	88,214	62,407	-	-	-
Service income	8,860	3,574	-	-	-
(Loss)/gain on disposal of palm seedlings	(611,172)	82,332	3,283	-	-
Use of land	56,399	-	-	-	-
	<b>(287,800)</b>	<b>386,202</b>	<b>321,061</b>	<b>213,358</b>	<b>118,489</b>

**Technical and management service fees**

The amount payable for Technical Knowhow and Management service agreement is based on applicable rates below. For the year ended 31 December, 2019 the fees inclusive of VAT amounting to NSSL521,714 (2018: N863,840,231) was recognised in these financial statements. The agreement was made with the approval of the National Office for Technology Acquisition and promotion (NOTAP). It was renewed in 2018 for a period of three (3) years with effect from 1 January 2018 to 31 December 2020.

The Company has commenced its application for renewal for 2021-2023 which has been submitted and is currently being processed.

NOTAP Approved Items	NOTAP Certificate No	Rate	Bases
Technical Knowhow	CR006852	3%	Net Sales
Management Fee	CR006852	3%	Profit before tax (PBT)

**12.0 Finance cost**

	2020	2019	2018	2017	2016
	₹'000	₹'000	₹'000	₹'000	₹'000
Interest on lease liabilities	41,249	41,249	46,794	-	-
Interests on loans	551,342	880,697	512,387	536,279	566,400
Interests on overdrafts	1,042,966	970,980	717,687	385,351	85,736
Interest on defined benefit obligation	86,621	75,824	62,456	51,849	32,519
Interest on government grant	196,114	164,959	-	-	-
	<b>1,918,292</b>	<b>2,133,709</b>	<b>1,339,324</b>	<b>973,479</b>	<b>684,655</b>

**Notes to the financial statements**
*For the year ended 31 December*
**13.0 Finance income**

	2020	2019	2018	2017	2016
	₹'000	₹'000	₹'000	₹'000	₹'000
Interest on call deposit	56,785	49,350	51,863	-	-
Interest on planned assets	2,073	17,565	16,921	-	-
	<b>58,858</b>	<b>66,915</b>	<b>68,784</b>	-	-

**14.0 Profit before taxation**

Profit before taxation is stated after charging/(crediting)

	2020	2019	2018	2017	2016
	₹'000	₹'000	₹'000	₹'000	₹'000
Depreciation of PP&E	(1,759,029)	(1,431,276)	(1,283,223)	(1,096,238)	(1,246,068)
Depreciation of ROU Assets	(23,390)	(23,390)	-	-	-
Amortisation of intangibles	(47)	(47)	(47)	(47)	-
Auditors' remuneration	(40,000)	(31,610)	(29,000)	(31,400)	(31,000)
Personnel expenses	(303,747)	(1,205,444)	(1,032,617)	(993,294)	(824,964)
Directors remuneration	(94,072)	(101,526)	(90,756)	(41,906)	-
Gain/(loss) on PP&E disposed	(82,745)	(15,509)	(12,901)	(146,087)	(204,657)
Interest on loans, overdrafts	(1,594,308)	(1,851,677)	(1,276,868)	(973,479)	(684,655)
Seconded staff cost	(967,339)	(875,304)	(1,012,059)	(690,671)	(431,519)
Expected credit loss	-	(33,392)	(31,725)	-	-
Exchange loss	(265,940)	(333,916)	(260,446)	(524,003)	(1,443,259)
Management fee	(332,794)	(254,677)	(344,227)	(2,299,319)	-
Technical know how	(703,207)	(596,844)	-	-	-

**15.0 Tax expenses**

	2020	2019	2018	2017	2016
	₹'000	₹'000	₹'000	(Restated) ₹'000	(Restated) ₹'000
<b>Income tax</b>					
Current income tax	297,435	989,907	2,275,668	1,328,941	1,631,407
Education tax	190,008	137,329	202,342	157,580	169,610
Police trust fund	435	303	-	-	-
Tax under provision in prior years and	627,210	-	-	-	-
	<b>1,115,088</b>	<b>1,127,539</b>	<b>2,478,010</b>	<b>1,486,521</b>	<b>1,801,017</b>
Deferred tax charge/(credit)	2,271,184	1,049,531	(434,495)	584,146	(7,052,675)
	<b>3,386,272</b>	<b>2,177,070</b>	<b>2,043,515</b>	<b>2,070,667</b>	<b>(5,251,658)</b>

	2020	2019	2018	2017	2016
	₹'000	₹'000	₹'000	(Restated) ₹'000	(Restated) ₹'000
<b>15.1 Analysis of tax expense</b>					
Tax recognised in profit or loss	3,428,422	2,220,937	2,036,822	2,088,858	(5,263,968)
Tax recognised in other comprehensive income	(42,150)	(43,867)	6,693	(18,191)	12,310
	<b>3,386,272</b>	<b>2,177,070</b>	<b>2,043,515</b>	<b>2,070,667</b>	<b>(5,251,658)</b>

**Notes to the financial statements**
*For the year ended 31 December*

<b>Income tax recognized in profit or loss</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>(Restated)</b>	<b>(Restated)</b>
	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>
Current tax expense in respect of the current period:					
Company income tax payable	297,435	801,779	2,275,668	1,328,941	1,631,407
Education tax	190,008	128,469	202,342	157,580	169,610
Police trust fund tax payable	435	303	-	-	-
Adjustments recognized in the current period in relation to the income tax of prior periods	627,210	188,128	-	-	-
Adjustments recognized in the current period in relation to the education tax of prior periods	-	8,860	-	-	-
	<b>1,115,088</b>	<b>1,127,539</b>	<b>2,478,010</b>	<b>1,486,521</b>	<b>1,801,017</b>
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>(Restated)</b>	<b>(Restated)</b>
<b>Deferred tax</b>					
Deferred tax expense recognized in the current period	2,313,334	1,093,398	348,433	706,501	(7,064,985)
Adjustments recognized in relation to	-	-	(789,621)	(104,164)	-
	<b>2,313,334</b>	<b>1,093,398</b>	<b>(441,188)</b>	<b>602,337</b>	<b>(7,064,985)</b>
Total income tax expense recognized in the current period	<b>3,428,422</b>	<b>2,220,937</b>	<b>2,036,822</b>	<b>2,088,858</b>	<b>(5,263,968)</b>

The current tax charge has been computed at the applicable rate of 30% plus Tertiary Education levy of 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**
*For the year ended 31 December*
**15.2 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:

	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	(Restated) ₦'000	(Restated) ₦'000
<b>Profit before tax</b>	<b>8,562,491</b>	<b>5,864,511</b>	<b>6,321,010</b>	<b>7,815,063</b>	<b>(17,956,730)</b>
Income tax expense calculated at 30% of PBT	2,568,747	1,759,353	1,896,303	2,344,519	(5,387,019)
Effect of income that is exempt from taxation	-	-	(139,658)	(1,564,445)	-
Effect of expenses that are not deductible in determining taxable profit	186,348	111,299	26,555	-	20,716
Effect of concessions (research and development and other allowances)	(179,024)	(34,027)	(18,078)	1,133,013	(67,275)
Education tax at 2% of assessable profits	190,008	137,329	202,342	157,580	169,610
Police trust fund at 0.005% of PBT	435	303	-	-	-
Adjustments recognized in the current period in relation to the income tax of prior periods	627,210	188,128	76,051	-	-
Adjustments recognized in the current period in relation to the education tax of prior periods	-	-	-	-	-
Tax Adjustments (others)	(3,660)	-	-	-	-
<b>Income tax recognized in the current period</b>	<b>3,390,064</b>	<b>2,162,385</b>	<b>2,043,515</b>	<b>2,070,667</b>	<b>(5,263,968)</b>

The tax rate used for 2020 and 2019 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.

# REPORTING ACCOUNTANT'S REPORT

## Notes to the financial statements

For the year ended 31 December

### 16 Property, plant and equipment

The movement in these accounts was as follows:

	Bearer plant	Rubber Wood	Building	Freehold Land	Leasehold land	Processing equipment	Heavy duty equipment	Vehicles & Wheel Tractors	Furniture & fittings	Utilities	Spare parts	Work in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
<b>COST</b>													
1-Jan-15	4,604,446	-	886,796	-	2,506,792	8,967,906	696,051	1,300,153	360,154	575,232	426,655	3,847,614	24,171,779
Additions	-	-	98,845	-	1,310,992	310,629	-	146,413	8,719	55,031	-	2,281,198	4,211,827
Disposals	-	-	-	-	-	(77,809)	(30,166)	(182,432)	(144,468)	(3,756)	(44,636)	-	(483,267)
Reclassifications	610,987	-	-	-	-	-	-	-	-	-	-	(610,987)	-
31-Dec-15	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
1-Jan-16	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	1,115,859	-	192,524	-	-	1,004,309	62,769	23,138	378	18,102	-	(2,417,079)	-
Disposals	-	-	-	-	-	(325,425)	(53,164)	(66,268)	(520)	-	-	-	(445,175)
Spare utilized	-	-	-	-	-	-	-	-	-	-	(96,674)	-	(96,674)
31-Dec-16	6,331,292	-	1,179,050	-	3,817,784	9,914,764	778,752	1,305,329	231,303	656,578	563,496	6,630,263	31,408,611
1-Jan-16	6,331,292	-	1,179,050	-	3,817,784	9,914,764	778,752	1,305,329	231,303	656,578	563,496	6,630,263	31,408,611
Additions	350,255	-	57,869	-	-	55,096	19,109	251,844	18,803	34,186	124,817	6,183,192	7,053,151
Transfers	1,189,091	-	1,175,764	-	-	514,258	-	59,147	126,550	254,779	-	(3,299,589)	-
Disposals	-	-	(26,650)	-	-	(210,235)	-	(2,995)	-	(2,564)	-	(108,260)	(350,704)
31-Dec-17	7,870,618	-	2,366,033	-	3,817,784	10,251,883	797,861	1,613,325	376,656	922,979	688,313	9,405,606	38,111,058
1-Jan-18	7,870,618	-	2,366,033	-	3,817,784	10,251,883	797,861	1,613,325	376,656	922,979	688,313	9,405,606	38,111,058
IFRS 16 to ROU	-	-	-	-	(1,108,630)	-	-	-	-	-	-	-	(1,108,630)
Additions	-	-	11,640	-	-	375,752	79,103	178,121	31,524	20,069	158,851	14,547,927	15,400,969
Transfers	1,158,108	-	430,015	-	227,539	94,918	23,249	34,873	42,902	11,518	-	(2,023,122)	-
Transfers from intangibles	-	-	-	-	-	-	-	-	-	-	-	133,472	133,472
Disposals	-	-	-	-	-	-	(118,353)	(133)	-	-	-	-	(118,486)
31-Dec-18	9,028,726	-	2,807,688	-	2,936,693	10,720,533	781,862	1,826,186	451,082	954,566	847,164	22,063,883	52,418,383

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## Notes to the financial statements

For the year ended 31 December

	Bearer plant	Rubber Wood	Building	Freehold Land	Leasehold land	Processing equipment	Heavy duty equipment	Vehicles & Wheel Tractors	Furniture & fittings	Utilities	Spare parts	Work in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
<b>COST</b>													
1-Jan-19	9,028,726	-	2,807,688	2,218,144	1,827,179	10,720,533	781,862	1,826,186	451,082	954,566	847,164	22,063,883	53,527,013
Effect of initial application of IFRS 16	-	-	-	-	562,606	-	-	-	-	-	-	-	562,606
Adjusted balance at 1 January 2019	9,028,726	-	2,807,688	2,218,144	2,389,785	10,720,533	781,862	1,826,186	451,082	954,566	847,164	22,063,883	54,089,619
Reclassifications	(2)	-	3,247	-	(718,549)	(1,107,537)	(95,895)	27,883	99,661	346,166	-	(769,911)	(2,212,955)
Additions	-	-	16,967	-	-	898	13,451	104,760	24,385	-	-	6,990,003	7,150,464
Transfers	2,485,859	129,062	399,406	-	-	940,740	-	9,711	144,011	25,415	-	(4,134,204)	-
Transfer to Right-of-use asset (Note 19)	-	-	-	-	(1,671,236)	-	-	-	-	-	-	-	(1,671,236)
Transfer to intangibles	-	-	-	-	-	-	-	-	-	-	-	1,037,129	1,037,129
Transfer to inventory	-	-	-	-	-	-	-	-	-	-	(847,164)	-	(847,164)
Disposals	-	-	-	-	-	-	(47,296)	(23,281)	-	-	-	(76,183)	(146,760)
31-Dec-19	11,514,583	129,062	3,227,308	2,218,144	-	10,554,634	654,124	1,945,259	719,139	1,326,147	-	25,110,717	57,399,117
1-Jan-20	11,514,583	129,062	3,227,308	2,218,144	-	10,554,634	654,124	1,945,259	719,139	1,326,147	-	25,110,717	57,399,117
Additions	-	-	14,151	-	-	32,690	-	-	43,003	219,162	-	7,073,769	7,382,775
Transfers	5,919,170	-	177,794	3,504,448	-	5,715,614	-	-	-	-	-	(13,317,026)	-
Transfer to inventory	-	-	-	-	-	-	-	-	-	-	-	(66,719)	(66,719)
Disposals	(67,931)	-	(11,645)	-	-	(872,079)	(73,856)	(166,013)	(117,532)	(61,365)	-	(1,562,562)	(2,932,983)
31-Dec-20	15,365,822	129,062	3,407,608	5,722,592	-	15,430,859	580,268	1,779,246	644,610	1,483,944	-	17,238,179	61,782,190

