
THE OKOMU OIL PALM COMPANY PLC

MANAGEMENT REPORTS

FOR 6 MONTHS

ENDED JUNE 30, 2016

THE OKOMU OIL PALM COMPANY PLC

ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention.

2. TURNOVER

Turnover represents the invoice value of goods sold to third parties.

3. FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation.

4. DEPRECIATION OF FIXED ASSETS

Depreciation is calculated at rates, consistent with previous years to write off the cost of the fixed assets over their estimated useful lives on the straight-line basis at the following rates.

| | |
|--|-------------|
| Building | 5% |
| Mill Machinery and Equipment | 10% |
| Crawlers and Equipment | 20% |
| Agricultural Equipment | 20% |
| Workshop Equipment | 20% |
| Tools | 20% |
| Power Supply Equipment | 20% |
| Miscellaneous Equipment | 12.5% |
| Nursery Equipment | 12.5% |
| Radio Communication & Survey Equipment | 12.5% |
| Water Supply | 12.5% |
| Light Vehicles and Lorries | 25% |
| Tractors and Trailers | 20% |
| Furniture, Fittings and Equipment | 12.5% & 20% |

5. **STOCK**

Stocks were valued at the lower of cost and net realisable value. Cost includes all expenditure incurred in bringing goods and products to their present locations and conditions.

6. **DEBTORS**

Debtors are stated after deduction of specific provisions for the debts considered to be doubtful of collection.

7. **FOREIGN CURRENCIES**

Transactions in foreign currencies are translated into Naira at the rates of exchange ruling at the transaction dates. Assets and liabilities denominated in currencies other than the Naira have been translated into Naira at the applicable rate of exchange ruling at the balance sheet date. Gains and losses on such transactions are included in the profit and loss account for the year.

8. **TAXATION**

Provision for tax in the accounts is based on the following components:

- Company income tax based on the company's assessable profit for the year.
- Education tax based on the company's adjusted profit for the year.

9. **DEFERRED TAXATION**

Deferred taxation (which arises from differences in the timing of the recognition of items in the accounts and by the tax authorities) is calculated using the liability method. Deferred tax is provided on all timing differences at the rates of tax likely to be in force at the time of reversal. A deferred tax assets is recognised only to the extent that it is probable that future taxable will profits will be available against which the assets can be utilised.

10. **EMPLOYEES' RETIREMENT BENEFITS**

(a) **Gratuity Scheme:**

Lump-sum benefits payable upon retirement or resignation of employment are fully accrued over the service lives of the Nigerian employees. Independent actuarial valuations are performed periodically on a projected benefit obligation basis. Actuarial gains or losses arising from valuations are charged in full to the profit and loss account.

(b) Pension Scheme:

The company complied with the provisions of the Pension Reform Act of 2004.

The company operates a contributory staff retirement benefit scheme for its Nigerian employees and is managed by Pension Administrator.

11. CASH AND CASH EQUIVALENTS

For the purpose of reporting cash flows, cash and cash equivalents include cash in hand, cash balances with banks, bank overdrafts and short-term deposits with banks.

THE OKOMU OIL PALM COMPANY PLC
PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE PERIOD ENDED(INTERIM) JUNE, 2016

| | Note | 3 MONTH ENDED | | 6 MONTHS ENDED | |
|---|------|------------------|------------------|------------------|------------------|
| | | Jun-16 N'000 | Jun-15 N'000 | Jun-16 N'000 | Jun-15 N'000 |
| Turnover | 2 | 4,234,726 | 2,567,701 | 7,545,053 | 4,991,429 |
| Cost of Sales | 3 | 509,751 | 533,204 | 649,612 | 724,811 |
| Gross Profit | | 3,724,975 | 2,034,497 | 6,895,441 | 4,266,618 |
| Net Operating expenses | 4 | 1,361,498 | 974,682 | 2,860,214 | 1,919,470 |
| Profit from continuing operations before tax changes in fair value | | 2,363,477 | 1,059,815 | 4,035,227 | 2,347,148 |
| Finance Income | 5 | 27,175 | 17,999 | 38,771 | 35,075 |
| | | 2,390,652 | 1,077,814 | 4,073,998 | 2,382,223 |
| Finance Costs | 6 | 100,500 | 124,039 | 164,709 | 243,689 |
| Profit on continuing operation b4 tax | | 2,290,152 | 953,775 | 3,909,289 | 2,138,534 |
| Taxation | 8 | 275,414 | 145,000 | 314,214 | 296,500 |
| Profit on continuing operation after tax | | 2,014,738 | 808,775 | 3,595,075 | 1,842,034 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Gain/(loss) on changes in fair value of non-current biological assets | 7 | - | - | - | - |
| Deferred capital gains(credit) on non-current biological assets | | - | - | - | - |
| Actuarial gains | | - | - | - | - |
| Total comprehensive income | | 2,014,738 | 808,775 | 3,595,075 | 1,842,034 |
| Earnings Per Share (EPS): Basic (N) | | 2.11 | 0.85 | 3.77 | 1.93 |
| Earnings Per Share (EPS): Adjusted | | | | | |

