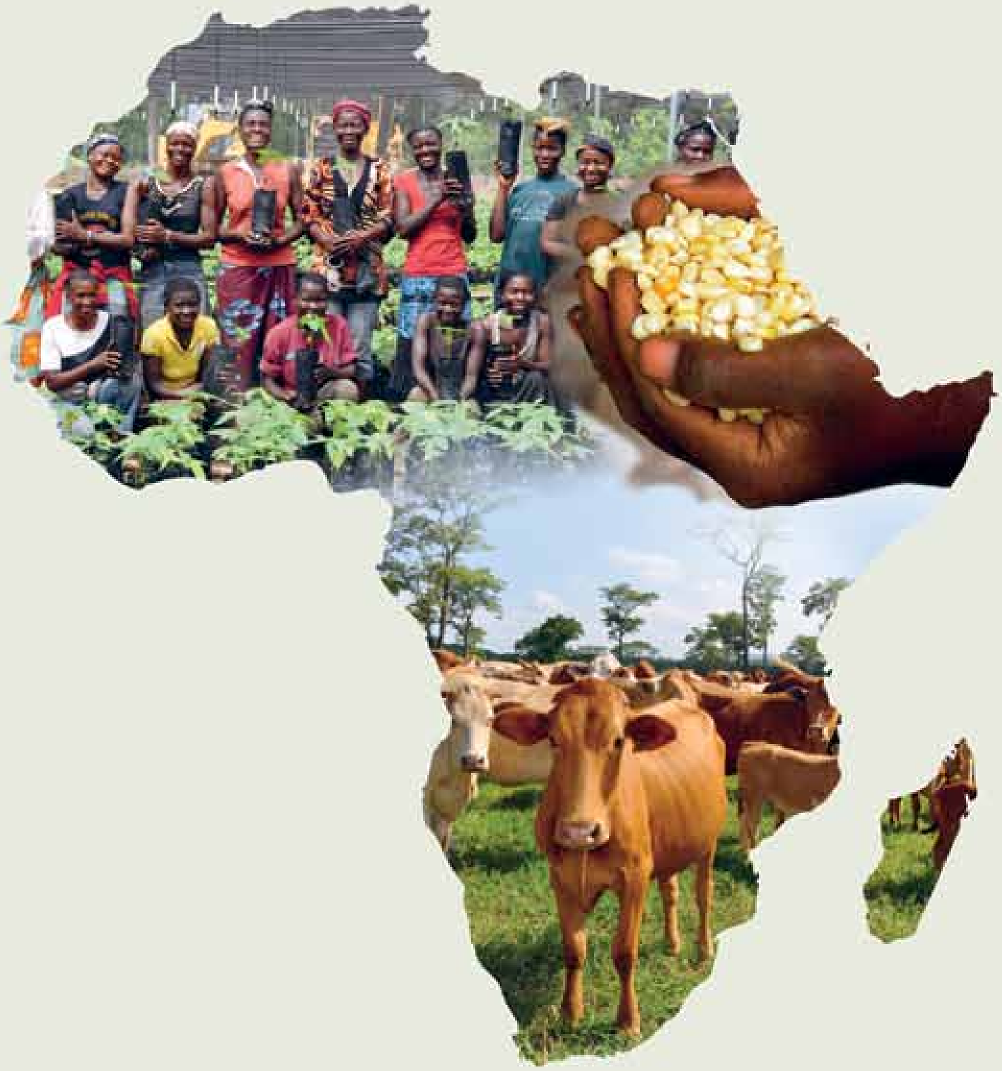
# Agriterra

Annual report and financial statements 2012/2013



Building a cash generative pan-African agricultural company

## About us

# Agriterra is a pan-African agriculture company with three established revenue streams:

## Beef

Revenue
**US$2.2m**
(2012: US$0.9m)

→ read more on page 6

## Maize

Revenue
**US$15.8m**
(2012: US$9.7m)

→ read more on page 10

## Cocoa

Revenue
**US$3.14m**
(2012: US$3.25m)

→ read more on page 12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# Operational highlights

- African focused multi-divisional agricultural group with vertically integrated operations to maximise margins and revenues
- Defined investment and development programme to provide foundation for sustainable growth and profitability – focusing on expansion of beef operations in Mozambique and cocoa operations in Sierra Leone
- Record revenues of US$21.2m (2012: US$13.8m) reported and increased net asset value ("NAV") to US$60.0m (2012: US$41.4m)
- Strong balance sheet to support expansion programme following the sale of legacy oil assets in Ethiopia – further US$10.0m before tax due if a commercial discovery is made in Ethiopia

**Revenue**
**US$21.2m**
**(2012: US$13.8m)**

**Net asset value**
**US$60.0m**
**(2012: US$41.4m)**

## Contents

## Year in pictures

Our investment case is aligned with the current global markets which have seen a rise in meat demand and higher cocoa bean prices. During the year, we have delivered on our strategy with a number of key initiatives including:

Current herd exceeding 6,200 head over 22,000 hectares with significant room for further expansion

Accelerated development initiatives under way at 3,200 hectare plantation in south-east Sierra Leone to facilitate large scale commercial cocoa production

Capitalising on the growing demand for beef in sub-Saharan Africa – Mozambique currently imports over 90% of its beef

Storage capacity of 50,000 tonnes of maize and processing capacity of 50,000 tonnes of maize per annum – operated to near full capacity

# Divisional overview

The Company is focused on agricultural investment and sustainable development in Africa, providing high-quality produce whilst simultaneously improving the livelihoods of smallholder farmers by improving access to markets.

Agriterra currently has three agricultural divisions:

## Beef

% of Group revenue

**11%**

(2012: 6%)

**Mozbife Limitada ("Mozbife")** which conducts cattle ranching, feedlot, abattoir operations and retail units

→ read more on page 6

## Maize

% of Group revenue

**74%**

(2012: 70%)

**Desenvolvimento E Comercialização Agricola Limitada ("DECA")** and **Compagri Limitada ("Compagri")** which operate maize buying and processing businesses

→ read more on page 10

## Cocoa

% of Group revenue

**15%**

(2012: 24%)

**Tropical Farms Limited ("TFL")** establishing a secure, sustainable and traceable source of cocoa

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Agriterra continues to develop and invest in its agricultural operations in Mozambique and Sierra Leone, building a multiple revenue stream business focused primarily on beef, cocoa and maize. The Group has benefited greatly from the non-dilutive cash injection of US$28.0 million from the sale of its legacy oil assets in Ethiopia, which has enabled it to invest further in its expansion programme across all divisions.

"

**With a strong cash position to support development and multiple revenue streams, Agriterra is positioned well for growth.**

This included the building of an abattoir and the opening of butchery outlets in Mozambique as well as the establishment of a cocoa nursery and plantation and a new warehousing and processing facility in Sierra Leone.

Underlining the growth that we achieved this year, we reported record revenues of US$21.2m (2012: US$13.8m) and increased net asset value ("NAV") to US$60m (2012: US$41.4m). The board recognises the potential for agriculture and has established a development strategy to grow the inherent value of the business by utilising the Group's framework in place to build a profitable and fully integrated African-focused agricultural company.

In line with this we have made progress across all three of our main divisions. Mozbife Limitada ("Mozbife"), our beef operation in Mozambique, now has three ranches, a feedlot, an abattoir and three retail butcheries with two satellite units, meaning we have a fully integrated beef operation to capitalise on the full uplift through the value chain from field to fork. As a result, revenues from this division more than doubled during the period, with the slaughter of more than 2,100 animals which generated US$2.2m (2012: US$0.9m). With a total herd of 6,879 head at the year end and a high current pregnancy rate from our 4,091 head breeding herd, we expect to achieve our initial target of 10,000 head by 2015. This should provide the critical mass to generate significant returns and profitability in the future.

Also in Mozambique, we achieved record sales in the grain division of US$15.8m (2012: US$9.7m), although we experienced lower margins due to the pricing environment and harvest. Despite a poor harvest in 2013, current grain inventories stand at 19,000 tonnes. With strong demand and improved pricing, margins are anticipated to improve compared with 2013. We maintain a positive outlook for our grain division, which works strategically with our beef operations, as the bran by-product of the milling operation forms an important constituent of feed in the Vanduzi Feedlot operation, thus highlighting the integrated relationship between our Mozambican operations.

In Sierra Leone, under our Tropical Farms Limited ("TFL") subsidiary, we continue to develop our 3,200 hectare cocoa plantation with 250 hectares now planted and a further 750 hectares targeted this year. The seedlings are being generated from our own nursery which is being expanded to 2.2 hectares and will hold over one million plants. We are building a new warehousing and cocoa processing facility outside Kenema, which we believe will enable us to establish critical mass and build a profitable trading operation. The trading business is focused on three hub stores in the main buying centres in the cocoa growing region. The early rainy season crop has been poor, with only 200 tonnes purchased to date, however TFL expects to extend its buying network out from these hubs as the dry season crop comes to market. Although this division performed below our expectation with turnover of US$3.14m (2012: US$3.25m), it enables us to establish ourselves as a secure, sustainable and traceable source of cocoa supply in Sierra Leone, which will dovetail with the plantation as it moves into commercial production in 2016.

The commodities outlook in the wider food sector remains highly positive. Demographics suggest that there will be an increasing demand for food as the global population continues to rise. Particularly relevant to Agriterra, the increasing adoption of western diets in eastern and emerging economies has led to a growing demand for beef. Add to this the cocoa market dynamics, where shortages are expanding as chocolate sales climb to record highs, we are confident that we are well positioned to increase revenue and margins over the coming years, as our own high-quality product reaches the market.

## Financial results

We continue to invest heavily in building the business which has been highlighted by the investment to date. We have reported revenues of US$21.2m (2012: US$13.8m) and a profit of US$20.9m (2012: loss US$6.2m), which has been primarily driven by the funds received for our legacy oil assets. The continued expansion of the ranching and the cocoa trading operations lead to an increased operating loss from continuing activities before finance costs and tax of US$7.3m (2012: US$6.8m). Importantly NAV rose to US$60.0m, a 45% increase from US$41.4m last year.