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Notes to the financial statements

For the year ended 31 December

	Bearer plant	Rubber	Building	Freehold	Leasehold	Processing	Heavy	Vehicles &	Furniture	Utilities	Spare	Work in	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
ACCUM DEPR.													
1-Jan-15	(1,179,419)	-	(372,394)	-	(1,102,991)	(2,696,102)	(465,367)	(803,330)	(299,411)	(259,472)	-	-	(7,178,486)
Charge for the year	(202,107)	-	(40,482)	-	(51,225)	(514,360)	(79,050)	(163,949)	(15,118)	(40,795)	-	-	(1,107,086)
Disposals	-	-	-	-	-	15,573	30,166	182,432	144,413	2,660	-	-	375,244
31-Dec-15	(1,381,526)	-	(412,876)	-	(1,154,216)	(3,194,889)	(514,251)	(784,847)	(170,116)	(297,607)	-	-	(7,910,328)
1-Jan-16	(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
31-Dec-16	(1,623,152)	-	(462,913)	-	(1,202,303)	(3,755,931)	(547,322)	(890,515)	(171,623)	(310,194)	-	-	(8,963,953)
1-Jan-17	(1,623,152)	-	(462,913)	-	(1,202,303)	(3,755,931)	(547,322)	(890,515)	(171,623)	(310,194)	-	-	(8,963,953)
Charge for the year	(262,616)	-	(53,274)	-	(53,909)	(451,697)	(51,514)	(162,603)	(20,208)	(60,417)	-	-	(1,096,258)
Disposals	-	-	3,556	-	-	63,112	-	2,995	-	1,571	-	-	71,234
31-Dec-17	(1,885,768)	-	(512,631)	-	(1,256,212)	(4,124,516)	(598,836)	(1,050,123)	(191,831)	(369,040)	-	-	(9,988,957)
1-Jan-18	(1,885,768)	-	(512,631)	-	(782,789)	(4,124,516)	(598,836)	(1,050,123)	(191,831)	(369,040)	-	-	(9,515,534)
Charge for the year	(355,357)	-	(84,488)	-	(1,292)	(456,045)	(64,917)	(141,752)	(70,473)	(90,324)	-	-	(1,264,628)
Disposals	-	-	-	-	-	-	90,597	89	-	-	-	-	90,686
31-Dec-18	(2,241,105)	-	(597,119)	-	(784,081)	(4,580,561)	(573,156)	(1,191,786)	(262,304)	(459,364)	-	-	(10,689,476)
RESTATEMENT													
1-Jan-19	(2,241,105)	-	(597,119)	(116,034)	(1,160,065)	(4,580,561)	(573,156)	(1,191,786)	(262,304)	(459,364)	-	-	(11,181,494)
Effect of initial application of IFRS 16					1,160,065								1,160,065
Adjusted balance a	(2,241,105)	-	(597,119)	(116,034)	-	(4,580,561)	(573,156)	(1,191,786)	(262,304)	(459,364)	-	-	(10,021,429)
Charge for the year	(408,738)	(359)	(99,680)	(1,292)	-	(466,534)	(51,734)	(208,922)	(80,078)	(113,939)	-	-	(1,431,276)
Disposals	-	-	-	-	-	-	39,359	13,154	-	-	-	-	52,513
Reclassifications	391,082	-	214,604	105,267	-	1,220,545	112,712	191,123	(15,379)	(7,020)	-	-	2,212,934
31-Dec-19	(2,258,761)	(359)	(482,195)	(12,059)	-	(3,826,550)	(472,819)	(1,196,431)	(387,761)	(580,323)	-	-	(9,187,258)
1-Jan-20	(2,258,761)	(359)	(482,195)	(12,059)	-	(3,826,550)	(472,819)	(1,196,431)	(387,761)	(580,323)	-	-	(9,187,258)
Charge for the year	(503,311)	(4,298)	(101,527)	(1,292)	-	(704,864)	(42,685)	(200,124)	(81,349)	(119,579)	-	-	(1,759,029)
Disposals	61,743	-	11,645	-	-	803,783	71,810	148,634	115,068	60,978	-	-	1,273,661
31-Dec-20	(2,700,329)	(4,657)	(572,077)	(13,351)	-	(3,727,631)	(443,694)	(1,247,921)	(324,042)	(638,924)	-	-	(9,672,626)
Carrying amount													
31 Dec 2016	4,708,140	-	716,137	-	2,615,481	6,158,833	231,430	414,814	59,680	346,384	563,496	6,630,263	22,444,658
31 Dec 2017	5,984,850	-	1,853,402	-	2,561,572	6,127,367	199,025	563,202	184,825	553,939	688,313	9,405,606	28,122,101
31 Dec 2018	6,787,621	-	2,210,569	-	2,152,612	6,139,972	208,706	634,400	188,778	495,202	847,164	22,063,883	41,728,997
31 Dec 2019	9,255,822	128,703	2,745,113	2,206,085	-	6,728,084	181,305	748,828	361,378	745,824	-	25,110,717	48,211,859
31 Dec 2020	12,665,493	124,405	2,835,531	5,709,241	-	11,703,228	136,574	531,325	320,568	845,020	-	17,238,179	52,109,564

**Notes to the financial statements**

For the year ended 31 December

**16.2 Transfers**

This refers to the transfer of completed assets from work-in-progress to their respective asset class within the property, plant and equipment balance

**16.3 Assets pledged as security**

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

**16.3 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

**16.4 Right-of-use asset**

Formerly, the company recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 leases. These assets were presented in property, plant and equipment under "Leasehold land" and the liabilities as "Lease liabilities".

**17 Biological assets: Agricultural Produce**

Biological assets consist of the fresh fruit bunches from the trees.

	2020	2019	2018	2017	2016
				(Restated)	(Restated)
	₹'000	₹'000	₹'000	₹'000	₹'000
At Fair Value					
1-Jan	5,092,477	3,260,413	5,892,483	6,239,697	30,543,592
Change in fair value less costs to sell	1,845,367	1,832,064	(2,632,070)	(347,214)	(24,303,895)
31-Dec	6,937,844	5,092,477	3,260,413	5,892,483	6,239,697

**Notes to the financial statements***For the year ended 31 December***17 Biological assets: Agricultural Produce**

The biological assets of Presco Plc comprise of fresh fruit bunches (FFB<sup>1</sup>) 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 was derived by estimating the expected yield from each plantation estate taking into consideration expected extraction rate and purchase price. The extraction rate adopted was based on actual historical average extraction rate for 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) cost 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 less cost to sell.

The fair value measurement of the company's biological assets are categorised within Level 3 of the fair value hierarchy. There were no transfers between all three (3) levels of the fair value hierarchy during the financial year.

As at 31 December 2020, Presco's material biological asset consists only of palm trees coming from 4 existing estates (Obaretin, Cowan, Ologbo and Sakponba):

- Mature palm trees for a total of 18,628 hectares;
- <sup>1</sup> - Immature palm trees for a total of 4,386 hectares and;
- <sup>2</sup> - Pre-nursery and main nursery seedlings available to generate a total of 8,357 hectares of planting.

Since no reliable market-based prices are available to value the biological asset, the calculation method used being called the income method determines the present value of expected net cash flows from the biological asset in its present location and condition, discounted at a current market-determined rate. Net cash flow that the asset is expected to generate in its most relevant market meaning at the earliest point at which a market exists being the price/ MT of FFB used to value the harvest net of cost of up keeping, harvesting, transporting and selling the fruits.

Any cash flows for financing the assets, taxation or re-establishing biological assets after harvest have been excluded. The assumptions applied in the valuation were an assumed CPO Malaysian Palm Oil price incremented by a factor taking into account Nigerian Market specificities, and a discount rate of 19.9% in 2020.

**Notes to the financial statements**

For the year ended 31 December

- 17.1 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%.

<b>2018</b>	<b>3,260</b>	<b>19.2</b>	<b>19.7</b>	<b>20.2</b>
Extraction rate		%	%	%
	22.1%	3,127.8	3,124.9	3,121.9
	22.6%	3,263.5	3,260.4	3,257.3
	23.1%	3,399.2	3,396.0	3,392.7
<b>2019</b>	<b>5,092</b>	<b>16.3</b>	<b>16.8</b>	<b>17.3</b>
Extraction rate		%	%	%
	22.4%	4,908	4,903	4,898
	21.9%	5,097	5,092	5,088
	21.4%	5,287	5,282	5,277
<b>2020</b>	<b>6,938</b>	<b>15.1</b>	<b>15.6</b>	<b>16.1</b>
Extraction rate		%	%	%
	22.0%	6,707	6,701	6,694
	22.5%	6,944	6,938	6,931
	23.0%	7,182	7,175	7,168

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

**17.1 Measurement of fair values**

 i. *Fair value hierarchy:*

The fair value measurements for the FFB Produce have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

 ii. *Level 3 fair values:*

The following table shows a breakdown of the total gains (losses) recognised in respect of Level 3 fair values:

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	₹'000	₹'000	₹'000	₹'000	₹'000
Gain/(Loss) on biological assets					
Change in fair value	1,845,367	1,832,064	(2,632,070)	(347,214)	(24,303,895)

**17.1 Measurement of fair values (Cont'd)**

 iii. *Valuation techniques and significant unobservable inputs*

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

**Notes to the financial statements**

*For the year ended 31 December*

**17.1 Measurement of fair values (Cont'd)**

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Palm trees older than 3 years i.e. the age at which its FFB become mature for processing into CPO	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for 6 months. The expected net cash flows are discounted using a risk adjusted discount rate	<p>1. Estimated future market prices for CPO per tonne in 2020: N514,404</p> <p>2. Estimated yields per hectare in 2020</p> <ul style="list-style-type: none"> <li>- Obaretin: 0.5 - 2.3, weighted average 1.6</li> <li>- Ologbo: 0.9 - 2.0, weighted average 1.4</li> <li>- Cowan: 0.7 - 9, weighted average 1.5</li> <li>- Sakponba: 0.1 - 0.14, weighted average 0.1</li> </ul> <p>3. Estimated costs 10.7% - 13.8%; weighted average is 12.2%</p> <p>4. Risk adjusted discount rate: 15.3% - 16.1%; weighted average 15.6%</p>	The estimated fair value would increase/(decrease) if: - the estimated CPO prices per tonne were higher (lower); - the estimated yields per hectare were higher (lower); the estimated harvest and transportation costs were lower (higher); or - the risk-adjusted discount rates were lower (higher)

**17.2 Risk management strategy related to agricultural activities**

The Company is exposed to the following risks relating to its plantations:

- i. *Regulatory and environmental risks*  
 The Company is subject to laws and regulations in various parts of Nigeria where it operates. The Company has established environmental policies aimed at compliance with local environmental and other laws.
- ii. *Supply and demand risk*  
 The Company is exposed to risks arising from fluctuations in the price and sales volume of oil palm. When possible, the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis for projected harvest volumes and pricing.
- iii. *Climate and other risks*  
 The Company's plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and diseases surveys. The Company also takes out insurance

**Notes to the financial statements***For the year ended 31 December***18 Intangible Assets**

	Computer software	Genetic	Total
Cost	₹'000	₹'000	₹'000
At 1 January 2015	118,249	117,586	235,835
Additions during the year	-	148,262	148,262
Transfer	(1,737)	(99,266)	(101,003)
<b>At 31 December 2015</b>	<b>116,512</b>	<b>166,582</b>	<b>283,094</b>
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>
As at 1 January 2017	116,512	192,304	308,816
Additions during the year	-	238,631	238,631
Transfer	-	(79,107)	(79,107)
<b>At 31 December 2017</b>	<b>116,512</b>	<b>351,828</b>	<b>468,340</b>
Additions during the year	-	608,321	608,321
Transfer	-	(133,472)	(133,472)
<b>At 31 December 2018</b>	<b>116,512</b>	<b>826,677</b>	<b>943,189</b>
Additions during the year	-	210,452	210,452
Transfer	-	(1,037,129)	(1,037,129)
<b>At 31 December 2019</b>	<b>116,512</b>	<b>-</b>	<b>116,512</b>
Additions during the year	-	-	-
<b>At 31 December 2020</b>	<b>116,512</b>	<b>-</b>	<b>116,512</b>
<b>Amortization</b>			
At 1 January 2015	87,902	-	87,902
Charge during the year	11,611	-	11,611
<b>At 31 December 2015</b>	<b>99,513</b>	<b>-</b>	<b>99,513</b>
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>
Charge during the year	47	-	47
<b>At 31 December 2018</b>	<b>116,344</b>	<b>-</b>	<b>116,344</b>
Charge during the year	47	-	47
<b>At 31 December 2019</b>	<b>116,391</b>	<b>-</b>	<b>116,391</b>
Charge during the year	47	-	47
<b>At 31 December 2019</b>	<b>116,438</b>	<b>-</b>	<b>116,438</b>
<b>Carrying amount</b>			
At 31 December 2016	262	192,304	192,566
At 31 December 2017	215	351,828	352,043
At 31 December 2018	168	826,677	826,845
At 31 December 2019	121	-	121
At 31 December 2020	74	-	74

**Notes to the financial statements**

For the year ended 31 December

**18 Intangible Assets (cont'd)**

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.