THE OKOMU OIL PALM COMPANY PLC
STATEMENT OF FINANACIAL POSITION AS AT JUNE 30, 2016

| | NOTE | Jun-16 N'000 | Dec-15 N'000 |
|---|------|--------------------------|--------------------------|
| FIXED ASSETS | 9 | 17,491,714 | 17,244,670 |
| | | <u>17,491,714</u> | <u>17,244,670</u> |
| CURRENT ASSETS (Amount falling due within one year) | | | |
| Inventory | 10 | 1,617,757 | 1,490,598 |
| Trade Receivables and others | 11 | 713,057 | 359,444 |
| Bank and Cash | 12 | <u>3,347,933</u> | <u>958,473</u> |
| | | <u>5,678,747</u> | <u>2,808,515</u> |
| CURRENT LIABILITIES (Amount falling due within one year) | | | |
| Trade Payables and others | 13 | <u>2,632,246</u> | <u>2,177,079</u> |
| NET CURRENT ASSETS | | 3,046,501 | 631,436 |
| Deferred Taxation | 14 | <u>1,651,512</u> | <u>1,733,273</u> |
| Amount falling due after one year | | | |
| Retirement Benefits/Gratuity | | 370,867 | 352,650 |
| Long Term Loans | 15 | <u>2,952,553</u> | <u>3,726,584</u> |
| | | <u>3,323,420</u> | <u>4,079,234</u> |
| Total Net Assets | | <u><u>15,563,283</u></u> | <u><u>12,063,599</u></u> |
| FINANCED BY | | | |
| CAPITAL AND RESERVES | | | |
| Share Capital | 16 | 476,956 | 476,956 |
| Share Premium Account | 17 | 1,867,095 | 1,867,095 |
| Revenue Reserves | 18 | <u>13,219,232</u> | <u>9,719,548</u> |
| | | <u><u>15,563,283</u></u> | <u><u>12,063,599</u></u> |

THE OKOMU OIL PALM COMPANY PLC
STATEMENT OF CHANGES IN EQUITY

| | Share Premium =N='000 | Non-Distributable reserves =N='000 | Revenue Reserves =N='000 | Total =N='000 |
|-----------------------------------|--------------------------|---------------------------------------|-----------------------------|------------------|
| Balance as at 31st December,2014 | 1,867,095 | 124,365 | 7,136,106 | 9,604,522 |
| Dividend paid | - | - | 238,478 | 238,478 |
| Transaction with shareholders | - | - | 238,478 | 238,478 |
| Profit for the year | | | 2,631,145 | 2,631,145 |
| Deferred tax on actuarial gains | | 28,462 | - | 28,462 |
| Actuarial gains | | 94,872 | | 94,872 |
| Comprehensive income for the year | - | 66,410 | 2,631,145 | 2,697,555 |
| Balance as at 31st December,2015 | 1,867,095 | 190,775 | 9,528,773 | 12,063,599 |
| Dividend paid | - | - | 95,391 | 95,391 |
| Transaction with shareholders | - | - | 95,391 | 95,391 |
| Profit for the period | | | 3,595,075 | 3,595,075 |
| | - | - | 3,595,075 | 3,595,075 |
| Balance as at 30th June,2016 | 1,867,095 | 190,775 | 13,028,457 | 15,563,283 |