## Outlook

We see strong growth potential for our business as we remain committed to building a sustainable, scalable, profitable and fully integrated African-focused agricultural group. We see the main growth being achieved through the scaling of our beef operations in Mozambique and our cocoa division in Sierra Leone. Importantly, as we develop these businesses, by expanding our beef "field to fork" strategy where we raise, slaughter and sell to the end customer, and developing our own cocoa plantations, our margins increase significantly, which should translate into increasing profitability.

Importantly, our investment case is aligned with the current global markets where increasingly globalised tastes have seen a rise in meat demand, and reduced cocoa bean production combined with strong processing grind figures, due to increased global demand for chocolate products, have resulted in an underlying change in the fundamentals and higher cocoa bean prices.

With a strong cash position to support development and multiple revenue streams, Agriterra is positioned well for growth. Furthermore, as part of the sale of our legacy oil assets, if there is a commercial discovery on the South Omo Block in Ethiopia, the Company receives a further US$10.0 million (pre-tax).

Finally I'd like to thank all involved in the Group for their hard work and support as we look towards an exciting future.

**Phil Edmonds**
Chairman

13 November 2013

**Top:** total herd of 6,879 head at year end

**Middle:** Compagri maize processing facility in Tete

**Bottom:** inspecting cocoa tree seedlings grown in our nursery

# Beef operations

The Group has a fully integrated "field to fork" beef business, which is on track to reach 10,000 head by 2015 and generate significant returns.

## Agriterra remains focused on the continued expansion of its Mozbife division in Mozambique.

With a total herd at the end of the year of 6,879 head across three ranches covering over 22,000 hectares, a 48 billion litre irrigation dam, a 3,000 head capacity feedlot, a 4,000 head per month capacity abattoir, and four retail butcheries with two satellite units and a further butchery planned for commissioning by Q1 2014, the Group has a fully integrated "field to fork" beef business, which is on track to reach 10,000 head by 2015 and generate significant returns.

### The Mavonde Stud Ranch

Operations at the 2,350 hectare Mavonde Stud Ranch in Central Mozambique remain focused on the expansion of the Group's pedigree breeding herd in order to support consistent growth and activity across all Mozbife operations. This breeding herd now stands at 1,200 and importantly, pregnancy rates of over 80% have been achieved, which will increase the herd further. It has also been supplemented by purchasing additional cattle from South Africa.

The installation of the dam has helped to increase the head to hectare capacity at Mavonde from 1.5 to 6 head per hectare on irrigated pasture and should lead to improved operating margins.

To maximise the potential of the dam and support the growing herd size, Agriterra purchased an adjoining 1,000 hectare farm, in January 2013. Land clearing is under way to allow for initial rough grazing and detailed planning for further irrigation. It is expected that 690 hectares will be irrigated by the end of Q2 2014. The expansion of the herd at Mavonde will continue through the rearing of Beefmaster calves in addition to purchasing premium quality F1 imported animals, and top quality pedigree Beefmaster cows from South Africa. The imported animals are prized for their top weight gaining ability and quality of meat, in addition to their adaptability to hot climates.

### Key statistics

**3**
ranches

**6,879**
total herd head

**22,000**
hectares

**3,000**
feedlot capacity

**4,000**
capacity abattoir

**48**
billion litre irrigation dam

# Beef operations

## The Dombe Ranch

The 15,000 hectare Dombe Ranch, located in Central Mozambique continues to perform strongly for the Group, with a current herd size of 3,400 head. In order to further improve the operating capacity at Dombe, and to help maximise revenues, Agriterra has focused on improving the ranch's infrastructure. Bush clearing, fence and paddock construction, and additional borehole drilling projects are currently under way, which when completed will sustain the current holding capacity of 3,500 head.

In tandem with the infrastructure developments, the Group continue to improve the herd by supplementing the current native breeding herd with pedigree native cattle, such as Brahman, which are bought in from local communities and Beefmaster cattle from Mavonde. These cross-breeding programmes help not only boost the herd size, but also create a bloodline with good meat yields and high disease resistance.

## The Inhazonia Ranch

In January 2013, Mozbife acquired the 2,500 Inhazonia Ranch which is bordered by the Nyadzonya River which is capable of supplying year round irrigation. The initial project will establish 135 hectares of irrigated pasture by Q2 2014, with further development being surveyed.

## The Vanduzi Feedlot

The Vanduzi Feedlot located near to Chimoio in Mozambique, has a 20 pen line, with a rolling capacity of approximately 3,000 head every 90 days. In line with the Group's strategy to operate a vertically integrated beef operation, as well as purchasing from the local community, animals are sourced from Agriterra's ranches. Animals will typically weigh up to 500kg following their three-month stay in the feedlot, achieving slaughter dress out weight percentages of between 51% and 56%. Revenue per carcass depends on weight. Average slaughter rates in the five months to 31 October 2013 are 366 head per month (year to 31 May 2013: 178 head).

In conjunction with the feeding pens, Vanduzi has 1,050 hectares of land for pasture and production of feed, which is further supplemented using bran, the by-product from the Group's nearby DECA maize processing facility. By producing its own feed, Agriterra is able to keep costs down and maintain an integrated agricultural business.

## The Chimoio Abattoir and Retail Units

The Group's abattoir in Chimoio and retail units are key components in the Group's developing "field to fork" value chain. The abattoir, which commenced operations in December 2012 and has capacity to process 4,000 head per month, is supplied with animals for slaughtering from the Group's Vanduzi feedlot. As well as sales to the wholesale market, slaughtered carcasses are sold in the retail units to the end customer, enabling Agriterra to maximise sale margins and capitalise on the full value chain.

Abattoir running costs are recouped, at the current through put, from the skin, offal, hooves and head, otherwise known as the "5th quarter".

The construction of the abattoir has boosted productivity for the Group; a total number of 2,145 animals have been slaughtered during the year under review (2012: 1,076 head), with 1,497 of these being processed at the Mozbife abattoir. With production slaughter rates currently averaging 366 head per month, the Group is focused on increasing this to fully utilise the head capacity.

The abattoir is the largest facility of its kind in Mozambique, and is Halal certified thus enhancing the opportunity for the Group to capitalise on a strong domestic market, where there is a growing demand for meat. In addition, Agriterra will be able to export beef to markets in the Middle East. By selling the meat directly to the end customer, Agriterra is implementing its strategy of becoming a vertically integrated beef producer. Agriterra plans to roll out additional retail units across Mozambique, with an additional unit in Beira prioritised for commission by Q1 2014.

# Maize buying and processing

DECA and Compagri achieved record revenues of US$15.6m, representing a 61% increase compared to the previous year (2012: US$9.7m).

Agriterra's maize operations are focused on the 35,000 tonne capacity DECA facility in Chimoio in central Mozambique, and the 15,000 tonne capacity Compagri facility in Tete, in north-west Mozambique.

The Group has established a maize buying and processing business focused on purchasing maize from local out-growers through a network of buying stations. This maize is then stored and processed before being sold to the retail market as maize meal, a key staple food in the region and country. Bran, a by-product of the milling operation, forms an important constituent of feed in the Vanduzi Feedlot operation, thus highlighting the integrated relationship between our Mozambican operations.

DECA and Compagri achieved record revenues of US$15.6m, representing a 61% increase compared to the previous year (2012: US$9.7m). This follows a 68% increase in maize milled to a total of 46,600 tonnes (2012: 27,690 tonnes) and a 59% increase in meal sold to a total of 34,500 tonnes (2012: 21,717 tonnes) at DECA and Compagri.

Adverse weather conditions have impacted the 2013 buying season. As a result, the Group's buying quota for the period is down 25%, with 29,500 tonnes of maize purchased (2012-2013: 39,800 tonnes). Nonetheless, this is still a significant achievement for the Group considering the poor weather conditions, which have in turn caused a general market shortage of maize. Furthermore, Agriterra is confident that with a stock total of 19,000 tonnes, the Group's maize division is well placed to capitalise on the strengthened maize meal price that is expected to follow the maize shortage.

### Key statistics

**50,000**
tonnes storage capacity

**120**
vehicle fleet

**350,000**
local out-growers

**46,600**
tonnes maize milled

**34,500**
tonnes maize meal sold

# Cocoa

Agriterra currently holds over 3,200 hectares of plantation land for cocoa cultivation, with advanced negotiations for the acquisition of a further 1,550 hectares adjacent to and south of the plantation.

## TFL reports revenues generated from cocoa trading of US$3.14m (2012: US$3.25m).

Agriterra's cocoa business is based in Sierra Leone, through its 100% subsidiary Tropical Farms Limited ("TFL"), which operates integrated buying, trading and production divisions, in line with its strategy of establishing itself as a secure, sustainable and traceable source of supply to meet the requirements of the major cocoa consumers.

Agriterra currently holds over 3,200 hectares of plantation land for cocoa cultivation, with negotiations advancing regarding the acquisition of a further 1,550 hectares adjacent to, and south of, the plantation. Our land holding, which has increased in size by 265% since the first acquisition in February 2013, will enable Agriterra to facilitate large scale commercial cocoa production. In line with this, 50 hectares of existing cocoa trees have been refurbished and a further 250 hectares of land has been cleared and planted, with an additional 750 hectares targeted to be cleared and planted by Q3 2014.

In keeping with Agriterra's integrated approach, the cocoa seedlings used for planting have been sourced from the Group's 1.6 hectare irrigated nursery, located next to the plantation. The Group is increasing the nursery size to 2.2 hectares to increase the capacity to 1.1m seedlings to support the plantation development plan.