<b>18.1 Other non-current assets</b>	<b>2016</b>
	<b>₦'000</b>
Guarantee Paid in Cash	<u>110</u>
<b>19 Right-of-use</b>	<b>₦'000</b>
Cost	
At 1 January	1,108,630
Additions	-
At 31 December 2018	<u>1,108,630</u>
At 1 January	1,108,630
Effect of initial application of IFRS 16	562,606
Adjusted balance at 1 January 2019	<u>1,671,236</u>
Additions	-
At 31 December 2019	<u>1,671,236</u>
Additions	-
At 31 December 2018	<u>1,671,236</u>
Accumulated Depreciation	
At 1 January	(473,423)
Charge for the year	<u>(18,595)</u>
At 31 December 2018	<u>(492,018)</u>
Effect of initial application of IFRS 16	1,160,065
Adjusted	668,047
Right-of-use	
Charge for the year	<u>(23,390)</u>
At 31 December 2019	<u>(23,390)</u>
Charge for the year	<u>(23,390)</u>
At 31 December 2020	<u>(46,780)</u>
Carrying	
At 31 December 2020	<u>1,624,456</u>
At 31 December 2019	<u>1,647,846</u>
At 31 December 2018	<u>616,612</u>

The Company leases land at Ologbo, Obaretin, Cowan and Sakponba. The leases typically run for a period of 99 years, with no extension options, since these leases run the maximum lease life allowable by the government (i.e. 99 years). Lease payments are renegotiated every five years to reflect market rentals. These leases were entered into many years ago by the company and were classified as financing leases under IAS 17.

The maturity analysis of lease liabilities is presented in Note 29.

**Notes to the financial statements**

For the year ended 31 December

**20 Inventories**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	¥'000	¥'000	¥'000	¥'000	¥'000
Supplies (Spares)	2,888,278	2,821,365	2,097,937	1,769,554	832,507
Finished Goods	44,085	83,532	175,830	278,167	463,343
Goods in Transit	293,811	190,114	1,215,547	2,656,985	124,747
	<u>3,226,174</u>	<u>3,095,011</u>	<u>3,489,314</u>	<u>4,704,706</u>	<u>1,420,597</u>

Recognised in the income statement in 2020 as an expense are engineering spares used for production of N980.19mn in respect of continuing operations.

**21 Trade and other receivables**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
	¥'000	¥'000	¥'000	¥'000	¥'000
Trade receivables	529,371	774,765	973,041	621,658	585,142
Allowance for expected credit losses (Note 21.1)	(30,908)	(68,165)	(34,773)	-	-
Dividend below 15 months receivable from the registrar if unclaimed (Note 33.2b)	572,801	572,801	-	-	-
Intercompany receivable (Note 34.1)	5,693,859	5,408,071	3,991,474	2,873,506	6,053
Sundry debtors	168,162	110,843	56,873	53,651	110,830
	<u>6,933,285</u>	<u>6,798,315</u>	<u>4,986,615</u>	<u>3,548,815</u>	<u>702,025</u>

**21.1 Allowance for credit loss**

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:

	<u>2016</u>	<u>2017</u>
	¥'000	¥'000
31-60 days	204,144	380,546
61 - 90 days	47,005	12,295
90 - 180 days	30,356	11,636
180 days & above	1,902	6,507
	<u>283,407</u>	<u>410,984</u>

**Notes to the financial statements**

For the year ended 31 December

**21.1 Allowance for credit loss (cont'd)**

Set out below is the information about the credit risk exposure on the Company's trade receivables using a expected credit loss provision matrix in line with the requires of IFRS 9.

Age of trade receivables that are past due but not impaired:	Expected credit loss rate	Estimated total gross carrying amount at default	Expected credit loss
<b>2018</b>		<b>¥'000</b>	<b>¥'000</b>
1- 30days	2%	888,357	(19,469)
31-60 days	15%	67,097	(9,972)
61 - 90 days	26%	891	(234)
91 - 180 days	30%	10,163	(3,041)
>180 days	31%	6,532	(2,057)
		<u>973,040</u>	<u>(34,773)</u>
<b>2019</b>		<b>¥'000</b>	<b>¥'000</b>
1- 30days	3%	512,741	(17,375)
31-60 days	11%	140,843	(16,159)
61 - 90 days	22%	51,444	(11,214)
91 - 180 days	32%	61,092	(19,689)
>180 days	43%	8,646	(3,728)
		<u>774,766</u>	<u>(68,165)</u>
<b>2020</b>		<b>¥'000</b>	<b>¥'000</b>
1- 30days	4%	319,229	(12,769)
31-60 days	7%	114,542	(7,446)
61 - 90 days	9%	67,612	(6,138)
91 - 180 days	12%	13,904	(1,675)
>180 days	20%	14,084	(2,880)
		<u>529,371</u>	<u>(30,908)</u>

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. The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

**22 Cash and cash equivalent**

	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and bank balances	1,593,944	4,105,352	1,051,293	3,307,211	2,585,128
Call deposits	496,287	1,106,120	1,761,470	-	-
Restricted cash balance	215,582	446,258	-	-	-
Short term deposits	279,279	277,207	259,641	-	-
<b>Cash and cash equivalents in the statement of financial position</b>	<b>2,585,092</b>	<b>5,934,937</b>	<b>3,072,404</b>	<b>3,307,211</b>	<b>2,585,128</b>
Bank overdrafts (Note 24)	(6,364,154)	(7,093,238)	(6,867,291)	(3,174,048)	(791,557)
	<b>(3,779,062)</b>	<b>(1,158,301)</b>	<b>(3,794,887)</b>	<b>133,163</b>	<b>1,793,571</b>

**23 Other assets**

	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000
Advance payment for forex	-	-	103,632	-	-
Advance to suppliers	29,474	34,092	1,142,402	58,846	393,876
Prepaid expenses	-	-	75,957	-	-
	<b>29,474</b>	<b>34,092</b>	<b>1,321,991</b>	<b>58,846</b>	<b>393,876</b>

Advance payments for forex relates to payments made by the Company for the purchase of forex from BDC's and registered agents with Central Bank of Nigeria

Advance payments to suppliers relates to the payments made by the Company for the purchase of raw materials, spare parts and machinery from their foreign suppliers.

**24 Deposit for imports**

	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000
Deposit for letters of credit	-	19,228	216,988	-	-
Deliverable forward	-	183,557	-	-	-
	-	<b>202,785</b>	<b>216,988</b>	-	-

Deliverable forwards and deposit for letters of credit represents committed cash no longer available for another purpose other than that which it has been designated for. They represent naira deposits for foreign currencies purchased for funding of letters of credit and forwards; all related to settlement of invoices emanating from importation of raw materials, spare parts and machinery.

**25 Share Capital**
**Authorised share capital**

1,100,000,000 ordinary shares of 50kobo each

550,000	550,000	550,000	550,000	550,000
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**Issued and fully paid up capital**

1,000,000,000 ordinary shares of 50kobo each

500,000	500,000	500,000	500,000	500,000
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**Share premium**

Share premium

1,173,528	1,173,528	1,173,528	1,173,528	1,173,528
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**Notes to the financial statements**

*For the year ended 31 December*

**26 Defined benefit obligation**

**26.1 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.

**26.2 Defined benefit plans**

The company operates a defined benefit/ staff gratuity plan where qualifying employees receive a lump sum payment based on the number of years served after an initial qualifying period on date of retirement. The plan is partly funded and plan assets are managed externally by Zenith Bank.

The defined benefit plan exposed the company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

<b>Investment risk</b>	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in Fixed-income investments. Due to the long-term nature of the plan liabilities, the trustees of the fund consider it appropriate that a reasonable portion of the plan assets should be invested in Fixed-income investments to leverage on the return generated by the fund.
<b>Interest risk</b>	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's fixed-income investments
<b>Longevity risk</b>	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
<b>Salary risk</b>	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

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".

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2020 by Alexander Forbes FRC/2012/000000000504 and represented by Brian Kaidza FRC/2017/NAS/00000016625. 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.

**Notes to the financial statements***For the year ended 31 December***26.2 Defined benefit plans (cont'd)**

	2020	2019	2018	2017	2016
	₹'000	₹'000	₹'000	₹'000	₹'000
<b>Carrying value</b>					
Present value of the defined benefit obligation	938,705	694,053	449,502	409,751	313,445
	<b>938,705</b>	<b>694,053</b>	<b>449,502</b>	<b>409,751</b>	<b>313,445</b>

**Net defined benefit obligation**

	2020	2019	2018	2017	2016
	₹'000	₹'000	₹'000	₹'000	₹'000
<b>As at 1 January</b>	694,053	449,502	409,751	313,445	271,481
Current service costs	61,174	31,573	31,648	22,826	21,701
Past service cost	-	-	-	(1,129)	43,278
Actuarial gain/losses	6,592	8,041	-	-	-
Interest costs	86,621	75,824	62,456	51,849	32,519
Payment during the year	(50,236)	(17,112)	(32,042)	(37,876)	(14,500)
<b>As at 31 December</b>	<b>798,204</b>	<b>547,828</b>	<b>471,813</b>	<b>349,115</b>	<b>354,479</b>
Remeasurements -OCI	140,501	146,225	(22,311)	60,636	(41,034)
	<b>938,705</b>	<b>694,053</b>	<b>449,502</b>	<b>409,751</b>	<b>313,445</b>

	2020	2019	2018	2017	2016
	₹'000	₹'000	₹'000	₹'000	₹'000
Current service cost	61,174	31,573	31,648	22,826	21,701
Interest costs	86,621	75,824	62,456	51,849	32,519
<b>Components of defined benefit costs recognised in profit or loss</b>	<b>147,795</b>	<b>107,397</b>	<b>94,104</b>	<b>74,675</b>	<b>54,220</b>
Actuarial losses on long service award recognised in profit/loss	6,592	8,041	-	-	-

**Amounts recognised in other comprehensive income are as follows:**

Actuarial gains and losses arising from changes in demographic assumptions	-	2,427	-	-	-
Actuarial gains and losses arising from economic assumptions	175,036	137,269	(22,311)	60,636	(41,034)
Actuarial gains and losses arising from experience adjustments	(34,535)	6,529	-	-	-
	<b>140,501</b>	<b>146,225</b>	<b>(22,311)</b>	<b>60,636</b>	<b>(41,034)</b>

**Notes to the financial statements**

*For the year ended 31 December*

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

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

<b>Financial assumptions</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Discount rate	11.9%	11.9%	16.1%	16.4%	16.4%
Expected rate(s) of salary increases	9.0%	9.0%	8.0%	8.0%	8.0%
Inflation	11.8%	14.4%	14.4%	12.5%	12.5%

**Demographic assumptions**

**Mortality**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Pre-retirement mortality:</b>	$\Delta 67/60$ tables	$\Delta 67/70$ tables	$\Delta 1949/52$ tables	$\Delta 1949/52$ tables	$\Delta 1949/52$ tables

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

**Withdrawal /retirement**

<b>Age Band</b>	<b>Rate of withdrawal</b>	<b>Rate of retirement</b>
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%