THE OKOMU OIL PALM COMPANY PLC
STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE 30, 2016

| | Jun-16 | Jun-15 |
|--|------------------|------------------|
| receipts from customers | 7,677,175 | 4,657,701 |
| Payments to suppliers | 818,005 | 2,739,902 |
| Payment to employees | 291,584 | 301,546 |
| Payment of operating expenses | 2,860,214 | 1,919,470 |
| Payment of taxes: CIT | 140,150 | 295,972 |
| Value added tax | 24,843 | 19,257 |
| Withholding tax | 157,746 | 354,220 |
| Other receipts | 380,137 | 5,372,184 |
| Net cash inflow from operating activities | 3,764,770 | 4,399,518 |
| <u>Cash flow from investing activities</u> | | |
| Acquisition of PPE | 191,704 | 884,746 |
| Proceeds from disposal of PPE | - | - |
| Finance income received | 38,771 | 35,075 |
| Pre cropping expenditure incurred (Biological assets) | 753,875 | 2,677,654 |
| Net cash outflow from investing activities | 906,808 | 3,527,325 |
| <u>Cash flow from financing activities</u> | | |
| Interest paid | 164,709 | 243,689 |
| Loans and borrowings | 208,402 | 1,283,650 |
| Dividend paid | 95,391 | 237,861 |
| Net cash inflow/(outflow) from financing activities | 468,502 | 802,100 |
| Net cash inflow in the year | 2,389,460 | 1,674,293 |
| Cash and cash equivalent as at the 1/1/2016 | 958,473 | 1,527,816 |
| Cash and cash equivalent as at 30/06/2016 | 3,347,933 | 146,477 |
| | 2,389,460 | |
| <u>Cash and cash equivalent</u> | | |
| Cash and bank balance | 3,228,718 | 182,927 |
| Bank overdraft | - | 155,666 |
| Dividend bank account | 119,215 | 119,215 |
| | 3,347,933 | 146,476 |

THE OKOMU OIL PALM COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS

1 The Company

1.1 The Legal Form.

The Okomu Oil Palm Company PLC, was incorporated on December 3, 1979 as a private limited liability company. It was converted to a Public Limited Company (PLC) on September 19, 1997 under the Company and Allied Matters Act, 1990. It is a member of Socfinal group of Luxemborg which owns 62.6% the Company's shares with Nigerians owning the balance of 37.47%.

1.2 Principal Activities

The principal activities of the company are the development of oil palm plantation, palm, oil milling, palm kernel processing and the development of rubber plantation. The products are palm oil, palm kernel oil, palm kernel cake, banga (package) and rubber cup lumps.

| | 3 MONTH ENDED | | 6 MONTHS ENDED | |
|---|----------------------|------------------|-----------------------|------------------|
| | Jun-16 | Jun-15 | Jun-16 | Jun-15 |
| | N'000 | N'000 | N'000 | N'000 |
| 2 TURNOVER | | | | |
| Turnover represents the invoice value of goods and services rendered to third parties during the year | | | | |
| Local sales | 3,823,068 | 2,111,463 | 6,769,306 | 4,074,134 |
| Export sales | 411,658 | 456,238 | 775,747 | 917,295 |
| | 4,234,726 | 2,567,701 | 7,545,053 | 4,991,429 |
| 3 COST OF SALES | | | | |
| Oil Palm | 460,199 | 438,462 | 582,822 | 591,610 |
| Rubber | 49,552 | 94,742 | 66,790 | 133,201 |
| | 509,751 | 533,204 | 649,612 | 724,811 |
| 4 OPERATING EXPENSES | | | | |
| Total net operating expenses | 1,361,498 | 974,682 | 2,860,214 | 1,919,470 |
| 5 FINANCE INCOME | | | | |
| Interest on Deposit A/C and others | 22,435 | 69 | 26,017 | 67 |
| Exchange gain | 4,740 | 17,930 | 12,754 | 35,008 |
| | 27,175 | 17,999 | 38,771 | 35,075 |
| 6 FINANCE COST | | | | |
| Interest on overdraft | - | 10,083 | - | 32,345.00 |
| Bank charges | 2,968 | 3,909 | 7,621 | 11,407.00 |
| Exchange loss | 7,855 | 11,815 | 8,611 | 18,886.00 |
| Interest on Long Term Loans | 89,677 | 98,232 | 148,477 | 181,051.00 |
| | 100,500 | 124,039 | 164,709 | 243,689 |
| 7 Other comprehensive income | | | | |
| Fair value of non-current biological assets | - | - | - | - |
| 8 TAXATION | | | | |
| Profit and Loss Account | | | | |
| Provision for Edu. tax | 50,414 | 25,000 | 89,214 | 56,500.00 |
| Income Tax | 150,000 | 60,000 | 150,000 | 120,000.00 |
| Other taxes(Investigations) | 75,000 | - | 75,000 | - |
| Deferred Tax | - | 60,000 | - | 120,000.00 |
| | 275,414 | 145,000 | 314,214 | 296,500 |