TFL intends to use a modular planting system to clear, cultivate and plant up to 1,000 hectares every year. Each hectare of land can support up to 1,100 trees, which can yield up to 2.5 tonnes of cocoa per annum once the trees are mature. Initial production from the 200 hectares planted in July 2013 is expected to commence in 2016 ahead of full commercial production from the trees during their fourth to fifth years.

TFL also operates a cocoa trading business focused on three main hub stores in Kenema, Kono and Kailahun, and a direct buying register of more than 3,500 farmers across the region. Importantly, TFL's buying register complements the Group's nursery and plantation, by supplying seedlings for cultivation.

### Key statistics

**3,200**
**hectare plantation**

**250**
**hectares cleared and planted**

**50**
**hectares refurbished**

**2.2**
**hectare nursery**

**2,000**
**metre square processing and warehousing facility under construction**

# Cocoa

TFL is focused on maintaining its established buying capacity, and securing a sustainable cocoa supply and strong off-take agreements in order to improve the economics of the trading operation and boost revenues for the Group. In line with this, Agriterra secured an off-take agreement with Noble Group Limited, a market-leading global supply chain manager of agricultural products, in September 2013.

Furthermore, in keeping with satisfying the major cocoa consumers who require a secure, sustainable and traceable source of cocoa, an appraisal is currently under way for UTZ and Rainforest Alliance certification.

In addition, TFL is currently finalising the construction of a 2,000 square metre warehouse and processing-to-export facility in Kenema, to further strengthen the cocoa trading logistics chain, and connect the up-country cocoa growing and buying infrastructure with export markets. This is expected to be operational in December 2013.

As a result of Agriterra's investment in expanding cocoa operations and a small harvest impacting sales, with 1,200 tonnes of cocoa sold during the period (2012: 1,250), TFL reports revenues generated from cocoa trading of US$3.1m (2012: US$3.25m). Nonetheless, with an enlarged plantation and nursery, and strengthened infrastructure, the Group is optimistic that strong revenues can be generated from cocoa production going forward, especially considering the wider market dynamics, where cocoa shortages are expanding as chocolate sales climb to record highs, thus allowing for improved operating margins.

TFL continues to evaluate potentially expanding cocoa operations to include coffee production, as the original plantation previously produced both cocoa and coffee. However, due to the current pricing environment, Agriterra remains focused on generating revenues from its cocoa operations before considering any further diversification.

## Palm oil operations

The Group controls a lease of approximately 45,000 hectares of brownfield agricultural land suitable for palm oil production in the Pujehun District in the Southern Province in Sierra Leone. The board continue to evaluate opportunities for potential work programmes to develop this landholding.

# Directors and advisers

## Directors

**Philippe Edmonds** MA (Cantab)
Chairman

**Andrew Groves**
Chief Executive

**Euan Kay**
Executive

**Michael Pelham**
Non-executive

## Secretary

**Philip Enoch** MA (Oxon)

## Registered office

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Guernsey GY1 1GZ

## Nominated adviser and joint broker

**Cantor Fitzgerald Europe**
One Churchill Place
London E14 5RB

## Joint broker

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11-12 St James's Square
London SW1Y 4LB

## Auditor

**Baker Tilly UK Audit LLP**
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

## Solicitors

**Carey Olsen**
8-10 Throgmorton Avenue
London EC2N 2DL

## Bankers

**HSBC plc**
PO Box 31
HSBC House
Lefebvre Street
Guernsey GY1 3AT

## Registrars

**Capita Registrars (Guernsey) Limited**
Longue House
Longue House Lane
St Sampsons
Guernsey GY2 4JN

# Directors' report

The directors of Agriterra Limited ("Agriterra" or the "Company") hereby present their report together with the audited financial statements for the year ended 31 May 2013 for the Company and its subsidiaries (altogether the "Group").

## Principal activities, business review and future developments

The principal activity of the Group is investing in agricultural and associated civil engineering industries in Africa. A review of the Group's performance, key performance indicators and prospects is given in the Chairman's statement and operational review on pages 4 to 14. A review of the risks and uncertainties impacting on the Group's long-term performance is included in the corporate governance report on pages 18 to 19. Details of the Group's exposure to foreign exchange and other financial risks are included in note 3.

## Results and dividend

The Group results show a profit after taxation and discontinued operations attributable to the equity holders of the Company of $20.9m (2012: loss $6.2m). The directors are unable to recommend a dividend.

## Directors

The directors who have served since 1 June 2012:

| | |
|---|---|
| PH Edmonds | Chairman |
| AS Groves | Chief Executive Officer |
| EA Kay | Executive director |
| MN Pelham | Non-executive director |

## Directors' interests

The directors serving during the year had the following beneficial interests in the shares of the Company:

| | Ordinary shares of 0.1p each | |
|---|---|---|
| | **31 May 2013** | 31 May 2012 |
| PH Edmonds | **15,000,000** | 15,000,000 |
| AS Groves | **15,040,000** | 15,040,000 |
| EA Kay | **4,635,520** | 4,635,520 |
| MN Pelham | **1,067,760** | 1,067,760 |

The directors' interests in share options of the Company as at 31 May 2013 were as follows:

| | Date of grant | Exercise price | Number of ordinary shares of 0.1p each |
|---|---|---|---|
| EA Kay | 9 January 2009 | 3.0p | 2,500,000 |
| | 29 July 2012 [1] | 3.5p | 2,500,000 |
| | 29 July 2012 [2] | 5.5p | 2,500,000 |
| | | | 7,500,000 |

No share options were exercised by directors during the year.

All options granted on 9 January 2009 have vested and are exercisable until 9 January 2019.

The options granted on 29 July 2012 vest at 20% per annum on the first to fifth anniversary from the date of grant.

[1] These options are exercisable until 28 July 2022.
[2] These options are exercisable until 11 January 2020.

There have been no changes in directors' interests in shares or options between 1 June 2013 and 31 October 2013

## Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

## Employee involvement policies

The Group places considerable value on the awareness and involvement of its employees in the Group's performance. Within the bounds of commercial confidentiality, information is disseminated to all staff about matters that affect the progress of the Group and that are of interest and concern to them as employees.

### Creditors' payment policy and practice

The Group's policy is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment policy to abide by the terms of payment agreed with suppliers when agreeing the terms of each transaction. Suppliers are made aware of the terms of payment. The number of days of average daily purchases included in trade payables at 31 May 2013 was three days (2012: six days).

### Political and charitable donations

During the year no political and charitable donations were made (2012: $nil).

### Social and community issues

The Group recognises the value of employment and training to the continued economic growth in the countries in which it operates. The Group is developing policies to ensure its expertise and specialist skills and facilities are made available to the broader community.

### Statement as to disclosure of information to the auditor

The directors who were in office at the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### Auditor

The Company's auditor, Baker Tilly UK Audit LLP, has indicated its willingness to continue in office.

### Electronic communications

The maintenance and integrity of the Company's website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The Company's website is maintained in compliance with AIM Rule 26.

On behalf of the board

**PH Edmonds**
Chairman
13 November 2013

# Corporate governance

The board of directors is accountable to the Company's shareholders for good corporate governance and the directors support the UK Corporate Governance Code as far as it is appropriate to the Group's size and its stage of development. Set out below is a summary of how, at 31 May 2013, the Group was dealing with corporate governance issues.

## The board of directors

The Group is led and controlled by a board comprising the Chairman, the Chief Executive, an executive director and one non-executive director. The board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions.

There are no matters specifically reserved to the board for its decision, but no decision of any consequence is made other than by the directors. There is no separate nomination committee due to the current size of the board and any new directors are appointed by the whole board.

There is no agreed formal procedure for the directors to take independent professional advice at the Group's expense.

The Group has adopted a share dealing code for directors' dealings which is considered appropriate for an AIM-quoted company. The directors comply with Rule 21 of the AIM Rules relating to directors' dealings and take all reasonable steps to ensure compliance by the Group's employees.

The Company's directors submit themselves for re-election at the Annual General Meeting at regular intervals in accordance with the Company's Articles of Incorporation.

The Company has remuneration and audit committees comprising PH Edmonds and MN Pelham.

## Directors' remuneration

The remuneration committee reviews the performance of the directors and makes recommendations to the board on matters relating to the directors' remuneration and other terms of employment. The committee makes recommendations to the board on the granting of share options and other equity incentives and will administer any equity incentive schemes. The committee is chaired by PH Edmonds.

Details of the remuneration of each director are set out in note 7 to the financial statements.

## Accountability and audit

The audit committee is responsible for ensuring that the Group's financial performance and position is properly monitored, controlled and reported. The committee has unrestricted access to the auditor. It has met once during the year and has reviewed the report from the auditor relating to the accounts and internal controls. The committee is also responsible for reviewing the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor. A formal statement of independence has been received from the external auditor for the year. The committee is chaired by PH Edmonds.

## Relations with shareholders

The chairman is the Company's principal spokesperson with investors, fund managers, the press and other interested parties. At the Annual General Meeting, investors are given the opportunity to question the board.

## Internal control

The board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The board reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. In addition to being unable to renew its licenses to import maize meal, during the year, it became evident that the Group did not have formal legal control of its operation in Zimbabwe. Full impairment of the assets has been made and included in discontinued activities. In the subsidiaries comprising continuing activities, no significant control deficiencies have come to light during the year and no weakness in internal financial control has resulted in material losses, contingencies or uncertainties which would require disclosure as recommended by the guidance for directors on reporting on internal financial control.

In light of this control environment the board considers that there is no current requirement for a separate internal audit function.

## Compliance with relevant legislation

All directors are kept informed of changes in relevant legislation and changing commercial risks with the assistance of the Company's legal advisers and auditor where appropriate. The directors have taken appropriate legal advice and implemented internal training and reporting procedures to ensure compliance with the UK Bribery Act 2010 (the "Bribery Act") and the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003 which contains broadly similar restrictions. Notwithstanding the fact that the Company is not UK–resident, the directors have formed a view that it is appropriate for the Company to maintain compliance with the Bribery Act.

## Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement and operational review on pages 4 to 14 and the risks facing agricultural businesses are outlined below. Note 3 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The board has detailed its considerations relating to going concern in note 4 of the financial statements.

## Risks and uncertainties

There are a number of risks and uncertainties facing the Group, principally the following:

### Foreign exchange

The Group conducts its operations in jurisdictions other than its reporting currency and therefore is subject to fluctuations in exchange rates. Some of the countries in which the Group operates maintain strict controls on access to foreign currency and the repatriation of funds.

### Risks associated with operating in Africa

Changes in government, monetary policies, taxation, exchange control and other laws can have a significant impact on the Group's assets and operations. Several countries in Africa have experienced periods of political instability, and there can be no guarantees as to the level of future political stability. Changes to government policies and applicable laws could adversely affect the operations and/or financial condition of the Group. The jurisdictions in which the Group might operate in the future may have less developed legal systems than more established economies, which could result in risks such as (i) effective legal redress in the courts being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; and (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations. In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to the Group's licenses and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed.

### Regulatory risk

While the Group believes that its operations are currently in substantial compliance with all relevant material environmental and health and safety laws and regulations, there can be no assurance that new laws and regulations, or amendments to or stringent enforcement of, existing laws and regulations will not be introduced, which could have a material adverse impact on the Group.

### Land ownership in Mozambique

Under the laws of Mozambique, proprietary rights in land are exclusive to the state. The Mozambique constitution proscribes the state's rights of ownership and the power and ability to determine the conditions for the use and development of land by individual or corporate persons. The land cannot be sold, mortgaged or encumbered in any way or by any means. The state grants the right to use and develop the land which is evidenced by a Use and Development of Land License ("DUAT") which allows the title holder to build and register any infrastructure under its name on such land. DECA, Compagri and Mozbife's operations are dependent on obtaining and maintaining the relevant DUATs, and whilst there is currently no indication that the relevant DUATs are invalid, there can be no guarantees that this will not change in future.

### Growing season

The Group anticipates a six-month buying/growing season for maize and a similar profile for cocoa. However matters outside the control of the Group, such as adverse weather conditions, could impact upon the amount of production achieved by local farmers in any year, which could consequently have adverse effects on the Group's business and profit margins.

# Statement of directors' responsibilities

The Companies (Guernsey) Law 2008, as amended (the "2008 Law") requires the directors to ensure that the financial statements are prepared properly and in accordance with any relevant enactment for the time being in force. The directors are required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and Company and of the Group's profit and loss for that period.

The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under Guernsey Company Law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by IFRS, as adopted by the EU, to present fairly the financial position of the Group and Company and the financial performance of the Group. Applicable law provides in relation to such financial statements that references to financial statements giving a true and fair view are references to their achieving a fair presentation.

The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with applicable law. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm they have discharged their responsibilities as noted above.

# Independent auditor's report to the members of Agriterra Limited

We have audited the Group and Company's financial statements of Agriterra Limited for the year ended 31 May 2013 on pages 22 to 52. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with section 262 of The Companies (Guernsey) Law 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

As more fully explained in the statement of directors' responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We read the other information contained in the annual report and financial statements and consider the implications for our report if we become aware of any apparent misstatements within them.

## Scope of the audit

A description of the scope of an audit of financial statements arising from the requirements of International Standards on Auditing (UK and Ireland) is provided on the Financial Reporting Council's website at http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx.

## Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and of the parent company affairs as at 31 May 2013 and of the Group's profit for the year then ended;
- the Group and Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the Group and the Company financial statements have been prepared in accordance with the requirements of The Companies (Guernsey) Law 2008.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the Company individual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit

For and on behalf of

**Baker Tilly UK Audit LLP, Auditor**
Chartered Accountants and Registered Auditors
25 Farringdon Street
London EC4A 4AB

13 November 2013

## Consolidated income statement for the year ended 31 May 2013

| | Note | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 5 | **21,213** | 13,826 |
| Cost of sales | | **(18,625)** | (11,913) |
| Gross profit | | **2,588** | 1,913 |
| Increase in value of biological assets | 14 | **770** | 400 |
| Operating expenses | | **(10,761)** | (9,169) |
| Other income | | **136** | 47 |
| Share of (loss)/profit from associate | 16 | **(5)** | 9 |
| Operating loss | 6 | **(7,272)** | (6,800) |
| Finance income | 8 | **43** | 48 |
| Finance costs | 8 | **(689)** | (164) |
| Loss before taxation | | **(7,918)** | (6,916) |
| Income tax expense | 9 | **(13)** | (26) |
| Loss after tax | | **(7,931)** | (6,942) |
| **Discontinued operations** | | | |
| Profit for the year | 10 | **28,870** | 721 |
| Profit/(loss) for the year attributable to owners of the parent | | **20,939** | (6,221) |
| **Profit/(loss) per share** | | | |
| – Basic (cents) | 11 | **1.98c** | (0.71c) |
| – Diluted (cents) | 11 | **1.90c** | (0.71c) |
| **Loss per share from continuing operations** | | | |
| – Basic and diluted (cents) | 11 | **(0.75c)** | (0.79c) |

The notes on pages 26 to 46 form part of the financial statements.

## Consolidated statement of comprehensive income for the year ended 31 May 2013

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Profit/(loss) for the year | **20,939** | (6,221) |
| Foreign exchange translation differences | **(2,492)** | 2,078 |
| Other comprehensive income for the year | **(2,492)** | 2,078 |
| Total comprehensive income for the year | **18,447** | (4,143) |
| Total comprehensive income for the year attributable to owners of the parent company arising from: | | |
| – Continuing activities | **(10,423)** | (4,864) |
| – Discontinued activities | **28,870** | 721 |
| | **18,477** | (4,143) |

The notes on pages 26 to 46 form part of the financial statements.

# Consolidated statement of financial position as at 31 May 2013

| | Note | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 12 | **697** | 963 |
| Property, plant and equipment | 13 | **33,241** | 26,243 |
| Investment in associate | 16 | **4** | 9 |
| Financial assets | 16 | **4** | — |
| Biological assets | 14 | **2,060** | 1,642 |
| Total non-current assets | | **36,006** | 28,857 |
| **Current assets** | | | |
| Biological assets | 14 | **1,947** | 1,018 |
| Inventories | 15 | **5,456** | 6,701 |
| Trade and other receivables | 16 | **3,378** | 3,628 |
| Cash and cash equivalents | 16 | **18,748** | 3,553 |
| Total current assets | | **29,529** | 14,900 |
| **Total assets** | | **65,535** | 43,757 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Borrowings | 17 | **(3,091)** | (123) |
| Trade and other payables | 17 | **(2,416)** | (2,238) |
| Total current liabilities | | **(5,507)** | (2,361) |
| **Net assets** | | **60,028** | 41,396 |
| **Equity** | | | |
| Issued capital | 18 | **1,960** | 1,957 |
| Share premium | | **148,622** | 148,530 |
| Shares to be issued | | **2,940** | 2,940 |
| Share-based payment reserve | | **1,710** | 1,620 |
| Translation reserve | | **(2,196)** | 296 |
| Retained earnings | | **(93,008)** | (113,947) |
| **Total equity attributable to owners of the parent** | | **60,028** | 41,396 |

The notes on pages 26 to 46 form part of the financial statements.

The financial statements on pages 22 to 46 were approved and authorised for issue by the board of directors on 13 November 2013 and were signed on its behalf.

**PH Edmonds**
Chairman

## Consolidated statement of changes in equity for the year ended 31 May 2013

| | Attributable to equity holders of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Ordinary share capital $'000 | Deferred share capital $'000 | Share premium $'000 | Shares to be issued $'000 | Share-based payment reserve $'000 | Translation reserve $'000 | Retained earnings $'000 | Total $'000 |
| **Balances at 1 June 2011** | 1,149 | 238 | 131,593 | — | 1,360 | (1,782) | (107,726) | 24,832 |
| Loss for the year | — | — | — | — | — | — | (6,221) | (6,221) |
| **Other comprehensive income** | | | | | | | | |
| Exchange translation differences on foreign operations | — | — | — | — | — | 2,078 | — | 2,078 |
| **Total comprehensive income for the year** | — | — | — | — | — | 2,078 | (6,221) | (4,143) |
| **Transactions with owners** | | | | | | | | |
| Share issues | 570 | — | 17,707 | — | — | — | — | 18,277 |
| Shares to be issued | — | — | — | 2,940 | — | — | — | 2,940 |
| Issue costs | — | — | (770) | — | 160 | — | — | (610) |
| Share-based payment charge | — | — | — | — | 100 | — | — | 100 |
| **Total transactions with owners** | 570 | — | 16,937 | 2,940 | 260 | — | — | 20,707 |
| **Balances at 1 June 2012** | 1,719 | 238 | 148,530 | 2,940 | 1,620 | 296 | (113,947) | 41,396 |
| Profit for the year | — | — | — | — | — | — | 20,939 | 20,939 |
| **Other comprehensive income** | | | | | | | | |
| Exchange translation differences on foreign operations | — | — | — | — | — | (2,492) | — | (2,492) |
| **Total comprehensive income for the year** | — | — | — | — | — | (2,492) | 20,939 | 18,447 |
| **Transactions with owners** | | | | | | | | |
| Share issues | 3 | — | 92 | — | — | — | — | 95 |
| Share-based payment charge | — | — | — | — | 90 | — | — | 90 |
| **Total transactions with owners** | 3 | — | 92 | — | 90 | — | — | 185 |
| **Balances at 31 May 2013** | **1,722** | **238** | **148,622** | **2,940** | **1,710** | **(2,196)** | **(93,008)** | **60,028** |

The notes on pages 26 to 46 form part of the financial statements.