Notes to the financial statements

For the year ended 31 December

26.2 Defined benefit plans (cont'd)

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

2020		Discount rate		Salary increase rate		Mortality rate	
Employee benefit type	Main result	+1%	-1%	+1%	-1%	Rated up 1 year	Rated down 1 year
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Retirement	(803,050)	(750,599)	(863,588)	(861,970)	(750,986)	(800,092)	(805,718)
Change		-6.5%	7.5%	7.3%	-6.5%	-0.4%	0.3%
Long Service Awards	(54,348)	(50,850)	(58,296)	(58,219)	(50,849)	(54,217)	(54,464)
Change		-6.4%	7.3%	7.1%	-6.4%	-0.2%	0.2%
Gratuity	(81,307)	(77,293)	(85,778)	(85,635)	(77,339)	(83,460)	(79,360)
Change		-4.9%	5.5%	5.3%	-4.9%	2.6%	2.4%
<b>Total</b>	<b>(938,705)</b>	<b>(878,742)</b>	<b>(1,007,662)</b>	<b>(1,005,824)</b>	<b>(879,174)</b>	<b>(937,769)</b>	<b>(939,542)</b>
		-6.4%	7.3%	7.2%	-6.3%	-0.1%	0.1%

2019		Discount rate		Salary increase rate		Mortality rate	
Employee benefit type	Main result	+1%	-1%	+1%	-1%	Rated up 1 year	Rated down 1 year
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Retirement	(590,493)	(560,013)	-	(625,334)	-	(588,631)	-
Change		-5.2%	0.0%	5.9%	0.0%	-0.3%	0.0%
Long Service Awards	(40,000)	(37,777)	-	(42,518)	-	(39,915)	-
Change		-5.6%	0.0%	6.3%	0.0%	-0.2%	0.0%
Gratuity	(63,560)	(61,200)	-	(66,187)	-	(65,041)	-
Change		-3.7%	0.0%	4.1%	0.0%	2.3%	0.0%
<b>Total</b>	<b>(694,053)</b>	<b>(658,990)</b>	-	<b>(734,039)</b>	-	<b>(937,769)</b>	-
		-5.1%	-	5.8%	-	-0.1%	-

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26.2 Defined benefit plans (cont'd)

2018		Discount rate		Salary increase rate		Mortality rate	
Employee benefit type	Main result	+1%	-1%	+1%	-1%	Rated up 1 year	Rated down 1 year
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Retirement	(347,624)	(335,211)	(361,410)	(363,390)	(333,291)	(346,515)	(348,633)
Change		-3.6%	4.0%	4.5%	-4.1%	-0.3%	0.3%
Long Service Awards	(24,990)	(23,731)	(26,098)	(26,089)	(23,970)	(25,074)	(24,913)
Change		-4.1%	4.4%	4.4%	-4.1%	0.3%	-0.3%
Gratuity	(76,888)	(74,448)	(79,538)	(79,729)	(74,239)	(77,891)	(75,977)
Change		-3.2%	-3.4%	3.7%	-3.4%	1.3%	-1.2%
<b>Total</b>	<b>(449,502)</b>	<b>(433,390)</b>	<b>(467,046)</b>	<b>(469,208)</b>	<b>(431,500)</b>	<b>(449,480)</b>	<b>(449,523)</b>
		3.5%	3.9%	4.4%	-4.0%	0.0%	0.0%

2017		Discount rate		Salary increase rate		Mortality rate	
Employee benefit type	Main result	+1%	-1%	+1%	-1%	Rated up 1 year	Rated down 1 year
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Retirement	(314,632)	(301,494)	(329,276)	(331,123)	(299,681)	(331,123)	(299,681)
Change		-4.2%	4.7%	5.2%	-4.8%	5.2%	-4.8%
Long Service Awards	(24,765)	(23,731)	(25,898)	(25,872)	(23,740)	(25,872)	(23,740)
Change		-4.2%	4.6%	4.5%	-4.1%	-4.5%	-4.1%
Gratuity	(70,354)	(67,973)	(72,948)	(73,111)	(67,788)	(73,111)	(67,788)
Change		-3.4%	3.7%	3.9%	-3.6%	3.9%	-3.6%
<b>Total</b>	<b>(409,751)</b>	<b>(393,198)</b>	<b>(428,122)</b>	<b>(430,106)</b>	<b>(391,209)</b>	<b>(430,106)</b>	<b>(391,209)</b>
		-4.0%	4.5%	5.0%	-4.5%	5.0%	-4.5%

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Notes to the financial statements

For the year ended 31 December

26.2 Defined benefit plans (cont'd)

2016		Discount rate		Salary increase rate		Mortality rate	
Employee benefit type	Main result	+1%	-1%	+1%	-1%	Rated up 1 year	Rated down 1 year
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Retirement	(243,004)	(233,841)	(253,164)	(254,621)	(232,435)	(242,186)	(243,748)
Change		-3.8%	4.2%	-4.8%	4.3%	-0.3%	0.3%
Long Service Awards	(16,869)	(16,777)	(17,621)	(22,484)	(21,512)	(22,484)	(22,523)
Change		-0.5%	4.5%	33.3%	27.5%	33.3%	33.5%
Gratuity	(53,572)	(51,879)	(54,407)	(55,550)	(51,732)	(54,292)	(52,920)
Change		-3.2%	1.6%	3.7%	-3.4%	1.3%	-1.2%
<b>Total</b>	<b>(313,445)</b>	<b>(302,497)</b>	<b>(325,192)</b>	<b>(332,655)</b>	<b>(305,679)</b>	<b>(318,962)</b>	<b>(319,191)</b>
		-3.5%	3.7%	6.1%	-2.5%	1.8%	1.8%

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, 2020 by Alexander Forbes (represented by Brian Karidza FRC/2017/NAS/00000016625)

**Notes to the financial statements**

For the year ended 31 December

**27 Borrowings**

	2020	2019	2,018	2017	2016
	K'000	K'000	K'000	K'000	K'000
<b>Unsecured borrowing at amortised cost</b>					
Fidelity BOI Loan	588,611	766,990	1,043,999	1,228,200	1,228,200
Stanbic IBTC	3,390,524	5,004,160	6,375,372	-	-
Fidelity Term Loan	1,180,851	-	-	-	-
	<b>5,159,986</b>	<b>5,771,150</b>	<b>7,419,371</b>	<b>1,228,200</b>	<b>1,228,200</b>
<b>Secured borrowing at amortised cost</b>					
UBA CACS loan	217,852	583,689	857,492	1,146,783	1,606,156
Fidelity Nistra loan	-	95,238	666,667	1,238,095	1,698,765
IBTC PAIF loan	-	171,114	355,357	533,035	635,846
Intercompany loan- SIAT Zenith	2,000,000	4,196,839	-	1,195,000	-
GTB	833,333	1,000,000	2,500,000	-	-
GTB RSSF DCRR Loan	4,323,027	4,150,719	-	-	-
Letters of credit obligation	701,263	1,674,162	-	-	-
	<b>8,075,475</b>	<b>11,871,761</b>	<b>4,379,516</b>	<b>4,112,913</b>	<b>3,940,767</b>
<b>Included in the statement of financial position as:</b>					
Current	6,425,272	9,155,154	5,179,745	1,371,973	1,097,053
Non-current	6,810,189	8,487,757	6,619,142	3,969,140	4,071,916
	<b>13,235,461</b>	<b>17,642,911</b>	<b>11,798,887</b>	<b>5,341,113</b>	<b>5,168,969</b>

Below is the movement in the loan balance during the year

	2020	2019	2,018	2017	2016
	K'000	K'000	K'000	K'000	K'000
Balance at 1 January	17,642,911	11,798,887	5,341,113	5,168,967	4,569,798
Additional loan during the year	4,527,101	22,841,704	18,493,790	1,195,000	1,228,200
Recognition of grant on additional loan	-	(950,189)	-	-	(116,481)
Interest accrued	196,114	164,959	91,241	107,553	109,573
Repayment	(9,130,665)	(16,212,450)	(12,127,257)	(1,130,407)	(622,123)
Balance at 31 December	<b>13,235,461</b>	<b>17,642,911</b>	<b>11,798,887</b>	<b>5,341,113</b>	<b>5,168,967</b>

## Notes to the financial statements

For the year ended 31 December

### 27.1 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 deferred revenue (see note 29.1). The deferred revenue is recognized over the loan tenure. The company's assets were pledged as collateral for the loan. This loan will be fully repaid by July, 2021.

**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). The company's assets were pledged as collateral for the loan. However, the Company has fully repaid this loan in 2020.

**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 is recognised as deferred revenue (see note 29.1). The deferred revenue is recognized over the loan tenure. The company's assets were pledged as collateral for the loan. The Company has fully repaid this loan.

**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 is recognised as deferred revenue (see note 29.1). The deferred revenue is recognized over the loan tenure. There is a bank guarantee to secure the loan and interest charges on a continuous basis. In April, 2020, a COVID19 relief package was granted on account of this loan. Hence, reducing the interest rate for the next one year to 8%.

**STANBIC IBTC Bank Loan:** This is a loan of N7 billion (split in tranches of NS billion and N2 billion) NS billion loan granted to the Company in July 2017 by Stanbic IBTC Bank at an interest rate of 16.45%. N1.195 billion draw down in 2017 and the balance draw down in 2018. The loan which has a tenor of 7 years (inclusive of 18 months moratorium). There was another N2 billion loan granted in 2018. The loans were granted for the purpose of financing the expansion of the Company's agro-industrial investments. The interest rate was subsequently reduced to 14% in 2020.

**Notes to the financial statements***For the year ended 31 December***27.1 Summary of borrowing arrangements(cont'd)**

**GT Bank Loan:** The Company secured a 9% long term loan of NS billion under the CBN Real Sector Support Facility through the Differentiated Cash Reserves Requirement (DCRR). The loan has a tenor of 7 years (inclusive 2 years moratorium period). The loan was granted to part finance oil palm plantation development on 8,000 hectares of land in Ede State. The difference of N849.28million 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 deferred revenue (see note 29.1). The deferred revenue is recognized over the loan tenure. Both loans are secured by a negative pledge on the company's fixed and floating assets. The interest rate was reduced to 5% effective March, 2020 for a duration of 1 year.

**Zenith Bank Loan:** This relates to various short term loans granted to the Company by Zenith Bank during the year at an interest rate ranging from 15% to 18% for the purpose of financing the expansion and operation of the Company's agro-industrial investments. A sum of N2.2 billion has been repaid as at year end. The company's fixed and floating assets (i.e. plant, property and equipment) were pledged as collateral for the loan. At present, there is a loan of N2 billion from Zenith Bank with a maturity date of 24th December 2021. This loan is running at an interest rate of 13% per annum.

**Letters of credit obligation:** The Company opens letters of credit with its banks for the settlement of invoices emanating from the Importation of raw materials, spare parts and machinery.

At 31 December 2020, the company has confirmed letters of credit open with all its banks of which N0.701 billion has crystallised as an obligation against the company to the bank and this

**27.2 Breach of loan agreement**

There was no breach of loan agreement from 2016 - 2020

**28 Deferred income**

	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000
Arising from customers' advance	27,021	31,955	21,379	19,324	90,682
Arising from government grant (Note 25)	706,833	911,839	126,608	217,849	325,402
	<b>733,854</b>	<b>943,794</b>	<b>147,987</b>	<b>237,173</b>	<b>416,084</b>

**28.1 Government grant**

Opening balance	911,839	126,608	217,849	325,402	318,592
Additions	-	950,189	-	-	116,481
Recognized in profit/loss (financial income)	(205,006)	(164,959)	(91,241)	(107,553)	(109,671)
	<b>706,833</b>	<b>911,838</b>	<b>126,608</b>	<b>217,849</b>	<b>325,402</b>

*Included in the statement of  
financial position as:*

	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000
Current	267,489	261,097	88,505	110,565	198,235
Non-current	466,365	682,697	59,481	126,608	217,849
	<b>733,854</b>	<b>943,794</b>	<b>147,986</b>	<b>237,173</b>	<b>416,084</b>

**Notes to the financial statements**

For the year ended 31 December

**29.0 Obligations under finance leases**
**29.1 Leasing arrangements**

The Company leased certain of its landed properties under finance leases. The average lease terms range from 25 years to 99 years. The Company has options to purchase the equipment 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 leases are fixed on the respective contract dates at 21.15% to 23.9% p.a

**Finance lease liabilities**

	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000
Not later than one year					
Later than 1 yr and not later than 5 yrs	41,125	41,251	41,614	41,614	41,614
Later than 5 years	165,096	165,005	110,116	151,731	179,901
	<u>3,115,489</u>	<u>3,156,706</u>	<u>625,952</u>	<u>625,954</u>	<u>639,398</u>
Less: future finance charges	<u>3,321,710</u>	<u>3,362,962</u>	<u>777,682</u>	<u>819,299</u>	<u>860,913</u>
Present value of minimum	<u>(3,101,675)</u>	<u>(3,142,924)</u>	<u>(315,628)</u>	<u>(327,631)</u>	<u>(340,339)</u>
	<u><b>220,035</b></u>	<u><b>220,038</b></u>	<u><b>462,054</b></u>	<u><b>491,668</b></u>	<u><b>520,574</b></u>

Included in the statement of financial position as:

	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000
Current	33,506	33,506	29,614	29,614	28,906
Non-current	186,529	186,531	432,440	462,074	491,668
	<u><b>220,035</b></u>	<u><b>220,037</b></u>	<u><b>462,054</b></u>	<u><b>491,688</b></u>	<u><b>520,574</b></u>

**29.2 Maturity analysis:**

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be made after the reporting date.