THE OKOMU OIL PALM COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS

9 FIXED ASSETS

| | Palm Plantation N'000 | Rubber Plantation N'000 | Machine & Equip N'000 | Building N'000 | Palm Mill N'000 | Rubber Mill N'000 | Vehicles N'000 | Furniture & Equip N'000 | Work In Progress N'000 | Total N'000 |
|-------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------|-----------------------|-------------------------|-------------------|-------------------------------|------------------------------|----------------|
| Gross Book Value | | | | | | | | | | |
| As at January 1, 2016 | 4,748,520 | 4,483,905 | 1,996,379 | 4,919,541 | 5,297,342 | 971,126 | 966,432 | 219,969 | 241,411 | 23,844,625 |
| Additions | 609,667 | 144,208 | 6,126 | 4,615 | 36,522 | 9,254 | 38,627 | 8,299 | 88,261 | 945,579 |
| Disposal | - | 104,163 | - | - | - | - | - | - | - | -104,163 |
| Transfers | - | - | 19,447 | 23,173 | 15,077 | 1,396 | 16,800.00 | - | -116,330 | -40,437 |
| As at June 30, 2016 | 5,358,187 | 4,523,950 | 2,021,952 | 4,947,329 | 5,348,941 | 981,776 | 1,021,859 | 228,268 | 213,342 | 24,645,604 |
| Depreciation | | | | | | | | | | |
| As at January 1, 2016 | 823,324 | 1,013,112 | 1,083,962.00 | 659,299 | 1,800,721 | 367,811 | 681,375 | 170,351 | - | 6,599,965 |
| Charge for the period | 53,583 | 121,614.00 | 137,091.00 | 70,681 | 170,110 | 26,507 | 71,781 | 6,731 | - | 658,098 |
| Eliminated on disposal | - | 104,163 | - | - | - | - | - | - | - | -104,163 |
| As at June 30, 2016 | 876,907 | 1,030,563 | 1,221,053 | 729,980 | 1,970,831 | 394,318 | 753,156 | 177,082 | - | 7,453,890 |
| Net Book Value | | | | | | | | | | |
| As at June 30, 2016 | 4,481,280.00 | 3,493,387.00 | 800,899 | 4,217,349 | 3,378,110 | 587,458 | 268,703 | 51,186 | 213,342 | 17,491,714 |
| Net Book Value | | | | | | | | | | |
| As at December 31, 2015 | 3,925,196 | 3,470,793 | 912,417 | 4,260,242 | 3,496,621 | 603,315 | 285,057 | 49,618 | 241,411 | 17,244,670 |

THE OKOMU OIL PALM COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS CONT'D