# Consolidated cash flow statement for the year ended 31 May 2013

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Operating activities** | | |
| Loss before tax from continuing operations | **(7,918)** | (6,916) |
| Adjustments for: | | |
| – Depreciation of property, plant and equipment | **2,209** | 1,878 |
| – Loss on disposal of property, plant and equipment | **1** | 12 |
| – Share-based payment charge | **90** | 100 |
| – Increase in biological assets | **(770)** | (400) |
| – Foreign exchange | **529** | 149 |
| – Net interest expense | **646** | 116 |
| Operating cash flow before movements in working capital | **(5,213)** | (5,061) |
| Working capital adjustments: | | |
| – Decrease/(increase) in inventory | **917** | (3,505) |
| – Decrease/(increase) in receivables | **1,104** | (1,545) |
| – Increase/(decrease) in payables | **330** | (690) |
| Cash used in operations | **(2,862)** | (10,801) |
| Corporation tax paid | **(125)** | (60) |
| Finance charges | **(689)** | (164) |
| Interest received | **43** | 48 |
| Net cash used in continuing operating activities | **(3,633)** | (10,977) |
| Net cash from discontinued activities | **—** | 721 |
| **Net cash used in operating activities** | **(3,633)** | (10,256) |
| **Investing activities** | | |
| Purchase of subsidiary net of debt acquired | **—** | (283) |
| Purchase of property, plant and equipment | **(10,505)** | (7,575) |
| Proceeds on sale of property, plant and equipment | **14** | 96 |
| Purchase of biological assets | **(773)** | (1,428) |
| Purchase of investment in financial assets | **(4)** | — |
| Net cash used in investing in continuing activities | **(11,268)** | (9,190) |
| Discontinued activities | **27,110** | — |
| **Net cash from/(used in) investing activities** | **15,842** | (9,190) |
| **Financing activities** | | |
| Proceeds from issue of share capital | **—** | 15,000 |
| Share issue costs | **—** | (610) |
| Draw down of overdraft | **1,468** | 123 |
| Draw down of loans | **6,000** | — |
| Repayment of loans | **(4,500)** | — |
| **Net cash from financing activities** | **2,968** | 14,513 |
| **Net increase/(decrease) in cash and cash equivalents** | **15,177** | (4,933) |
| Cash and cash equivalents at start of the year | **3,553** | 8,172 |
| Exchange rate adjustment | **18** | 314 |
| **Cash and cash equivalents at end of the year** | **18,748** | 3,553 |

The notes on pages 26 to 46 form part of the financial statements.

## 1. General Information

Agriterra Limited is incorporated and domiciled in Guernsey. The address of the registered office is given on page 15. The nature of the Group's operations and its principal activities are set out in the Chairman's statement and operational review on pages 4 to 14.

The reporting currency for the Company and Group is the US Dollar as it most appropriately reflects the Group's business activities in the agricultural sector in Africa and therefore the Group's financial position and financial performance.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

During the year the following standards have been adopted in these financial statements:

| | |
|---|---|
| IAS 1 | Presentation of Financial Statements – Amendment; Presentation of items of other comprehensive income (effective 1 July 2012) |

The adoption of this standard has had no material effect other than some minor disclosure items.

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the Group's operations that have not been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated):

| | |
|---|---|
| IFRS 7 (amended) | Financial Instruments: Disclosures – Amendments; Disclosures – Transfers of Financial Assets (effective 1 January 2013) |
| IFRS 9 * | Financial Instruments: Classification (effective for annual periods beginning on or after 1 January 2015) |
| IFRS 10 | Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014) |
| IFRS 11 | Joint Arrangements (effective for annual periods beginning on or after 1 January 2014) |
| IFRS 12 | Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014) |
| IFRS 13 | Fair Value Measurement (effective 1 January 2013) |
| IAS 19 (revised) | Employee Benefits – (effective 1 January 2013) |
| IAS 27 * | Separate Financial Statements (as amended 2011) (effective for annual periods beginning on or after 1 January 2014). |
| IAS 28 | Investment in Associates and Joint Ventures (as amended 2011) (effective for annual periods beginning on or after 1 January 2014). |
| IAS 32 | Financial Instruments – Presentation – Amendment; Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014). |

* These amendments have not yet been endorsed by the EU.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

## 2. Significant accounting policies

### Basis of accounting

The Group and Company financial statements have been prepared on the historical cost basis except for financial assets measured at fair value and biological assets measured at fair value less point of sale costs. The principal accounting policies adopted are set out below.

### Basis of consolidation

#### (i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 May. Control is recognised where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

### (ii) Associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised income and expenses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has a binding obligation to make payments on behalf of an associate.

### (iii) Transactions eliminated on consolidation
Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## Business combinations
The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The assets, liabilities and contingent liabilities of the acquiree are measured at their fair value at the date of acquisition. Any excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired is recognised as goodwill. If the fair value of the consideration is less than the fair value of the identifiable net assets acquired, the difference is recognised directly in the income statement.

A transaction with a minority is not a business combination. The excess of consideration over the minority share of the net assets of the Group is taken to reserves.

## Goodwill
Goodwill arising on the acquisition of subsidiaries is recognised as an asset and is separately disclosed.

Goodwill is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. For the purpose of impairment testing goodwill is allocated to cash generating units of the acquirer which represent the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## Going concern
The board has detailed its considerations relating to going concern in note 4 of the financial statements.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

## Foreign currency translation
### (i) Functional and presentation currency
The individual financial statements of each subsidiary company are prepared in the currency of the primary economic environment in which it operates (the "functional currency"). The consolidated financial statements are presented in US Dollars. Given the disposal of the Company's interest in its Ethiopian oil and gas operations in the period the functional currency of the Company has changed, with no material impact, from Pound Sterling to US Dollars as this best reflects the Group investment in the agricultural sector in Africa and the Group's financial position and performance.

### (ii) Transactions and balances
Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the income statement.

## 2. Significant accounting policies continued

### Foreign currency translation continued

#### (iii) Consolidation

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case exchange rates at the date of transactions are used. Exchange differences arising from the translation of the net investment in foreign operations and overseas branches are recognised in the Group's and Company's prior year reserves respectively, a separate component of equity. Such translation differences are recognised as income or expense in the year in which the operation or branch is disposed of.

The following exchange rates have been used in preparing the consolidated financial statements:

| | Average rate | | Closing rate | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| Mozambican Meticais: US$ | **29.20** | 27.30 | **29.17** | 27.59 |

### Revenue recognition

Revenue is recognised when revenue and associated costs can be measured reliably and future economic benefits are probable. Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed. Delivery occurs when the products have arrived at the specified location, and the risks and rewards of ownership have been transferred to the customer.

### Operating loss

Operating loss consists of operating expenses and excludes interest income net of finance costs.

### Interest income

Interest income is accrued on an amortised cost basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### Leasing

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

### Taxation

The Company is resident for taxation purposes in Guernsey and its income is subject to income tax, presently at a rate of zero. The income of overseas subsidiaries is subject to tax at the prevailing rate in each jurisdiction.

The income tax expense for the period comprises current and deferred tax. Income 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, when tax is recognised in other comprehensive income or directly in equity as appropriate. Taxable profit differs from accounting 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.

Current tax expense is the expected tax payable on the taxable income for the year. It is calculated on the basis of the tax laws and rates enacted or substantively enacted at the balance sheet date, and includes any adjustment to tax payable in respect of previous years. Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the asset can be utilised. This requires judgements to be made in respect of the availability of future taxable income.

The Group's deferred tax assets and liabilities are calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

No deferred tax asset or liability is recognised in respect of temporary differences associated with investments in subsidiaries, branches and joint ventures where the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

### Operating segments

The Chief Operating Decision Maker is the board of directors. The board reviews the Group's internal reporting in order to assess performance of the business. Management has determined the operating segments based on the reports reviewed by the board. The board considers the activities from a business viewpoint. See note 5 for further details of the segments reported.

### Property, plant and equipment

All items of property, plant and equipment are stated at historical cost less depreciation (see below) and impairment. Historical cost includes expenditure that is directly attributable to the acquisition. Subsequent costs are included in the asset's carrying value when it is considered probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Assets in course of construction for production, rental or administrative purposes not yet determined are carried at cost, less any identified impairment loss. Cost includes professional fees and associated administrative expenses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item, as follows:

| | |
|---|---|
| Land | Nil |
| Buildings and leasehold improvements | 5% – 25% |
| Assets in course of construction | Nil |
| Plant and equipment | 7% – 25% |
| Aviation assets | 20% |
| Motor vehicles | 15% – 25% |
| Office furniture and equipment | 10% – 33% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

### Intangible assets – concessions

All costs incurred prior to obtaining the legal right to a concession are written-off as incurred. Costs arising following the acquisition of a concession are carried at historical cost less impairment losses recognised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include technical expenses and allocated administrative overheads. Intangible assets arising on consolidation are stated at fair value less any impairment losses recognised.

### Impairment of property, plant and equipment and intangible assets excluding goodwill

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

### Biological assets

A gain or loss in the value of a biological asset is measured in accordance with IAS 41 "Agriculture" on consumer biological assets (beef cattle). The herd comprises breeding and non-breeding cattle. The breeding cattle comprise bulls, cows and heifers. As these are expected to be held for more than one year, breeding cattle are classified as non-current assets. The non-breeding cattle comprise steers that will be grown and sold for slaughter and are classified as current assets.

Cattle are recorded as assets at the year end and the fair value is determined by the size of the herd and market prices at the reporting date.

The cost of forage is charged to the income statement over the period it is consumed.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

### Financial assets

Financial assets are classified into the following specific categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, available-for-sale ("AFS") financial assets and 'loans and receivables'. The classification depends upon the nature and purpose of the financial asset and is determined at the time of initial recognition.

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

## 2. Significant accounting policies continued

**Financial assets** continued

### Loans and receivables

Trade and other receivables are not interest bearing and are initially recognised at their fair value and are subsequently stated at amortised cost using the effective interest method as reduced by appropriate allowances for estimated irrecoverable amounts.