2020- Finance liabilities	2020	2019
	₦'000	₦'000
Year 1	41,251	41,251
Year 2	41,251	41,251
Year 3	41,251	41,251
Year 4	41,251	41,251
Year 5	41,251	41,251
Onwards	3,115,454	3,156,706
	<u>3,321,709</u>	<u>3,362,961</u>
Less: unearned interest	<u>(3,101,675)</u>	<u>(3,142,924)</u>
	<u><b>220,034</b></u>	<u><b>220,037</b></u>

**29.3 Lease movement during the years:**

	2020	2019
	₦'000	₦'000
At 1 January	220,037	462,054
Effect of initial application of IFRS 16	-	(242,015)
Payments made during the year	(38,850)	(38,850)
lease payments accrued for during the year	(3,001)	(3,001)
Accrued lease liabilities for prior year paid during the year	600	600
Interest on lease liabilities	41,249	41,249
	<u><b>220,035</b></u>	<u><b>220,037</b></u>

**Notes to the financial statements**

For the year ended 31 December

**30 Deferred taxes**

	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	(Restated) ₦'000	(Restated) ₦'000
Balance as at 1 January	(6,784,632)	(5,735,101)	(6,169,596)	(5,585,450)	(12,638,125)
Charge for the year	(2,271,184)	(1,049,531)	(355,126)	(688,310)	(7,702,280)
Biological assets restatement - deferred tax impact	-	-	789,621	104,164	14,754,955
	<u>(9,055,816)</u>	<u>(6,784,632)</u>	<u>(5,735,101)</u>	<u>(6,169,596)</u>	<u>(5,585,450)</u>

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

	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000
Deferred tax assets	-	-	(267,608)	(200,825)	(240,673)
Deferred tax liabilities	9,055,816	6,784,632	6,002,709	6,370,421	5,826,123
Net deferred tax liabilities	<u>9,055,816</u>	<u>6,784,632</u>	<u>5,735,101</u>	<u>6,169,596</u>	<u>5,585,450</u>

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances {after offset} for financial reporting purposes:

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

**31 Bank overdraft (Note 22)**

	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000
<b>Secured borrowing at amortised cost</b>					
Stanbic IBTC Plc	1,440,630	336,989	944	763,361	455,950
First Bank of Nigeria Ltd	775,685	1,881,449	992,948	382,310	128,917
Fidelity Bank Plc	927,238	483,407	968,325	930,409	206,690
United Bank of Africa Plc	474,930	792,132	478,285	448,065	
Zenith Bank Plc	1,689,144	693,070	2,616,134	649,903	
<b>Unsecured borrowing at amortised cost</b>					
Guaranty Trust Bank Plc	692,616	429,090	96,106	-	-
Access Bank Plc	363,911	2,477,101	875,809	-	-
Internal Transfer funds	-	-	838,740	-	-
	<u>6,364,154</u>	<u>7,093,238</u>	<u>6,867,291</u>	<u>3,174,048</u>	<u>791,557</u>

**Notes to the financial statements**
*For the year ended 31 December*
**32 Current Tax Liabilities**

	2020	2019	2018	2017	2016
	¥'000	¥'000	¥'000	¥'000	¥'000
At 1 January	1,562,333	1,850,812	860,163	1,792,041	905,058
Charge for the year	1,115,088	1,127,539	2,478,010	1,486,521	1,801,017
	<b>2,677,421</b>	<b>2,978,351</b>	<b>3,338,173</b>	<b>3,278,562</b>	<b>2,706,075</b>
Payment during the year	(2,049,240)	(1,416,018)	(1,487,361)	(2,418,399)	(914,034)
	<b>628,181</b>	<b>1,562,333</b>	<b>1,850,812</b>	<b>860,163</b>	<b>1,792,041</b>

**33 Trade and Other Payables**

	2020	2019	2018	2017	2016
	¥'000	¥'000	¥'000	¥'000	¥'000
Trade payables	1,715,763	869,336	979,779	381,978	455,807
Accruals	221,588	278,008	174,160	374,753	135,134
Sundry creditors	1,451,029	1,169,445	1,279,398	820,209	522,988
Intercompany payables (Note 35.1)	7,346,181	5,108,463	5,600,777	5,851,197	585,832
Unclaimed dividend (Note 33.1)	806,774	755,704	-	-	-
	<b>11,541,335</b>	<b>8,180,956</b>	<b>8,034,114</b>	<b>7,428,137</b>	<b>1,699,761</b>

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. 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. The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 5.2.2

The Directors consider the carrying amount of trade and other payables to approximate their fair value.

**Notes to the financial statements**

*For the year ended 31 December*

**33.1 Unclaimed dividend**

**33.2a Paid dividends in the last 2 years**

The following dividends were paid by the Company for the respective years indicated:

	2020	2019
	₦'000	₦'000
Declared in 2019 (200 kobo) for FY2018 while in 2018 (200 kobo) for FY2017 per qualifying ordinary share	2,000,000	2,000,000

After the end of the 2020, a dividend of N2 billion representing 200 kobo per qualifying ordinary share (2020: 200kobo) was proposed by the directors (2020: N2 billion). The dividends have not been provided for and there are no income tax consequences until the dividend is declared.

**33.2b Movement in unclaimed dividend**

	2020	2019
	₦'000	₦'000
<b>Balance at 1 January</b>	755,705	115,776
Dividend declared with respect to prior year	2,000,000	2,000,000
Payments during the year to First Registrars	(2,000,000)	(2,000,000)
Unpaid dividend received (see (ii) below)	51,069	60,932
Unpaid dividend reclassified from accruals	-	18,656
Dividend below 15 months receivable from registrar if unclaimed - see (iii) below	-	572,801
Statute barred dividend transferred to retained earnings (see (i) below)	-	(12,460)
<b>Balance at 31 December</b>	<b>806,774</b>	<b>755,705</b>

The balance as at year end is included in trade and other payables (Note 32).

- (i) Unclaimed dividends received and transferred to retained earnings (statute barred dividends) represent dividends which have remained unclaimed for over twelve (12) years and are therefore no longer recoverable or actionable by the shareholders in accordance with section 385 of the Companies and Allied Matters Act, Cap. C20, Laws of the Federal Republic of Nigeria, 2004. There was none at December 2020.
- (ii) In accordance with the Securities and Exchange Commission (SEC) circular published in 2015, all Capital Market Registrars are to return unclaimed dividends which have been in their custody for fifteen (15) months and above to the paying companies. The Company received N51.07 million from First Registrars Limited during the year.
- (iii) As at 31 December 2020 no dividend payable was held with the Company's registrar, First Registrars and Investor Services Limited.

**Notes to the financial statements**

*For the year ended 31 December*

**34 Earnings per share from continuing operations**

Basic earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding at the end of the reporting period.

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>
Net profit attributable to equity holders of the Company	5,035,718	3,541,216	4,299,806	5,683,760	(12,664,038)
Effect of dilutive potential ordinary shares:	-	-	-	-	-
	<b><u>5,035,718</u></b>	<b><u>3,541,216</u></b>	<b><u>4,299,806</u></b>	<b><u>5,683,760</u></b>	<b><u>(12,664,038)</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.

Weighted average number of shares ('000)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Basic (Naira)	504	354	430	568	-13
Diluted (Naira)	526	384	430	2,536	22

Diluted earnings per share (EPS) is the same as basic earnings per share as there are no potential dilutive ordinary shares or transactions.

**Notes to the financial statements**
*For the year ended 31 December*
**35 Related party transactions**

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

**35.1 Trading transactions**

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

	Sales of goods and services					Purchases of goods and services				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
SIAT Nigeria Ltd	2,864,515	876,375	2,796,697	2,289,148	2,289,148	2,045,737	68,628	1,968,196	1,804,328	2,272,148
SIAT SA	2,010,784	253,480	454,712	322,656	322,656	3,021,554	4,310,406	2,247,142	2,429,441	663,661
SIAT Gabon	87,804	6,816	62,694	37,027	-	-	-	3,678	377,897	-
GOPDC - Ghana	78,352	51,728	42,899	8,347	-	60,949	117	92,471	29,005	-
Siat Cambodia	-	-	-	-	-	-	-	-	-	-
CHC/CHP	-	249	-	-	-	-	-	-	-	-
	<b>5,041,455</b>	<b>1,188,648</b>	<b>3,357,002</b>	<b>2,657,178</b>	<b>2,611,804</b>	<b>5,128,240</b>	<b>4,379,151</b>	<b>4,219,016</b>	<b>4,640,671</b>	<b>2,935,809</b>

The following balances were outstanding at the end of each reporting period:

	Due from related party					Due to related parties				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
SIAT Nigeria Ltd	517,842	3,181,806	210,971	-	-	(6)	1,997,524	-	363,119	363,119
SIAT SA	5,176,017	1,854,655	3,780,503	-	-	7,346,187	3,059,941	5,600,777	222,713	222,713
SIAT Gabon	-	169,353	-	5,789	5,789	-	-	-	-	-
GOPDC (Ghana)	-	49,623	-	264	264	-	50,998	-	-	-
Compagnie Heveicole de Cavally	-	267	-	-	-	-	-	-	-	-
Cambodia	-	44,814	-	-	-	-	-	-	-	-
SWIFT Rubber	-	107,553	-	-	-	-	-	-	-	-
	<b>5,693,859</b>	<b>5,408,071</b>	<b>3,991,474</b>	<b>6,053</b>	<b>6,053</b>	<b>7,346,181</b>	<b>5,108,463</b>	<b>5,600,777</b>	<b>585,832</b>	<b>585,832</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**

*For the year ended 31 December*

35.2 Loans to related parties	2020	2019	2018	2017	2016
	₺'000	₺'000	₺'000	₺'000	₺'000
Loans to key management personnel	-	-	-	-	-
Others	-	-	-	-	-

The Company did not provided loans to any of its key management personnel from 2016 - 2018.

**35.3 Details of related companies**

**a NV Siat S.A, Belgium**

Presco Plc is a subsidiary of NV SIAT SA, Belgium, with 60% holding over the five years from 2016 - 2020. The Company had transactions with NV SIAT SA in each of the financial years.

**b Ghana oil Palm Development Company Limited (GOPDC)**

Ghana Oil Palm Development Company Limited is a related company to Presco Plc. NV SIAT SA, Belgium (the parent company of Presco Plc) is also the parent company of Ghana Oil Palm Development Company Limited.

**c SIAT Gabon**

SIAT Gabon is a related company of Presco Plc. NV SIAT SA Belgium, the parent company of Presco is also the parent company of SIAT Gabon.

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

Compagnie Heveicole de Cavally, Ivory Coast is a related company to Presco Plc. NV SIAT SA, Belgium, the parent company of Presco is also the parent company of Compagnie Heveicole de Cavally.

**e SIAT Nigeria Limited**

SIAT Nigeria Limited is a related company of Presco Plc. NV SIAT SA, Belgium (the parent company of Presco) is also the parent company of SIAT Nigeria Limited. Over the years, there are sales and purchases between Presco Plc and SIAT Nigeria over the 5 years from 2016 - 2020.

**f SIAT Cambodia**

SIAT Cambodia is a related company to Presco Plc. There was no transaction material transactions between the companies during the year. NV SIAT SA, Belgium (the parent company of Presco) is also the parent company of SIAT Cambodia.

**g SWIFT Rubber**

SWIFT Rubber is a related company to Presco Plc. There were limited transactions with this Company over the last 5 years from 2016 - 2020. NV SIAT SA, Belgium (the parent company of Presco) is also the parent company of SWIFT Rubber.

