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**THE OKOMU OIL PALM COMPANY PLC**

**MANAGEMENT REPORTS**  
**FOR 9 MONTHS**  
**ENDED SEPTEMBER 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%

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**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.

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**(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 SEPTEMBER, 2016**

	Note	Sep-16 N'000	Sep-15 N'000	Dec-15 N'000
Turnover	2	10,911,710	7,750,374	9,738,015
Cost of Sales	3	1,257,197	1,225,053	3,425,217
<b>Gross Profit</b>		<b>9,654,513</b>	<b>6,525,321</b>	<b>6,312,798</b>
Net Operating expenses	4	4,317,832	3,657,103	3,028,083
<b>Profit from continuing operations before tax changes in fair value</b>		<b>5,336,681</b>	<b>2,868,218</b>	<b>3,284,715</b>
Finance Income	5	194,204	36,097.00	43,111
		5,530,885	2,904,315	3,327,826
Finance Costs	6	421,904	348,750	429,181
<b>Profit on continuing operation before tax</b>		<b>5,108,981</b>	<b>2,555,565</b>	<b>2,898,645</b>
Taxation	7	933,380	350,500	267,500
<b>Profit on continuing operation after tax</b>		<b>4,175,601</b>	<b>2,205,065</b>	<b>2,631,145</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Actuarial gains		-	-	94,872
Deferred tax on actuarial gains		-	-	28,462
<b>Total comprehensive income</b>		<b>4,175,601</b>	<b>2,205,065</b>	<b>2,697,555</b>
Earnings Per Share (EPS): Basic (N)		<b>4.38</b>	<b>2.31</b>	<b>2.76</b>
Earnings Per Share (EPS): Adjusted				

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

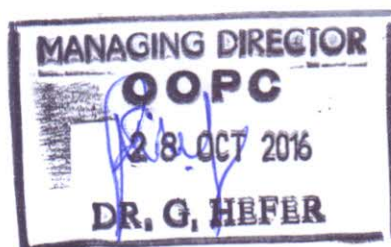
	NOTE	Sep-16 N'000	Dec-15 N'000
FIXED ASSETS	8	17,804,097	17,244,670
		<u>17,804,097</u>	<u>17,244,670</u>
<b>CURRENT ASSETS</b> (Amount falling due within one year)			
Inventory	9	1,656,883	1,490,598
Trade Receivables and others	10	1,134,266	359,444
Bank and Cash	11	3,746,498	958,473
		<u>6,537,647</u>	<u>2,808,515</u>
<b>CURRENT LIABILITIES</b> (Amount falling due within one year)			
Trade Payables and others	12	3,616,105	2,177,079
<b>NET CURRENT ASSETS</b>		<u>2,921,542</u>	<u>631,436</u>
Deferred Taxation	13	1,651,512	1,733,273
<b>Amount falling due after one year</b>			
Retirement Benefits/Gratuity		384,656	352,650
Long Term Loans	14	2,545,662	3,726,584
		<u>2,930,318</u>	<u>4,079,234</u>
<b>Total Net Assets</b>		<u>16,143,809</u>	<u>12,063,599</u>
<b>FINANCED BY</b>			
<b>CAPITAL AND RESERVES</b>			
Share Capital	15	476,956	476,956
Share Premium Account	16	1,867,095	1,867,095
Revenue Reserves	17	13,799,758	9,719,548
		<u>16,143,809</u>	<u>12,063,599</u>



MR. MARY ALAIN

FINANCE DIRECTOR

FRC/2013/10DN/00000002461



DR. HEPER GRAHAM

MANAGING DIRECTOR

FRC/2013/10DN/00000002460

**THE OKOMU OIL PALM COMPANY PLC**  
**STATEMENT OF CHANGES IN EQUITY**

	Share Capital ='N='000	Share Premium ='N='000	Non- Distributable Reserves ='N='000	Revenue Reserves ='N='000	Total ='N='000
Balance as at 31st December, 2014	476,956	1,867,095	124,365	7,136,106	9,604,522
Dividend paid				- 238,478	- 238,478
Deferred tax credit					-
Transaction with shareholders				- 238,478	- 238,478
Profit for the year				2,631,145	2,631,145
Deferred tax on actuarial gains			28,462		
Actuarial gains			94,872		
Comprehensive income for the year			66,410	2,631,145	2,697,555
Balance as at 31st December, 2015	476,956	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				4,175,601	4,175,601
Comprehensive income for the period				4,175,601	4,175,601
Balance as at 30th September, 2016	476,956	1,867,095	190,775	13,608,983	16,143,809