### Cash and cash equivalents

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 which are subject to an insignificant risk of changes in value.

### Borrowings and borrowing costs

Interest-bearing bank loans and overdrafts are recorded initially at their fair value, net of transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in profit or loss over the term of the instrument using an effective rate of interest.

**Financial liabilities**

### Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

### Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of the resources will be required to settle the obligation and the amount can be reliably estimated.

**Equity instruments**

Equity instruments issued by the Company are recorded at fair value on initial recognition, net of transaction costs.

**Share-based payments**

The Company issues equity-settled share-based payments to certain employees. These payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant and the value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for non-market based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

## 3. Financial risk factors

The Group's and Company's principal financial instruments comprise cash, and short-term deposits. Together with the issue of equity share capital, the main purpose of these is to finance the Group and Company operations and expansion. The Group and Company have other financial instruments such as trade receivables and trade payables which arise directly from normal trading.

The Group and Company have not entered into any derivative or other hedging instruments.

The main risks arising from the Group's and Company's financial instruments are credit risk, liquidity risk and market risk (including interest rate risk and currency risk). The board reviews and agrees policies for managing each of these risks and these are summarised below. The interest receivable relates to interest earned on bank deposits. Interest payable relates to bank overdraft interest and interest paid on related party loans.

**Credit risk**

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as outstanding receivables. The Group's and Company's principal deposits were held with various banks with a high credit rating to diversify from a concentration of credit risk. Receivables are regularly monitored and assessed for recoverability.

The fair value of financial assets and liabilities is not materially different to the carrying values presented.

Maximum exposure to credit risk is as follows:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Group** | | |
| Trade and other receivables | **3,378** | 3,628 |
| Cash | **18,748** | 3,553 |
| | **22,126** | 7,181 |
| **Company** | | |
| Trade and other receivables | **2,098** | 1,760 |
| Cash | **17,770** | 2,434 |
| | **19,868** | 4,194 |

**Liquidity risk**
The Group and Company policy throughout the year has been to ensure that it has adequate liquidity by careful management of its working capital. At 31 May 2013 the Group held cash deposits of $18.7m (2012: $3.6m). At 31 May 2013 the Company held cash deposits of $17.8m (2012: $2.4m). At 31 May 2013 the Group had an overdraft facility of $2.0m (2012: $2.0m) of which $1.6m was utilised (2012: $0.1m) and the Group and Company had a short-term loan note outstanding of $1.5m (2012: $nil) (see note 17).

**Market risk**
The significant market risk exposures to which the Group and Company are exposed are currency risk, and interest rate risk. These are discussed further below:

Interest rate risk
The Group and Company finance operations through the use of cash deposits at variable rates of interest for a variety of short-term periods, depending on cash requirements, short-term loan notes and an overdraft facility. The rates are reviewed regularly and the best rate obtained in the context of the Group and Company needs. The weighted average interest rate on deposits was 0.85% (2012: 1.1%). The weighted average interest on drawings under the overdraft facility was 22% (2012: 22%) and on the short-term loan note was 10% (2012: $nil).

The exposure of the financial assets to interest rate risk is as follows:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Group** | | |
| Financial assets at floating rates | **18,748** | 3,553 |
| Financial liabilities at floating rates | **(1,591)** | (123) |
| | **17,157** | 3,430 |
| Financial liabilities at fixed rates | **(1,500)** | — |
| | **15,657** | 3,430 |
| **Company** | | |
| Financial assets at floating rates | **17,770** | 2,434 |
| Financial liabilities at fixed rates | **(1,500)** | — |
| | **16,270** | 2,434 |

## 3. Financial risk factors continued

**Market risk** continued

### Currency risk

The Group and Company conduct operations in other jurisdictions than their reporting currency and therefore are subject to fluctuations in exchange rates. These risks are monitored by the board on a regular basis. The Group and Company do not hedge against the effects of exchange rates.

The exposure of the Group's financial assets and liabilities to currency risk is as follows:

| | Sterling $'000 | US$ $'000 | MTN $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| Cash and cash equivalents | **129** | **17,872** | **678** | **69** | **18,748** |
| Trade and other receivables | **36** | **2,239** | **723** | **380** | **3,378** |
| **Total financial assets at 31 May 2013** | **165** | **20,111** | **1,401** | **449** | **22,126** |
| Cash and cash equivalents | 2,433 | 53 | 823 | 244 | 3,553 |
| Trade and other receivables | 1,489 | 592 | 1,282 | 265 | 3,628 |
| Total financial assets at 31 May 2012 | 3,922 | 645 | 2,105 | 509 | 7,181 |

| | Sterling $'000 | US$ $'000 | MTN $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| Bank and other loans | **—** | **1,500** | **1,591** | **—** | **3,091** |
| Trade payables | **41** | **47** | **19** | **52** | **159** |
| Other payables | **385** | **1,136** | **727** | **9** | **2,257** |
| **Total financial liabilities at 31 May 2013** | **426** | **2,683** | **2,337** | **61** | **5,507** |
| Bank loans | — | — | 123 | — | 123 |
| Trade payables | 148 | 52 | 9 | — | 209 |
| Other payables | 565 | 882 | 422 | 160 | 2,029 |
| Total financial liabilities at 31 May 2012 | 713 | 934 | 554 | 160 | 2,361 |

The exposure of the Company's financial assets and liabilities to currency risk is as follows:

| | Sterling $'000 | US$ $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|
| Cash and cash equivalents | **40** | **17,587** | **143** | **17,770** |
| Trade and other receivables | **40** | **2,047** | **11** | **2,098** |
| **Total financial assets at 31 May 2013** | **80** | **19,634** | **154** | **19,868** |
| Cash and cash equivalents | 2,433 | 1 | — | 2,434 |
| Trade and other receivables | 1,540 | 220 | — | 1,760 |
| Total financial assets at 31 May 2012 | 3,973 | 221 | — | 4,194 |
| Other loans | **—** | **1,500** | **—** | **1,500** |
| Trade payables | **41** | **47** | **52** | **140** |
| Other payables | **169** | **884** | **—** | **1,053** |
| **Total financial liabilities at 31 May 2013** | **210** | **2,431** | **52** | **2,693** |
| Trade payables | 148 | 52 | — | 200 |
| Other payables | 924 | 304 | — | 1,228 |
| Total financial liabilities at 31 May 2012 | 1,072 | 356 | — | 1,428 |

**Fair values**

The directors have reviewed the financial statements and have concluded that there is no significant difference between the carrying values and the fair values of the assets and liabilities of the Group and of the Company as at 31 May 2013 and 31 May 2012.

### Commodity price risk
The Group is exposed to fluctuations in maize prices. Whilst both input and sales prices will correlate to market prices, timing differences between purchase and sale mean margins could be affected. At 31 May 2013 a 5% decrease in the price of maize would reduce future margins by $0.6m (2012: $0.7m).

The Group is also exposed to fluctuations in cocoa prices, however cocoa stocks at 31 May 2013 were not significant. The Group's cocoa plantation is at an early stage of development and is valued at cost. The valuation in future is exposed to fluctuations in cocoa prices.

### Biological asset risk
The Group's cattle business is exposed to risks from disease and the effect of the weather on pasture land. These risks are mitigated by continuous veterinary monitoring and access to irrigated pasture land.

### Capital risk management
The Group and Company regularly monitor and plan capital requirements. The requirement for capital is satisfied by the issue of shares. Subsidiary companies are financed though equity investment and long-term loans from the Company.

The Group and Company objectives when managing capital is to safeguard the Group's and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group and Company place funds which are not required in the short term on deposit at the best interest rates it is able to secure from its bankers.

At 31 May 2013 the Group had an overdraft facility of $2.0m secured upon its grain inventories in Mozambique (2012: $2.0m), of which $1.6m (2012: $0.1m) was utilised at the year end. At 31 May 2013 the Group also had a loan note outstanding of $1.5m (2012: $nil). This was repaid after the year end. The Company had no other short-term borrowings or borrowing facilities at 31 May 2013 (2012: $nil). The Group or Company are under no obligation to meet any externally imposed capital requirements.

### Sensitivity analysis
Financial instruments affected by market risk include cash and cash equivalents, trade and other receivables and payables. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group and Company financial instruments (at year end) to changes in market variables, being exchange rates and interest rates.

Exchange rates:
Group

| | Income statement $'000 | Equity $'000 |
|---|---|---|
| **2013** | | |
| + 5% US$ Sterling | **(13)** | **(13)** |
| - 5% US$ Sterling | **13** | **13** |
| + 5% US$ Metical | **(69)** | **(69)** |
| - 5% US$ Metical | **69** | **69** |
| 2012 | | |
| + 5% US$ Sterling | 117 | 117 |
| - 5% US$ Sterling | (117) | (117) |
| + 5% US$ Metical | 14 | 14 |
| - 5% US$ Metical | (14) | (14) |

Company

| | Income statement $'000 | Equity $'000 |
|---|---|---|
| **2013** | | |
| + 5% US$ Sterling | **(7)** | **(7)** |
| - 5% US$ Sterling | **7** | **7** |
| 2012 | | |
| + 5% US$ Sterling | 116 | 116 |
| - 5% US$ Sterling | (116) | (116) |

## 3. Financial risk factors continued

**Sensitivity analysis** continued

The following assumptions were made in calculating the sensitivity analysis:

- all income statement sensitivities also impact equity; and
- translation of foreign subsidiaries and operations into the Group's presentation currency have been excluded from this sensitivity.

Interest rates:

The Group and Company do not hold any financial derivatives other than cash whose value is affected by changes in interest rates.