**Notes to the financial statements**
*For the year ended 31 December*
**36 Personnel expenses**

a. The remuneration of key management personnel was as follows:

	2020	2019	2018	2017	2016
	¥'000	¥'000	¥'000	¥'000	¥'000
Short-term benefits	60,584	50,127	43,652	36,427	22,912
Post-employment benefits	8,045	8,478	1,439	1,495	228
Other long term benefits	4,851	2,501	2,860	5,021	4,958
	<b>73,480</b>	<b>61,106</b>	<b>47,951</b>	<b>42,943</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.

b. Directors remuneration is as follows

	2020	2019	2018	2017	2016
	¥'000	¥'000	¥'000	¥'000	¥'000
Directors' remuneration and fees	72,222	63,500	58,556	35,506	25,963
Others	21,850	38,026	32,200	6,400	7,800
	<b>94,072</b>	<b>101,526</b>	<b>90,756</b>	<b>41,906</b>	<b>33,763</b>

c. Fees and other emoluments disclosed above include amount paid to:

Chairman	6,000	6,000	6,000	1,100	1,100
Other directors	88,072	95,526	84,756	40,806	32,663
	<b>94,072</b>	<b>101,526</b>	<b>90,756</b>	<b>41,906</b>	<b>33,763</b>

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

	2020	2019	2018	2017	2016
¥600,000 - ¥610,000	-	-	-	-	-
¥611,000 - ¥700,000	-	-	-	-	-
¥1,320,000 - ¥1,330,000	10	10	9	9	9
¥1,450,000 - ¥1,460,000	1	1	1	1	1
¥1,500,000- Above	-	-	-	-	-
	<b>11</b>	<b>11</b>	<b>10</b>	<b>10</b>	<b>10</b>

e. Average number of persons employed during the year:

	2020	2019	2018	2017	2016
	Number	Number	Number	Number	Number
Management staff	36	37	33	26	29
Senior staff	126	127	121	110	93
Junior staff	491	495	352	347	322
	<b>653</b>	<b>659</b>	<b>506</b>	<b>483</b>	<b>444</b>

**Notes to the financial statements**

For the year ended 31 December

**36 Personnel expenses (cont'd)**

f. Staff costs including the provision for gratuity liabilities and other long term employee benefits:

	2020	2019	2018	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000
Salaries, wages and other benefits	1187553	1162916	999756	948010	790509
Pension	45045	42528	32861	45283	10357
Gratuity	28938	31573	22314	34256	19324
Long service awards	6592	8041	11714	2779	4774
	<b>1,268,128</b>	<b>1,245,058</b>	<b>1,066,645</b>	<b>1,030,328</b>	<b>824,964</b>

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.

	2020	2019	2018	2017	2016
	Number	Number	Number	Number	Number
₦70,001 - ₦400,000	-	-	-	-	-
₦400,001 - ₦500,000	-	-	-	7	241
₦500,001 - ₦600,000	12	271	278	322	81
₦600,001 - ₦700,000	467	224	74	12	-
₦700,001 - ₦800,000	12	-	-	-	53
₦800,001 - ₦900,000	-	-	-	52	-
₦900,001 - ₦1,000,000	49	56	56	-	-
₦1,000,001 - ₦1,100,000	13	1	1	23	26
₦1,100,001 - ₦1,200,000	-	9	-	15	-
₦1,200,001 - ₦1,300,000	41	37	44	-	14
₦1,300,001 - ₦1,400,000	2	-	8	20	-
₦1,400,001 - ₦1,500,000	11	21	11	1	-
₦1,500,001 - ₦1,600,000	9	3	1	-	-
₦1,600,001 - ₦1,700,000	1	-	-	-	-
₦1,700,001 - ₦1,800,000	-	-	-	-	-
₦1,800,001 - ₦1,900,000	-	-	-	-	-
₦1,900,001 - ₦2,000,000	-	-	-	-	-
₦2,000,001 - ₦3,000,000	25	25	21	19	25
₦3,000,001 - ₦4,000,000	8	9	10	12	4
₦4,000,001 - ₦5,000,000	3	3	2	1	-
	<b>653</b>	<b>659</b>	<b>506</b>	<b>484</b>	<b>444</b>

**37 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 2020 in respect of pending litigations estimated at N0.173 billion. In the opinion of the directors, and based on independent legal advice obtained from the company's solicitors, the company is not expected to suffer any material loss arising from these claims. Thus no provision has been made in these financial statements.

**Notes to the financial statements**
*For the year ended 31 December*
**38 Financial commitments**

In the normal course of business, the company uses letters of credit to import materials. The total value of open letters of credit as at 31 December 2020 was NL4.1 billion out of which N709.8 million is contingent.

**39 Capital commitments**

Capital expenditure authorized by the Board, but not provided for in the financial statements was Nil from 2016 - 2020

**40 Accounting adjustments and reclassifications**

The Company noted the following with respect to the financial statements for the years ended 31 December 2019 and 31 December 2020.

- (i) Inventories comprises primarily of engineering spares. Management did not have a policy in place to carry out an assessment to estimate the impairment provision to be made on aged slow and obsolete inventory spares over the review period. Subsequently, management has put in place an impairment assessment policy which has been applied retrospectively.

This has resulted in an overstatement of inventories and an understatement of administrative expenses in 2019 and 2020. This has been corrected by adjusting the affected financial statement lines accordingly.

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>
<b>Inventories - spares</b>					
Opening balance	(195,172)	-	-	-	-
Impairment charge	(127,860)	(195,172)	-	-	-
Reversal	-	-	-	-	-
Write off	-	-	-	-	-
<b>Closing balance</b>	<b>(323,032)</b>	<b>(195,172)</b>	<b>-</b>	<b>-</b>	<b>-</b>

- (ii) The table below presents adjustments to retained earnings

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>
<b>Retained earnings</b>					
Impact of impairment provision on inventory spares	(127,860)	(195,172)	-	-	-
	<b>(127,860)</b>	<b>(195,172)</b>	<b>-</b>	<b>-</b>	<b>-</b>

- (iii) Recognition of impairment provision in selling, distribution and administrative expenses is as follows

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>	<b>₹'000</b>
Impairment provision on spares	(127,860)	(195,172)	2,018	2,017	2,016
	<b>(127,860)</b>	<b>(195,172)</b>	<b>2,018</b>	<b>2,017</b>	<b>2,016</b>

**Notes to the financial statements***For the year ended 31 December***40 Accounting adjustments and reclassifications (cont'd)****Statement of financial position**

	As per audited financials	Accounting adjustment	As restated
<b>31-Dec-20</b>	<b>¥'000</b>	<b>¥'000</b>	<b>¥'000</b>
<b>Assets</b>			
<i>Non-current assets</i>	53,734,094	-	53,734,094
<i>Current assets</i>			
Inventories	3,549,306	(323,032)	3,226,274
Other current assets	16,485,595	-	16,485,595
<b>Total current assets</b>	<b>20,034,901</b>	<b>(323,032)</b>	<b>19,711,869</b>
<b>Total assets</b>	<b>73,768,995</b>	<b>(323,032)</b>	<b>73,445,963</b>
<b>Equity</b>			
Share capital	500,000		500,000
Share premium	1,173,528		1,173,528
Retained earnings	29,518,014	(323,032)	29,194,982
Other reserves	(140,088)		(140,088)
<b>Total equity</b>	<b>31,051,454</b>	<b>(323,032)</b>	<b>30,728,422</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>	17,457,604	-	17,457,604
<i>Current liabilities</i>	25,259,937	-	25,259,937
<b>Total liabilities</b>	<b>42,717,541</b>	<b>-</b>	<b>42,717,541</b>
<b>Total equity and liabilities</b>	<b>73,768,995</b>		<b>73,445,963</b>

**Notes to the financial statements**

For the year ended 31 December

**40 Accounting adjustments and reclassifications (cont'd)**
**Statement of financial position**

	As per audited financials	Accounting adjustment	As restated
<b>31-Dec-19</b>	<b>₹ 000</b>	<b>₹ 000</b>	<b>₹ 000</b>
<b>Assets</b>			
<i>Non-current assets</i>	49,859,826	-	49,859,826
<i>Current assets</i>			
Inventories <i>i</i>	3,290,183	(195,172)	3,095,011
Other current assets	17,859,821	-	17,859,821
<b>Total current assets</b>	<b>21,150,004</b>	<b>(195,172)</b>	<b>20,954,832</b>
<b>Total assets</b>	<b>71,009,830</b>	<b>(195,172)</b>	<b>70,814,658</b>
<b>Equity</b>			
Share capital	500,000	-	500,000
Share premium	1,173,528	-	1,173,528
Retained earnings <i>ii</i>	26,256,085	(195,172)	26,060,913
Other reserves	(41,737)	-	(41,737)
<b>Total equity</b>	<b>27,887,876</b>	<b>(195,172)</b>	<b>27,692,704</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>	16,835,670	-	16,835,670
<i>Current liabilities</i>	26,286,284	-	26,286,284
<b>Total liabilities</b>	<b>43,121,954</b>	<b>-</b>	<b>43,121,954</b>
<b>Total equity and liabilities</b>	<b>71,009,830</b>	<b>(195,172)</b>	<b>70,814,658</b>

**Notes to the financial statements**

For the year ended 31 December

**40 Accounting adjustments and reclassifications (cont'd)**
**Statement of profit or loss and other comprehensive income**

	As per audited financials	Accounting adjustment	As restated
31-Dec-20	¥'000	¥'000	¥'000
Revenue	23,891,766	-	23,891,766
Cost of sales	(7,803,248)	-	(7,803,248)
<b>Gross profit</b>	<b>16,088,518</b>	<b>-</b>	<b>16,088,518</b>
Trade receivables impairment (provision)/write back	37,258	-	37,258
Distribution expenses	(318,364)	-	(318,364)
Selling, general and administrative expenses	(6,815,194)	(127,860)	(6,943,054)
Other (losses)/gains	(287,800)	-	(287,800)
<b>Operating profit</b>	<b>8,704,418</b>	<b>(127,860)</b>	<b>8,894,922</b>
Gain/ (loss) on biological asset revaluation	1,845,367	-	1,845,367
Financial cost	(1,918,292)	-	(1,918,292)
Financial income	58,858	-	58,858
<b>Profit/(loss) before tax</b>	<b>8,690,351</b>	<b>-</b>	<b>8,690,351</b>
Income tax expense	(3,428,422)	-	(3,428,422)
<b>Profit/(loss) for the year</b>	<b>5,261,929</b>	<b>-</b>	<b>5,261,929</b>
<b>Item(s) that will not be reclassified subsequently to profit or loss</b>			
Remasurement of defined benefit obligation	(140,501)	-	-
Income tax relating to	42,150	-	-
<b>Other comprehensive income, net of tax</b>	<b>(98,351)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive</b>	<b>5,163,578</b>	<b>-</b>	<b>5,261,929</b>

**Notes to the financial statements**

For the year ended 31 December

**40 Accounting adjustments and reclassifications (cont'd)**
**Statement of profit or loss and other comprehensive income**

	As per audited financials	Accounting adjustment	As restated
<b>31-Dec-19</b>	N'000	N'000	N'000
Revenue	19,723,641	-	19,723,641
Cost of sales	(7,001,810)	-	(7,001,810)
<b>Gross profit</b>	<b>12,721,831</b>	<b>-</b>	<b>12,721,831</b>
Trade receivables impairment (provision)/write back	(33,392)	-	(33,392)
Distribution expenses	(382,709)	-	(382,709)
Selling, general and administrative expenses <i>iii</i>	(6,397,519)	(195,172)	(6,592,691)
Other (losses)/gains	386,202	-	386,202
<b>Operating profit</b>	<b>6,294,413</b>	<b>(195,172)</b>	<b>6,099,241</b>
Gain/ (loss) on biological asset revaluation	1,832,064	-	1,832,064
Financial cost	(2,133,709)	-	(2,133,709)
Financial income	66,915	-	66,915
<b>Profit/(loss) before tax</b>	<b>6,059,683</b>	<b>(195,172)</b>	<b>5,864,511</b>
Income tax expense	(2,220,937)	-	(2,220,937)
<b>Profit/(loss) for the year</b>	<b>3,838,746</b>	<b>-</b>	<b>3,643,574</b>
<b>Item(s) that will not be reclassified subsequently to profit or loss</b>			
Remasurement of defined benefit obligation	(146,225)	-	
Income tax relating to components of OCI	43,867	-	
<b>Other comprehensive income, net of tax</b>	<b>(102,358)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>3,736,388</b>	<b>-</b>	<b>3,643,574</b>

The Financial information set out in this Prospectus has been extracted from the unaudited September 2021 financial statements of the Issuer and is available at the specified office(s) of the Issuer. This section should be read and construed in conjunction with the audited financial statements published for the financial years prior to the issuance under this Prospectus.