| | Jun-16 N'000 | Dec-15 N'000 |
|---|-------------------------------|-------------------------------|
| 10 STOCK | | |
| Raw materials and consumables | 46,497 | 66,511 |
| General Stores and agricultural consumables | 1,261,921 | 1,168,676 |
| Finished Goods-Palm & Rubber Products | 256,516 | 204,046 |
| Goods-in-transit | 52,823 | 51,365 |
| | <u>1,617,757</u> | <u>1,490,598</u> |
| 11 TRADE RECEIVABLES AND OTHERS | | |
| Trade Receivables | 16,990 | 9,752 |
| Advances paid to suppliers | 115,657 | 53,102 |
| Intercompany receivables | - | - |
| Other receivables and shortterm payments | 580,410 | 296,590 |
| Provision for doubtful debts (specific) | - | - |
| | <u>713,057</u> | <u>359,444</u> |
| 12 BANK AND CASH BALANCES | | |
| Cash and Bank balances | 628,817 | 839,258 |
| Fixed deposits | 2,599,901 | - |
| Dividends bank accounts | 119,215 | 119,215 |
| | <u>3,347,933</u> | <u>958,473</u> |
| Amount falling due within one year | | |
| 13 Current Liabilities | | |
| Trade Payables | 714,568 | 716,848 |
| Other current payables | | 165,452 |
| Advances from customers | 218,382 | 171,788 |
| Taxation | 711,026 | 611,962 |
| Retirement benefit obligations | 18,834 | 18,436 |
| Current provisions and accruals | 938,724 | 483,085 |
| Intercompany payables | 30,712.00 | 9,508.00 |
| | <u>2,632,246</u> | <u>2,177,079</u> |
| 14 DEFERRED TAXATION | | |
| At January 1 | 1,733,273 | 1,704,811 |
| Net Charged for the period | - | 28,462 |
| Adjustments(write back) | -81,761 | - |
| | <u>1,651,512</u> | <u>1,733,273</u> |

THE OKOMU OIL PALM COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS CONT'D

| | Jun-16 N'000 | Dec-15 N'000 |
|---|-------------------|------------------|
| 15 Term Loans | | |
| Amount falling due after one year | | |
| Zenith bank CACS Loan | 1,719,112 | 1,885,506 |
| Foreign Loans: SOCFINAF | 1,233,441 | 1,841,078 |
| | <u>2,952,553</u> | <u>3,726,584</u> |
| 15.1 Long Term Loans | | |
| Zenith Bank Plc Loan | | |
| <p>The Zenith Bank Plc loan represents =N= 2 billion commercial agricultural credit loan received under a scheme of the Federal government, which was obtained by the company through Zenith Bank Plc. The total amount was drawn down in August 2015 and bears interest at the rate 9% per annum. The facility has a repayment period of 5 years in 60 consecutive monthly repayment of principal and interest ending in August 2020. This facility was obtained to finance the development of the newly acquired 11,416 hectares of oil palm plantation situated at uhiere, Ovia North East Local Government Area in Edo State. It's secured by a legal mortgage over the land (11,416 hectares plantation)</p> | | |
| Socfinaf S.A | | |
| <p>The company entered into a 10 million euro term loan agreement with SOCFINAF S.A in 2014 to finance capital investment in it's extension(also called extension 2) and working capital in order to facilitate the smooth and efficient operation of the company's business at a coupon rate of 8% per annum. The repayment period, excluding moratorium was five years and repayment will commence December 1st 2017 in five equal instalments of 2 million euros.</p> | | |
| 16 SHARE CAPITAL | | |
| 16.1 AUTHORISED | N'000 | N'000 |
| 1,200,000,000 Ord. Shares of 50k each | <u>600,000</u> | <u>600,000</u> |
| 16.2 ISSUED AND FULLY PAID | | |
| Existing 953,910,000 Ord. Shares of 50k each | <u>476,956</u> | <u>476,956</u> |
| 17 SHARE PREMIUM | | |
| Share Premium | <u>1,867,095</u> | <u>1,867,095</u> |
| 18 REVENUE RESERVES | | |
| At 1st January | 9,719,548 | 7,260,471 |
| Adjustments | - | - |
| | <u>9,719,548</u> | <u>7,260,471</u> |
| Actuarial gains | - | 66,410 |
| Retained Profit for the period | <u>3,595,075</u> | <u>2,631,145</u> |
| | <u>13,314,623</u> | <u>9,958,026</u> |
| Dividend paid | -95,391 | -238,478 |
| Unpaid dividends written back | - | - |
| Bonus issue | - | - |
| Deferred Tax adjustment | - | - |
| As at March 31 2015 | <u>13,219,232</u> | <u>9,719,548</u> |

19 COMPARATIVE FIGURES

Certain comparative figures have been reclassified in line with the current year's presentation where this has been deemed necessary to ensure compliance with International Financial reporting standards.