Group

| | Income statement $'000 | Equity $'000 |
|---|---|---|
| **2013** | | |
| + 20 bp increase in interest rates | **34** | **34** |
| + 50 bp increase in interest rates | **86** | **86** |
| - 20 bp increase in interest rates | **(34)** | **(34)** |
| - 50 bp increase in interest rates | **(86)** | **(86)** |
| 2012 | | |
| + 20 bp increase in interest rates | 14 | 14 |
| + 50 bp increase in interest rates | 35 | 35 |
| - 20 bp increase in interest rates | (14) | (14) |
| - 50 bp increase in interest rates | (35) | (35) |

Company

| | Income statement $'000 | Equity $'000 |
|---|---|---|
| **2013** | | |
| + 20 bp increase in interest rates | **35** | **35** |
| + 50 bp increase in interest rates | **88** | **88** |
| - 20 bp increase in interest rates | **(35)** | **(35)** |
| - 50 bp increase in interest rates | **(88)** | **(88)** |
| 2012 | | |
| + 20 bp increase in interest rates | 5 | 5 |
| + 50 bp increase in interest rates | 12 | 12 |
| - 20 bp increase in interest rates | (5) | (5) |
| - 50 bp increase in interest rates | (12) | (12) |

The above sensitivities are calculated with reference to a single moment in time and will change due to a number of factors including:

- fluctuating trade receivable and trade payable balances;
- fluctuating cash balances; and
- changes in currency mix.

## 4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with EU adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and assumptions that 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.

### Going concern

The board has prepared forecasts for the Group's ongoing businesses covering the period of twelve months from the date of approval of these financial statements. These forecasts are based on assumptions that there are no significant disruptions to the supply of maize or cocoa to meet its projected sales volumes and take into account the investment in the beef herd, cocoa plantation, other working capital and additional property plant and equipment that are expected to be required.

The directors believe that, with the receipt of funds from the disposal of the legacy oil and gas assets, together with existing resources, the Group and Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Impairments

Impairment reviews on non-current assets are carried out on each cash-generating unit identified in accordance with IAS 36 "Impairment of Assets". At each reporting date, where there are indicators of impairment, the net book value of the cash generating unit is compared with the associated fair value.

During the previous financial year, licenses to import maize meal into Zimbabwe were withdrawn. With no renewal likely in the foreseeable future, during the period the board has closed the operations and all assets have been fully impaired. The loss on discontinued operations was $276,000 (2012: $nil).

With the focus on establishing the Group's agricultural activities, the directors have decided not to proceed with the Company's concession agreement to develop the East Zone of the port of Conakry and therefore the asset has been written off. The loss on discontinued operations was $234,000 (2012: $nil).

### Biological assets

Biological assets (cattle) are measured at their fair value at each balance sheet date. The fair value of cattle is based on the estimated market value for cattle of a similar age and breed, less the estimated costs to bring them to market. Changes in any estimates could lead to recognition of significant fair value changes in the income statement. At 31 May 2013 the value of the breeding herd disclosed as a non-current asset was $2.1m (2012: $1.6m). The value of the herd held for slaughter disclosed as a current asset was $1.9m (2012: $1.0m).

### Income tax

In order to obtain clearance from the Ethiopian government for the disposal of the Group's oil and gas interests, income tax at a rate of 30% was withheld and paid over to the Ethiopian tax authorities. A refund of $1.0m (2012: $nil) has been recognised during the period. However, there remains some uncertainty as to the timing and magnitude of the receipt pending the submission of tax returns and agreement of the actual tax liability.

## 5. Segment reporting

As set out in the operating review, the directors consider that the Group's continuing activities comprise the segments of grain processing, beef production and cocoa businesses, and other unallocated expenditure in one geographical segment, Africa.

Revenue represents sales to external customers in the country of domicile of the group company making the sale.

Unallocated expenditure relates to central costs and any items of expenditure that can not be directly attributed to an individual segment.

| **Year ending 31 May 2013** | Grain $'000 | Beef $'000 | Cocoa $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|
| Revenue | **15,843** | **2,230** | **3,140** | **—** | **21,213** |
| Segment results | | | | | |
| – Operating loss | **(108)** | **(2,639)** | **(1,564)** | **(2,961)** | **(7,272)** |
| – Interest (expense)/income | **(335)** | **2** | **(5)** | **(308)** | **(646)** |
| Loss before tax | **(443)** | **(2,637)** | **(1,569)** | **(3,269)** | **(7,918)** |
| Income tax | **(13)** | **—** | **—** | **—** | **(13)** |
| Loss after tax | **(456)** | **(2,637)** | **(1,569)** | **(3,269)** | **(7,931)** |

The segment items included in the income statement for the year were as follows:

| | Grain $'000 | Beef $'000 | Cocoa $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|
| Depreciation | **767** | **932** | **369** | **141** | **2,209** |

| Year ending 31 May 2012 | Grain $'000 | Beef $'000 | Cocoa $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|
| Revenue | 9,681 | 895 | 3,250 | — | 13,826 |
| Segment results | | | | | |
| – Operating profit/(loss) | (1,203) | (2,310) | (578) | (2,709) | (6,800) |
| – Interest income | (138) | — | — | 22 | (116) |
| Profit/(loss) before tax | (1,341) | (2,310) | (578) | (2,687) | (6,916) |
| Income tax | (26) | — | — | — | (26) |
| Profit/(loss) after tax | (1,367) | (2,310) | (578) | (2,687) | (6,942) |

The segment items included in the income statement for the year were as follows:

| | Grain $'000 | Beef $'000 | Cocoa $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|
| Depreciation | 980 | 703 | 105 | 90 | 1,878 |

Segment assets consist primarily of property, plant and equipment, inventories and trade and other receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities.

Capital expenditure comprises of additions to property, plant and equipment and intangibles.

The segment assets and liabilities at 31 May 2013 and capital expenditure for the year then ended were as follows:

| | Grain $'000 | Beef $'000 | Cocoa $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|
| Assets | **14,935** | **18,434** | **5,750** | **26,416** | **65,535** |
| Liabilities | **1,928** | **407** | **15** | **3,157** | **5,507** |
| Capital expenditure | **466** | **6,174** | **4,162** | **45** | **10,847** |

Segment assets and liabilities are reconciled to Group assets and liabilities as follows:

| At 31 May 2013 | Assets $'000 | Liabilities $'000 |
|---|---|---|
| Segment assets and liabilities | **39,119** | **2,350** |
| Discontinued activities | **226** | **606** |
| Unallocated: | | |
| Property, plant and equipment | **6,232** | **—** |
| Investments | **8** | **—** |
| Other receivables | **2,175** | **—** |
| Cash | **17,775** | **—** |
| Trade payables | **—** | **709** |
| Accruals and deferred income | **—** | **342** |
| Loan note | **—** | **1,500** |
| Total | **65,535** | **5,507** |

The segment assets and liabilities at 31 May 2012 and capital expenditure for the year then ended were as follows:

| | Grain $'000 | Beef $'000 | Cocoa $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|
| Assets | 17,934 | 12,410 | 2,633 | 10,780 | 43,757 |
| Liabilities | 595 | 35 | 154 | 1,577 | 2,361 |
| Capital expenditure | 546 | 5,485 | 1,186 | 357 | 7,574 |

Segment assets and liabilities are reconciled to Group assets and liabilities as follows:

| At 31 May 2012 | Assets $'000 | Liabilities $'000 |
|---|---|---|
| Segment assets and liabilities | 32,978 | 784 |
| Discontinued activities | 226 | 606 |
| Unallocated: | | |
| Intangible assets | 266 | — |
| Property, plant and equipment | 6,385 | — |
| Investments | 9 | — |
| Other receivables | 1,428 | — |
| Cash | 2,465 | — |
| Amounts due to related parties | — | 593 |
| Accruals and deferred income | — | 378 |
| Total | 43,757 | 2,361 |

Unallocated property, plant and equipment includes $5.9m (2012: $5.9m) in respect of the lease over 45,000 hectares of brownfield land suitable for palm oil production.

**Significant customers**

In the year ended 31 May 2013 no customers generated more than 10% of group revenue (2012: two customers generated $4.8m being 34.8% of Group revenue).

## 6. Operating loss

Operating loss has been arrived at after charging:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Depreciation of property, plant and equipment | **2,209** | 1,878 |
| Loss on disposal of property, plant and equipment | **1** | 12 |
| Net foreign exchange loss | **48** | 584 |
| Operating lease rentals: land and buildings | **199** | 31 |
| Staff costs (see note 7) | **4,505** | 3,198 |

Amounts payable to Baker Tilly UK Audit LLP and their associates in respect of audit services as follows:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Audit services | | |
| – UK statutory audit of parent and consolidated accounts – Baker Tilly UK Audit LLP | **149** | 135 |
| – Audit of overseas subsidiaries – Baker Tilly SVG | **75** | 60 |
| | **224** | 195 |

Operating lease rentals are for periods of less than twelve months.

## 7. Staff costs

The average monthly number of employees (including executive directors) employed by the Group for the year was as follows:

| | 2013 Number | 2012 Number |
|---|---|---|
| Office and management | **52** | 34 |
| Operational | **980** | 666 |
| | **1,032** | 700 |

The aggregate remuneration comprised:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Wages and salaries | **5,212** | 3,402 |
| Social security costs | **84** | 45 |
| Share-based payment charge | **90** | 100 |
| | **5,386** | 3,547 |
| Less: capitalised and included in land and buildings | **(881)** | (349) |
| | **4,505** | 3,198 |

**Directors' remuneration 2013**

| | Salary $'000 | Bonus $'000 | Share-based payment $'000 | Total $'000 |
|---|---|---|---|---|
| PH Edmonds [1] | **78** | **250** | **—** | **328** |
| AS Groves [1] | **156** | **250** | **—** | **406** |
| EA Kay | **174** | **78** | **24** | **276** |
| MN Pelham [1] | **—** | **280** | **—** | **280** |
| | 408 | 858 | 24 | **1,290** |

[1] Bonuses were awarded following the successful disposal of the remaining Ethiopian oil and gas interests to Marathon Oil.