## INCOME STATEMENT

PRESKO PLC  
Financial Statements  
For the nine months ended 30 September 2021  
**CONDENSED STATEMENT OF  
COMPREHENSIVE INCOME**

	9'Months 2021 Unaudited	9'Months 2020 Unaudited	Q3 2021 Unaudited	Q3 2020 Unaudited
<b>In Thousand NGN</b>				
Revenue	34,236,787	18,921,922	12,771,864	5,463,500
Cost of sales	(10,711,955)	(6,999,975)	(5,776,280)	(2,583,126)
<b>Gross profit</b>	<b>23,524,832</b>	<b>11,921,947</b>	<b>6,995,584</b>	<b>2,880,374</b>
Administrative expenses	(4,820,487)	(3,263,831)	(1,922,398)	(1,368,551)
Selling and distribution expenses	(464,109)	(274,283)	(158,068)	(89,880)
Other gains and Losses	(713,895)	(586,440)	(323,295)	(226,965)
Gains on biological asset valuation	600,500		150,000	
<b>Operating profit before finance cost and finance income</b>	<b>18,126,841</b>	<b>7,797,393</b>	<b>4,741,823</b>	<b>1,194,978</b>
Finance cost	(545,048)	(1,220,014)	(104,899)	(388,215)
<b>Profit before tax</b>	<b>17,581,793</b>	<b>6,577,379</b>	<b>4,636,924</b>	<b>806,763</b>
Tax expense	(3,806,359)	(1,546,998)	(988,357)	(166,392)
<b>Profit for the period</b>	<b>13,775,434</b>	<b>5,030,381</b>	<b>3,648,567</b>	<b>640,371</b>
<b>Other comprehensive income</b>				
Actuarial gains (losses) on defined benefit plans	-	-	-	-
<b>Other comprehensive income, net of tax</b>	-	-	-	-
<b>Other comprehensive income for the period</b>	<b>13,775,434</b>	<b>5,030,381</b>	<b>3,648,567</b>	<b>640,371</b>
<b>Basic earnings per share (Kobo)</b>	<b>1,378</b>	<b>503</b>	<b>365</b>	<b>64</b>
<b>Diluted earnings per share (Kobo)</b>				

PRESKO PLC  
 Financial Statements  
 For the nine months ended 30 September 2021

**CONDENSED STATEMENT OF FINANCIAL POSITION**

In Thousands NGN	9'Months 2021 Unaudited	31 December 2020 Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets		74
Property, plant and equipment	50,103,998	52,109,564
Right-of-use assets	1,624,456	1,624,456
<b>Total Non-current assets</b>	<b>51,728,454</b>	<b>53,734,094</b>
<b>Current Assets</b>		
Inventories	4,917,311	3,549,206
Biological Assets	7,538,344	6,937,844
Trade and other receivables	8,183,795	6,962,759
Cash and cash equivalents	15,018,679	2,585,092
<b>Total current assets</b>	<b>35,658,129</b>	<b>20,034,901</b>
<b>TOTAL ASSETS</b>	<b>87,386,582</b>	<b>73,768,995</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	500,000	500,000
Share premium	1,173,528	1,173,528
Other reserves	-140,088	-140,088
Retained earnings	41,293,449	29,518,014
<b>Total Equity</b>	<b>42,826,889</b>	<b>31,051,454</b>
<b>Non-current liabilities</b>		
Borrowings	7,935,282	6,810,188
Defined benefit obligation	704,551	938,705
Deferred tax liabilities	7,570,083	9,055,816
Deferred income	466,365	466,365
Lease liabilities	186,529	186,529
<b>Total Non-current liabilities</b>	<b>16,862,810</b>	<b>17,457,604</b>
<b>Current liabilities</b>		
Trade and other payables	5,375,554	11,541,335
Current tax liabilities	4,726,454	628,181
Bank overdrafts	2,160,852	6,364,154
Borrowings	15,133,029	6,425,272
Deferred income	267,489	267,489
Lease liabilities	33,506	33,506
<b>Current liabilities</b>	<b>27,696,884</b>	<b>25,259,937</b>
<b>Total liabilities</b>	<b>44,559,694</b>	<b>42,717,541</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>87,386,582</b>	<b>73,768,995</b>

PRESKO PLC  
Financial Statements  
For the nine months ended 30 September 2021

**CONDENSED STATEMENT OF CASHFLOWS**

<b>In Thousands NGN</b>	<b>9'Months 2021 Unaudited</b>	<b>9'Months 2020 Unaudited</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	13,775,434	5,030,381
<b>Adjustment for:</b>		
Tax expense	3,806,359	1,546,998
(Gain)/Loss on biological asset valuation	(600,500)	
Intangible assets reclassified to CWIP		342,172
Depreciation on property, plant and equipment	1,863,094	1,095,551
Finance cost	545,048	1,220,014
Loss on sales of seedlings	713,895	586,440
	<b>20,103,330</b>	<b>9,821,556</b>
<b>Movement in working capital</b>		
Trade and other receivables	(1,221,036)	(150,436)
Inventories	(1,368,105)	(581,187)
Trade and other payables	(6,165,781)	2,322,791
Increase in deferred income from advances from customers		(37,419)
Strategic spares transferred into inventory	4,120,315	
<b>Cash generated from/ (used in) operating activities</b>	<b>15,468,723</b>	<b>11,375,305</b>
Benefit paid	(234,154)	96,217
Tax paid	(744,990)	(1,629,240)
<b>NET CASHFLOW FROM OPERATING ACTIVITIES</b>	<b>14,489,579</b>	<b>9,842,282</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(2,744,426)	(4,918,642)
<b>NET CASHFLOW FROM INVESTING ACTIVITIES</b>	<b>(2,744,426)</b>	<b>(4,918,642)</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(546,031)	(1,221,786)
Loan received during the period	14,000,000	3,500,000
Repayment on loan during the period	(4,181,612)	(6,571,021)
Dividend paid	(2,000,000)	(2,000,000)
Unclaimed dividend received from Registrars	(672,291)	
Effect of movement in exchange rates on cash held	(700,985)	(27,376)
<b>NET CASHFLOW FROM FINANCING ACTIVITIES</b>	<b>5,899,080</b>	<b>(6,320,183)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>17,644,233</b>	<b>(1,396,542)</b>
Cash and cash equivalents at the beginning of the period	(4,786,406)	(3,109,669)
<b>Cash and cash equivalents at the end of the period</b>	<b>12,857,827</b>	<b>(4,506,211)</b>



23 December 2021

Stanbic IBTC Capital Limited  
I.B.T.C. Place  
Walter Carrington Crescent  
Victoria Island  
Lagos

Attention: Laju Atake

Dear Sir,

THE 50 BILLION BOND ISSUANCE PROGRAMME BY PRESCO PLC (THE "PROGRAMME") AND THE ISSUANCE OF BONDS  
UNDER THE PROGRAMME (THE "TRANSACTION"): SUMMARY OF LITIGATION CLAIMS

---

This report has been issued in respect of the captioned programme establishment in our capacity as Solicitor to the Transaction. For the purpose of issuing our opinion on the claims and litigation, we requested for information in respect of all outstanding litigation involving the Issuer (the **Litigation Portfolio**). Further to our request, we were provided with case files, a schedule of litigations involving the Issuer (the **Litigation Schedule**), showing a summary of cases involving the Issuer (the **Litigation Summary**), in the Nigerian courts and supplemental lists, detailing the status of the cases (the **Status Update**).

From our review, the Litigation Portfolio comprises twenty-four (24) cases, in respect of which we note that (a) there are eighteen (18) cases involving claims for declaration of title to land (**Land Matters**); (b) four (4) cases relate to employment disputes in respect of employees dismissed by the Issuer; (c) one (1) case involves the enforcement of fundamental human rights against the Issuer for alleged violations of fundamental human rights; while (d) one (1) case relates to an alleged breach of contract. These cases are at various stages of hearing in various courts.

Based on our review, we note that the total amount claimed against the Issuer in the cases comprising the Litigation Portfolio is ₦13,029,754,880 (Thirteen billion, twenty-nine million, seven hundred and fifty-four thousand, eighty hundred and eighty Naira) (**Material Contingent Liability Amount**). As these claims are at various stages, it is difficult to determine the likelihood of success of the claims or the position that the courts may take on same. Nonetheless, in our opinion, any adverse decision in respect of any of the cases comprising the Litigation Portfolio is unlikely to have an adverse effect on the Transaction.

Please find overleaf a summary of the cases as disclosed to us as of 23 December 2021.

Yours faithfully,

Yewande Senbore

(Partner)

OLANIWUN AJAYI LP



**Presco**

**THE FEDERAL REPUBLIC OF NIGERIA  
COMPANIES AND ALLIED MATTERS ACT 2020  
PUBLIC COMPANY LIMITED BY SHARES**

**RESOLUTION OF THE BOARD OF DIRECTORS**

**OF**

**PRESKO PLC RC 174370**

At a meeting of the Board of Directors (the "Board") of Presco PLC (the "Company") held virtually and hosted at Presco PLC, Obaretin Estate, Ikpoba-Okha LGA, Edo State, Nigeria on Wednesday July 28, 2021 at 4.00 pm, the following resolutions were proposed and duly passed:

1. That the Company be and is hereby authorised to establish a Bond Issuance Programme in an aggregate sum not exceeding ₦50,000,000,000 (fifty billion Naira) under which the Company may in one or more tranches, series or proportions issue bonds, notes or debt instruments (to include senior unsecured or secured, subordinated, convertible or such other forms of debt obligations) by way of public offering, private placement, book building process or any other method, subject to obtaining approvals from the relevant regulatory authorities (the "Bond Programme");
2. That the Company is hereby authorised to issue a first series of bonds under the Bond Programme in an aggregate amount up to ₦30,000,000,000 (thirty billion naira) (the "Series 1 Bonds") in such tranches, at such coupon or interest rates, within such maturity periods and on such terms and conditions as may be specified in the Series 1 Bonds offer documents and by such methods determined by the Issuing House subject to obtaining approvals from the relevant regulatory authorities (the "Series 1 Bond Issue");
3. That, subject to the approval of the relevant regulatory authorities, the Company be and is hereby authorised to take up excess funds in the event of an oversubscription of the Series 1 Bonds up to the maximum limit prescribed under the applicable regulations, or approved by the relevant regulatory authority;
4. That the Board or members of the Company's management be and are hereby authorised to do all acts and things and approve all documents, appoint such professional parties and advisers, perform all such other acts and do all such other things as may be necessary to give effect to the Bond Programme and the Series 1 Bond Issue (the "Transaction"), including without limitation, complying with the directives of any regulatory authority;
5. That the terms of, entry into, finalization, execution, delivery, commencement and performance by the Company of each of the Transaction documents to which it is a party (the "Transaction Documents") and any other notices and documents required to be

**PRESKO PLC**

**HEAD OFFICE - OBARETIN ESTATE**

Km 22 Benin-sapele Road | P.O. Box 7061 | Benin City | Edo State | Nigeria  
T +234 803 413 4444 | E: presco@siat-group.com | Rc 174370 | www.presco-plc.com

Dirk Arthur G. Lambrecht, (Belgian) | Felix O. Nwabuko, Managing/CEO | Osa Osunde | Engr J.B Erhuero, OON | Amb. Nonye Udo  
Ingrid Gabrielle J. Vandewiele (Belgian) | Chief (Dr.) Bassey E. O. Edem, MFR | HRH (Prince) Aiguobasimwin O. Akenzua  
William Kenneth Crockett, (Irish) | Gerald Royle Ray, (South African).

executed to give effect to the Transaction Documents or the transactions or matters contemplated by the Transaction Documents (the "Ancillary Documents") be and are hereby approved (and, if applicable, ratified);

6. any subsequent variation of or modification to the Transaction Documents that may be considered necessary by the Board be and is hereby approved;
7. That any two Directors of the Company or a Director and the Company Secretary (each an "Authorised Person") be and are hereby authorised severally or jointly to:
  - 7.1 negotiate, finalise, approve, sign, issue, execute and/or deliver the Transaction Documents in accordance with applicable law and with such additions, modifications, variations or alterations as such Authorised Person may deem fit;
  - 7.2 execute, seal (where required) and deliver in accordance with applicable law, the Ancillary Documents or to do all other acts and things in connection with or incidental to the Transaction Documents or any of the foregoing resolutions or deemed by such Authorised Person to be necessary, desirable, incidental, ancillary or appropriate in connection with or for the purposes of giving full effect to the Transaction Documents or any of the foregoing resolutions (including, without limitation, any variation, supplement, amendment, alteration or modification to the Transaction Documents and the Ancillary Documents);
  - 7.3 seek all regulatory approvals and make all required regulatory filings in connection with the Transaction; and
  - 7.4 take all other steps necessary to give effect to the Transaction;
8. That all lawful acts carried out by the Board or members of management of the Company hitherto in connection with the Transaction, be and are hereby ratified.