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

	<b>Sep-16</b>	<b>Sep-15</b>
receipts from customers	10,596,060	7,715,926
Payments to suppliers	- 3,547,500	- 4,299,342
Payment to employees	- 419,758	- 441,777
Payment of operating expenses	- 4,317,832	- 3,657,103
Payment of taxes:CIT	- 140,150	- 295,972
Value added tax	- 51,987	- 33,874
Withholding tax	- 235,019	- 750,244
Other receipts	<u>3,920,418</u>	<u>4,500,211</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>5,804,232</u></b>	<b><u>2,737,825</u></b>
<b><u>Cash flow from investing activities</u></b>		
Acquisition of PPE	- 220,754	- 629,247
Proceeds from disposal of PPE	-	-
Finance income received	194,204	36,097
Pre cropping expenditure incurred(Biological assets)	- 1,291,440	- 974,552
<b>Net cash outflow from investing activities</b>	<b><u>- 1,317,990</u></b>	<b><u>- 1,567,702</u></b>
<b><u>Cash flow from financing activities</u></b>		
Interest paid	- 421,904	- 348,750
Loans and borrowings	- 1,180,922	2,182,930
Dividend paid	- 95,391	- 238,478
<b>Net cash inflow/(outflow) from financing activities</b>	<b><u>- 1,698,217</u></b>	<b><u>1,595,702</u></b>
Net cash inflow for the period ended	2,788,025	2,765,825
Cash and cash equivalent as at the 1/1/2016	<u>958,473</u>	<u>- 1,527,816</u>
<b>Cash and cash equivalent as at 30/09/2016</b>	<b><u><u>3,746,498</u></u></b>	<b><u><u>1,238,009</u></u></b>
<b><u>Cash and cash equivalent</u></b>		
Cash and bank balance	3,627,283	1,118,794
Dividend bank account	<u>119,215</u>	<u>119,215</u>
	<b><u><u>3,746,498</u></u></b>	<b><u><u>1,238,009</u></u></b>



**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 Luxembourg 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.

**2 TURNOVER**

Turnover represents the invoice value of goods and services rendered to third parties during the year

	Sep-16 N'000	Sep-15 N'000	Dec-15 N'000
Local sales	9,482,764	6,211,363	7,742,484
Export sales	1,428,946	1,539,011	1,995,531
	<u>10,911,710</u>	<u>7,750,374</u>	<u>9,738,015</u>

**3 COST OF SALES**

Oil Palm	1,092,560	981,791	2,495,478
Rubber	164,637	243,262	929,739
	<u>1,257,197</u>	<u>1,225,053</u>	<u>3,425,217</u>

**4 OPERATING EXPENSES**

Total net operating expenses	<u>4,317,832</u>	<u>3,657,103</u>	<u>3,028,083</u>
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**5 FINANCE INCOME**

Interest on Deposit A/C and others	79,771	288.00	-
Exchange gain	114,433	35,809.00	43,111
	<u>194,204</u>	<u>36,097</u>	<u>43,111</u>

**6 FINANCE COST**

Interest on overdraft	-	33,444	33,444
Bank charges	13,243	15,695	-
Exchange loss	179,371	21,362	29,112
Interest on Long Term Loans	229,290	278,249	366,625
	<u>421,904</u>	<u>348,750</u>	<u>429,181</u>

**7 TAXATION**

**Profit and Loss Account**

Provision for Edu. tax	118,380	70,500	87,500
Income Tax	520,000	120,000	180,000
Other taxes (Investigations)	295,000	-	-
Deferred Tax	-	160,000	-
	<u>933,380</u>	<u>350,500</u>	<u>267,500</u>