Dated this 28<sup>th</sup> day of July 2021

  
Mr. Felix Nwabuko  
Managing Director

  
Mr. Patrick Uwadia  
Company Secretary

### **Selling Restrictions**

The offering and sale of the Bonds is subject to all applicable laws and regulations of Nigeria. This Shelf Prospectus and the Bonds have been registered with and approved in writing by the SEC pursuant to the ISA and SEC Rules.

Each Issuing House has agreed that, subject to the provisions of the ISA and SEC Rules, it shall not communicate or cause to be communicated, any invitation or inducement to engage in the offer or sale of the Bonds to the public, without complying with all the applicable provisions of the ISA and SEC Rules with respect to the marketing and issue of the Bonds in Nigeria.

None of the Issuer, the Trustee or the Issuing Houses represents that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, (other than Nigeria), or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

### **Official Listing on a Stock Exchange**

Bonds may be listed on a recognized securities exchange such as FMDQ, NGX and/or relevant securities exchanges. Each Series or Tranche may be admitted to the Daily Official List and/or to Daily Quotation List by the NGX/FMDQ separately, as and when issued, subject to the approval of SEC and NGX/FMDQ as may be applicable. As set out herein, this Shelf Prospectus and any supplement thereto will only be valid for the admission of the Bonds to the daily official list (and to trading on The NGX/FMDQ and/or any relevant securities exchange) in an aggregate nominal amount which when added to the aggregate nominal amount then outstanding of all Bonds previously or simultaneously issued under the Programme, does not exceed ₦30,000,000,000.00 (Thirty Billion Naira) or its equivalent.

### **Clearing System and Settlement**

Each Series or Tranche issued under the Programme shall be registered with a separate securities identification code with the CSD. All transactions in such Bonds shall be cleared and settled electronically in accordance with the rules and operating procedures of the CSD. Transactions will normally be effected for settlement not earlier than three (3) working days after the date of trade. Subject as aforesaid, each Series or Tranche of such Bonds will be issued, cleared and transferred in accordance with the Terms and Conditions and will be settled through authorised participants who will follow the electronic settlement procedures prescribed by the CSD. The CSD authorises participants including banks, securities brokers and dealers and other professional financial intermediaries.

The Issuer has no responsibility for the proper performance by the CSD or its authorised participants of their obligations under their respective rules and operating procedures.

### **Cash Settlement**

Parties to any transaction will be responsible for effecting the payment transfers either via Real Time Gross Settlement ("RTGS"), National Electronic Funds Transfer ("NEFT") or any other transfer mode agreed by the parties to the transaction and recognised by the CBN.

### **Transfer of Bonds**

Transfer of beneficial interest in the Bonds will pass on transfer thereof by electronic book-entry in the securities accounts maintained by the CSD and may be transferred only in accordance with rules and operating procedures of the CSD.

### **Criteria for Determining the Price of the Bonds**

The price of a bond is reflective of the prevailing yield environment, with current bond interest rates serving as basis for extrapolating the yield and the price of a newly issued bond. The Sovereign benchmark, in this instance, the interest rate(s) on the Federal Government bonds, also serve as the reference rate for the determination of the interest rate on newly issued bonds; with the interest rate of new non-Sovereign bonds being at a discount, at par or at a premium to the Sovereign bonds. Other factors that impact the determination of the price of a bond include but are not limited to the tenor, credit rating and market liquidity.

## **SELLING RESTRICTIONS, LISTING, CLEARING, SETTLEMENT AND TRANSFER OF BONDS**

The offering and sale of the Bonds is subject to all applicable laws and regulations of Nigeria. This Shelf Prospectus and the Bonds have been registered with and approved in writing by SEC pursuant to the ISA and SEC Rules.

Each Issuing House has agreed that, subject to the provisions of the ISA and SEC Rules, it shall not communicate or cause to be communicated, any invitation or inducement to engage in the offer or sale of the Bonds to the public, without complying with all the applicable provisions of the ISA and SEC Rules with respect to the marketing and issue of the Bonds in Nigeria.

None of the Issuer, the Trustee or the Issuing Houses represents that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

*Set out below is the form of Pricing Supplement which will be prepared by the Issuer for each Series issued under the Programme*



**PRESCO PLC**  
RC 174370

**OFFER FOR SUBSCRIPTION  
(BY WAY OF BOOK BUILDING)  
OF ₦[.]  
[.] YEAR [.] % SERIES 1 FIXED RATE BONDS DUE [.]  
UNDER THE ₦[.] PRESCO PLC BOND ISSUANCE PROGRAMME**

**BOOKBUILDING OPENS: [.] BOOKBUILDING CLOSES: [.]**

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This Pricing Supplement is prepared for the purpose of Rule 279(3) (6) & (7) of the Rules and Regulation of the Securities and Exchange Commission (the “Commission” or “SEC”) in connection with the ₦[.] Bond Issuance Programme established by Presco PLC (the “Issuer”). This Pricing Supplement is supplemental to, and should be read in conjunction with, the Shelf Prospectus dated [.] and any other supplements to the Shelf Prospectus to be issued by the Issuer. Terms defined in the Shelf Prospectus have the same meaning when used in this Pricing Supplement.

To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Shelf Prospectus, the provisions of this Pricing Supplement shall prevail.

This Pricing Supplement may be used to offer and sell the Bonds only if accompanied by the Shelf Prospectus as amended and / or supplemented from time to time. Offer is valid for High Net-worth Investors and Qualified Institutional Investors. **Risks related to this offer can be found on page 35 of the Shelf Prospectus.** This Pricing Supplement has been delivered to the Commission to be registered and made available for download on the respective websites of the Commission [www.sec.gov.ng](http://www.sec.gov.ng) and the Issuer [www.presco-plc.com](http://www.presco-plc.com), throughout its Validity Period. Copies of this Pricing Supplement may also be obtained free of charge from the offices of the Issuer and the Issuing Houses.

The registration of the Shelf Prospectus and this Pricing Supplement shall not be taken to indicate that the Commission endorses or recommends the securities or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the Shelf Prospectus or this Pricing Supplement. No securities will be allotted or issued on the basis of the Shelf Prospectus read together with this Pricing Supplement later than three years after the date of the issue of the Shelf Prospectus.

This Pricing Supplement contains particulars in compliance with the requirements of the Commission for the purpose of giving information with regard to the securities being issued hereunder (the “Series 1 Bonds” or “Bonds”). The Bonds now being issued will upon admission to an exchange qualify as a security in which Trustees may invest under the Trustees Investments Act (Cap T22) Laws of the Federation of Nigeria, 2004. The Bonds also qualify as a security under Section 20(1)(g) of the Personal Income Tax Act, Cap P8, LFN, 2004 as well as Section (19)(2) of the Companies Income Tax Act, Cap C21, LFN, 2004.

The Directors of the Issuer collectively and individually accept full responsibility for the accuracy of the information contained in this Pricing Supplement. The Issuer declares that having taken reasonable care to ensure that such is the case, the information contained in this Pricing Supplement is, to the best of its knowledge (having made all reasonable enquiry), in accordance with the facts and does not omit anything likely to affect the import of such information and that save as disclosed herein, no other significant new factor, material mistake or inaccuracy relating to the information included in the Shelf Prospectus has arisen or has been noted, as the case may be, since the publication of the Shelf Prospectus. Furthermore, the material facts contained herein are true and accurate in all material respects and the Issuer confirms that, having made all reasonable enquiries, to the best of its knowledge and belief, there are no material facts, the omission of which would make any statement contained herein misleading or untrue.

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**This Pricing Supplement is dated [.] 2022**

**Final terms of the Series [●] Bonds**

- |     |                                     |   |
|-----|-------------------------------------|---|
| 1.  | Issuer:                             | Presco Plc                                    |
| 2.  | Description of the Bond:            | [●]   |
| 3.  | Series Number:                      | [●]   |
| 4.  | Specified Currency:                 | Nigerian Naira                                |
| 5.  | Aggregate Nominal:                  | ₦[●]  |
| 6.  | Issue Price:                        | [●]   |
| 7.  | Gross proceeds:                     | ₦[●]  |
| 8.  | Net proceeds:                       | ₦[●]  |
| 9.  | Denominations:                      | [●]   |
| 10. | Minimum Acceptable Subscription:    | [●]   |
| 11. | Issue Date:                         | [●]   |
| 12. | Coupon Commencement Date:           | [Coupon shall accrue from the Allotment Date] |
| 13. | Tenor:                              | [●]   |
| 14. | Maturity Date:                      | [●]   |
| 15. | Principal Moratorium:               | [●]   |
| 16. | Coupon Basis:                       | [●]   |
| 17. | Coupon:                             | [●]% p.a                                      |
| 18. | Source of Repayment:                | [●]   |
| 19. | Redemption/Payment Basis:           | [●]   |
| 20. | Status:                             | [●]   |
| 21. | Listing(s):                         | [●]   |
| 22. | <b>Use of proceeds</b>              |   |
|     | [Insert details of use of proceeds] |   |
| 23. | Offer Period:                       | [●] – [●]                                     |

**Provisions relating to coupon (if any) payable**

- |     |  |  |
|-----|--|--|
| 24. | Fixed Rate Bond Provisions:              |  |
|     | i. Coupon Payment Date(s)/Payment Dates: | [●]  |
|     | ii. Coupon Amount(s):                    | [●]  |
|     | iii. Day Count Fraction:                 | [●]  |
|     | iv. Business Day Convention:             | Modified Following: Where a Coupon Payment Date falls on a non-Business Day, such payment shall be postponed to the next day which is a Business Day provided that if such a Business Day falls into the next calendar month, such Coupon Payment Date |

- shall be brought forward to the immediately preceding Business Day
- v. Business Day: Any day (other than a Saturday, Sunday or a Federal Government of Nigeria declared public holiday) on which commercial banks are open for general business in Lagos, Nigeria
- vi. Other terms relating to method of calculating Coupon for Fixed Rate Bonds: [•]

**General provisions applicable to the Bonds**

25. Form of Bonds: Dematerialised
- i) Form of Dematerialised Bonds: [Registered / Certificate / Dematerialised]
- ii) Registrar: [•]
26. Trustees: [•]
27. Record Date: [•]
28. Other terms or special conditions: [•]

**Distribution, clearing and settlement provisions**

29. Issuing Houses: [•]
30. Method of Distribution: [•]
31. Underwriting: [•]
32. Clearing System: Central Securities Clearing System PLC or FMDQ Depository
33. Rating: [•]
- An issue rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
34. Terms of Settlement [•]

**Provisions regarding redemption / Maturity**

35. Redemption at the Option of the Issuer (Call Option): [Applicable / Not Applicable]

If applicable:

- (i) Optional Redemption Date(s) (Call) [[•] / Not Applicable]
- (ii) Optional Redemption Amount(s) (Call) and method, if any, of calculation of such amount(s) [[•] / Not Applicable]

- (iii) Minimum period of notice (if different from Condition 7.2 of the Final Terms (*Early Redemption at the option of the Issuer (Call Option)*)) [[●] / Not Applicable]
- (iv) If redeemable in part: [[●] / Not Applicable]
  - (A) Minimum Redemption Amount(s) [●]
  - (B) Higher Redemption Amount(s) [●]
- (v) Other terms applicable on Redemption [[●] / Not Applicable]

**General**

- 36. Total Bonds in Issue (excluding current issue): [●]
- 37. Taxation: See "Taxation" on page [●] of the Shelf Prospectus dated [●]
- 38. Risk Factors: See Risk Factors on page [●] – [●] of the Shelf Prospectus dated [●]
- 39. Governing Law: The Bonds will be governed by and construed in accordance with the laws of the Federal Republic of Nigeria
- 40. Board approval for issuance of Bonds obtained [●]
- 41. Selling restrictions: Strictly to Qualified Institutional Investors and High Net worth Individuals as stipulated by Rule 321 of SEC Rules
- 42. Details of Indebtedness: As at [●], total indebtedness of the Issuer stood at ₦[●] billion
- 43. Claims and Litigation: [●]
- 44. Other disclosures:
 

Save as disclosed in the Shelf Prospectus, there has been no change to the material contracts of the Issuer.

There have been no merger / take-over offers by third parties in respect of the Issuer's securities; or merger / take-over offers by the Issuer in respect of another company's securities

Extracts of the resolution can be inspected at the offices of the Issuer and Issuing houses]

**Material adverse change statement**

Except as disclosed in this document and in the Shelf Prospectus dated 05 April 2022, there has been no significant change in the financial or trading position of the Issuer since 31 December 2020 and no material adverse change in the financial position or prospects of the Issuer since 30 September 2021.