THE OKOMU OIL PALM COMPANY PLC

NOTES TO THE FINANCIAL STATEMENTS

8 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
<b>Gross Book Value</b>										
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	1,010,299	281,141	10,126	4,615	36,522	9,651	78,440	19,134	62,266	1,512,194
Disposal		-104,163						-17,047		-121,210
Transfers			37,707		24,921	1,396	16,800		109,980	
As at September 30, 2016	<b>5,758,819</b>	<b>4,660,883</b>	<b>2,044,212</b>	<b>4,949,077</b>	<b>5,363,020</b>	<b>982,173</b>	<b>1,061,672</b>	<b>222,056</b>	<b>193,697</b>	<b>25,235,609</b>
<b>Depreciation</b>										
As at January 1, 2016	823,324	1,013,112	1,083,962	659,299	1,800,721	367,811	681,375	170,351	-	6,599,955
Charge for the period	81,994	152,367	200,331	106,569	256,300	40,114	105,149	9,943		952,767
Eliminated on disposal	-	104,163						17,047		-121,210
As at September 30, 2016	<b>905,318</b>	<b>1,061,316</b>	<b>1,284,293</b>	<b>765,868</b>	<b>2,057,021</b>	<b>407,925</b>	<b>786,524</b>	<b>163,247</b>	<b>-</b>	<b>7,431,512</b>
<b>Net Book Value</b>										
As at September 30, 2016	<b>4,853,501</b>	<b>3,599,567</b>	<b>759,919</b>	<b>4,183,209</b>	<b>3,305,999</b>	<b>574,248</b>	<b>275,148</b>	<b>58,809</b>	<b>193,697</b>	<b>17,804,097</b>
<b>Net Book Value</b>										
As at December 31, 2015	<b>3,925,196</b>	<b>3,470,793</b>	<b>912,417</b>	<b>4,260,242</b>	<b>3,496,621</b>	<b>603,315</b>	<b>285,057</b>	<b>49,618</b>	<b>241,411</b>	<b>17,244,670</b>

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

	<b>Sep-16</b> <b>N'000</b>	<b>Dec-15</b> <b>N'000</b>
<b>9 INVENTORY</b>		
Raw materials and consumables	125,577	66,511
General Stores and agricultural consumables	1,280,970	1,168,676
Finished Goods-Palm & Rubber Products	197,210	204,046
Goods-in-transit	53,126	51,365
	<u><b>1,656,883</b></u>	<u><b>1,490,598</b></u>
<b>10 TRADE RECEIVABLES AND OTHERS</b>		
Trade Receivables	315,650	9,752
Advances paid to suppliers	153,217	53,102
Intercompany receivables	72,378	-
Other receivables and shortterm payments	593,021	296,590
	<u><b>1,134,266</b></u>	<u><b>359,444</b></u>
<b>11 BANK AND CASH BALANCES</b>		
Cash and Bank balances	527,282	839,258
Fixed deposits	3,100,001	-
Dividends bank accounts	119,215	119,215
	<u><b>3,746,498</b></u>	<u><b>958,473</b></u>
<b>Amount falling due within one year</b>		
<b>12 Current Liabilities</b>		
Trade Payables	701,247	716,848
Other current payables	116,124	165,452
Advances from customers	635,668	171,788
Taxation	1,180,192	611,962
Retirement benefit obligations	19,258	18,436
Current provisions and accruals	963,616	483,085
Intercompany payables	-	9,508
	<u><b>3,616,105</b></u>	<u><b>2,177,079</b></u>
<b>13 DEFERRED TAXATION</b>		
At January 1	1,733,273	1,704,811
Net Charged for the period	-	28,462
Adjustments(Write back)	-81,761	-
As At Sep 30/ December 31	<u><b>1,651,512</b></u>	<u><b>1,733,273</b></u>

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

	Sep-16 N'000	Dec-15 N'000
<b>14 Term Loans</b>		
<b>Amount falling due after one year</b>		
Zenith bank CACS Loan	1,603,966	1,885,506
Foreign Loans: SOCFINAF	<u>941,696</u>	<u>1,841,078</u>
	<u><b>2,545,662</b></u>	<u><b>3,726,584</b></u>
<b>14.1 Long Term Loans</b>		
<b>Zenith Bank Plc Loan</b>		
<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 of 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>		
<b>Socfinaf S.A</b>		
<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>		
<b>15 SHARE CAPITAL</b>		
<b>15.1 AUTHORISED</b>	N'000	N'000
1,200,000,000 Ord. Shares of 50k each	<u>600,000</u>	<u>600,000</u>
<b>15.2 ISSUED AND FULLY PAID</b>		
Existing 953,910,000 Ord. Shares of 50k each	<u>476,956</u>	<u>476,956</u>
<b>16 SHARE PREMIUM</b>		
Share Premium	<u>1,867,095</u>	<u>1,867,095</u>
<b>17 REVENUE RESERVES</b>		
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>4,175,601</u>	<u>2,631,145</u>
	<u><b>13,895,149</b></u>	<u><b>9,958,026</b></u>
Dividend paid	-95,391	-238,478
Unpaid dividends written back	-	-
Bonus issue	-	-
Deferred Tax adjustment	-	-
As at Sept. 30 2016/Dec. 31 2015	<u><b>13,799,758</b></u>	<u><b>9,719,548</b></u>

**18 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.