**Directors' remuneration 2012**

| | Salary $'000 | Bonus $'000 | Share-based payment $'000 | Total $'000 |
|---|---|---|---|---|
| PH Edmonds | 78 | — | — | 78 |
| AS Groves | 156 | — | — | 156 |
| EA Kay | 174 | — | — | 174 |
| MN Pelham | — | — | 50 | 50 |
| | 408 | — | 50 | 458 |

## 8. Finance income and expenses

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Finance income: | | |
| – Interest income on short-term bank deposits | **43** | 48 |
| Finance income | **43** | 48 |
| Interest expense: | | |
| – Bank borrowings | **(329)** | (164) |
| – Loan notes | **(160)** | — |
| – Facility fees | **(200)** | — |
| Finance expenses | **(689)** | (164) |
| Net finance charge | **(646)** | (116) |

## 9. Income tax expense

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Loss before tax from continuing activities: | **(7,918)** | (6,916) |
| Tax at the Mozambican corporation tax rate 32% (2012: 32%) | **(2,534)** | (2,214) |
| Tax effect of expenses that are not deductible in determining taxable profit | **75** | 78 |
| Tax effect of utilisation of losses | **—** | (57) |
| Tax effect of losses not allowable | **1,156** | 768 |
| Tax effect of losses not recognised in overseas subsidiaries (net of effect of different rates) | **1,316** | 1,533 |
| Credit in respect of prior years | **—** | (82) |
| Current tax charge for the year | **13** | 26 |

The tax reconciliation has been prepared using a 32% tax rate, the corporate income tax rate in Mozambique, as this is where the Group's principal assets of its continuing operations are located.

Following the disposal of its Ethiopian oil and gas interests, the Group has paid a withholding tax on the gain of 30% and is in the process of seeking a refund from the Ethiopian Revenue Authority. The Group has recognised a tax receivable of $1.0m (2012: $nil) on the gain included in discontinued activities, which is expected to be received within the next twelve months.

The Group has operations in a number of overseas jurisdictions where it has incurred taxable losses for the year of $8.8m (2012: $4.5m). To date no deferred tax asset has been recognised as the requirements of IAS 12 "Income taxes" have not been met.

The Company is resident for taxation purposes in Guernsey and its income is subject to Guernsey income tax, presently at a rate of zero (2012: zero). No tax is payable for the year due to losses incurred. Deferred tax has not been provided for, as brought forward tax losses are not recoverable under the Income Tax (Zero 10) (Guernsey) Law, 2007 (as amended).

## 10. Discontinued operations

On 6 January 2009, the shareholders approved the adoption of the investing strategy to acquire or invest in businesses or projects operating in the agricultural and associated civil engineering industries in Southern Africa. The directors decided to suspend exploration activities and reduce expenditure to the minimum required in order to retain exploration licenses and extract potential value for shareholders. Consequently the oil and gas activities were reclassified as a discontinued operation and the discontinued operations' trading results are included in the income statement as a single line below the loss after taxation from continuing operations.
The directors consider that the value of exploration and evaluation and other related assets of $49.4m (2012: $79.6m) is fully impaired. Provisions for impairment will be written back as appropriate as gains from discontinued activities upon receipt of funds.

On 17 January 2013, the Company completed the disposal of its oil and gas interests in Ethiopia, realising a gain after tax of $29.4m. This gain has been written back against the impairment provision made in prior years.

As set out in note 4, the Group has closed its maize meal importation business in Zimbabwe and its port development concession in Conakry is not being taken forward.

The results for the discontinued operations were as follows:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Operating expenses | — | (5) |
| Reversal of impairment of oil and gas operations | 40,380 | 726 |
| Loss on closure of Zimbabwe and Conakry | (510) | — |
| Profit before taxation | 39,870 | 721 |
| Taxation | (11,000) | — |
| Profit after taxation | 28,870 | 721 |

Cash flows from discontinued operations included in the consolidated statement of cash flows were as follows:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Net cash flows from operating activities | — | 721 |
| Proceeds from disposal of oil and gas interests | 40,000 | — |
| Income tax paid | (12,000) | — |
| Costs of disposal | (890) | — |
| Net cash flows from investing activities | 27,110 | — |

The Group continues to negotiate with the Government of Southern Sudan for compensation is respect of work undertaken. The timing of receipt of the compensation payment together with the amount to be received remains uncertain. Therefore the remaining oil and gas interest remains fully impaired.

## 11. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Loss before tax on continuing operations | (7,918) | (6,916) |
| Income tax expense | (13) | (26) |
| Loss for the purposes of basic earnings per share from continuing activities | (7,931) | (6,942) |
| Profit for the purposes of basic earnings per share from discontinued activities | 28,870 | 721 |
| Profit/(loss) for the purposes of basic earnings per share (loss for the year attributable to equity holders of the parent) | 20,939 | (6,221) |

| | 2013 Number of shares | 2012 Number of shares |
|---|---|---|
| At 1 June | **1,059,716,238** | 693,254,888 |
| Share issue | **2,102,240** | 366,461,350 |
| At 31 May | **1,061,818,478** | 1,059,716,238 |
| Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share | **1,059,963,899** | 874,483,042 |
| Potential ordinary shares | **43,447,117** | 41,081,583 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **1,103,411,016** | 915,564,625 |

| | 2013 Cents | 2012 Cents |
|---|---|---|
| Basic earnings/(loss) per share | **1.98** | (0.71) |
| Basic earnings/(loss) per share – diluted | **1.90** | (0.71) |
| Loss per share from continuing activities | **(0.75)** | (0.79) |
| Earnings per share from discontinued activities | **2.72** | 0.08 |
| Earnings per share from discontinued activities – diluted | **2.62** | 0.08 |

There is no dilutive effect from potential ordinary shares on the loss per share on continuing activities.

## 12. Intangible assets

| | Goodwill $'000 | Concession agreement $'000 | Total $'000 |
|---|---|---|---|
| **Cost and net book value** | | | |
| 1 June 2011 | — | 271 | 271 |
| Additions | 697 | — | 697 |
| Exchange rate adjustment | — | (5) | (5) |
| 1 June 2012 | 697 | 266 | 963 |
| Disposal | — | (269) | (269) |
| Exchange rate adjustment | — | 3 | 3 |
| **31 May 2013** | **697** | **—** | **697** |
| **Net book value** | | | |
| **31 May 2013** | **697** | **—** | **697** |
| 31 May 2012 | 697 | 266 | 963 |
| 31 May 2011 | — | 271 | 271 |

With the focus on establishing the Group's agricultural activities, the directors have decided not to proceed with the Company's concession agreement to develop the East Zone of the port of Conakry and therefore the asset has been written off and charged to discontinued operations.

The goodwill arose on the acquisition of Tropical Farms Limited ("TFL").

TFL has a high quality buying operation for sustainable and traceable cocoa with a direct buying register of approximately 2,000 cocoa farmers.

In addition to the infrastructure and sourcing register, TFL has an experienced management team who will not only enable TFL to accelerate the development of the community sourcing programme but also lead the development of the Group's plantation development strategy.

TFL has continued to expand its community sourcing programme through the expansion of regional hubs and quality improvement initiatives, initially focusing on farmer training programmes supplemented by donating basic fermentation facilities.

In accordance with the Group's accounting policy, the carrying value of goodwill is reviewed annually for impairment. The review includes an assessment of the present value of potential returns from the asset over a period of years. The discount rate used in the Group's estimated average cost of capital is 15% and a growth rate of 5%. The review performed at the reporting date did not result in the impairment of goodwill as the estimated recoverable amount exceeded its carrying value. The recoverable amount of the cash generating unit to which the goodwill has been allocated is determined on value in use calculations.

## 13. Property, plant and equipment

| | Land and buildings $'000 | Plant and machinery $'000 | Motor vehicles $'000 | Aviation $'000 | Other assets $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| 1 June 2011 | 7,158 | 6,169 | 4,262 | 359 | 458 | 18,406 |
| Additions | 10,107 | 1,290 | 1,661 | 359 | 182 | 13,599 |
| Disposals | — | — | (44) | — | — | (44) |
| Exchange rate adjustment | 818 | 596 | 311 | (75) | 22 | 1,672 |
| 1 June 2012 | 18,083 | 8,055 | 6,190 | 643 | 662 | 33,633 |
| Additions | 5,754 | 3,976 | 1,025 | — | 92 | 10,847 |
| Disposals | (292) | (445) | (1,698) | — | (181) | (2,616) |
| Exchange rate adjustment | (798) | (469) | (306) | (70) | (27) | (1,670) |
| **31 May 2013** | **22,747** | **11,117** | **5,211** | **573** | **546** | **40,194** |
| **Depreciation** | | | | | | |
| 1 June 2011 | 269 | 1,501 | 3,044 | 72 | 256 | 5,142 |
| Charge for the year | 2 | 951 | 790 | 85 | 50 | 1,878 |
| Disposals | — | — | (29) | — | — | (29) |
| Exchange rate adjustment | — | 203 | 205 | (15) | 6 | 399 |
| 1 June 2012 | 271 | 2,655 | 4,010 | 142 | 312 | 7,390 |
| Charge for the year | 3 | 1,389 | 957 | 129 | 75 | 2,553 |
| Disposals | (269) | (445) | (1,679) | — | (181) | (2,574) |
| Exchange rate adjustment | — | (208) | (180) | (15) | (13) | (416) |
| **31 May 2013** | **5** | **3,391** | **3,108** | **256** | **193** | **6,953** |
| **Net book value** | | | | | | |
| **31 May 2013** | **22,742** | **7,726** | **2,103** | **317** | **353** | **33,241** |
| 31 May 2012 | 17,812 | 5,400 | 2,180 | 501 | 350 | 26,243 |
| 31 May 2011 | 6,889 | 4,668 | 1,218 | 287 | 202 | 13,264 |

Additions to land and buildings include $1.3m (2012: $nil) of acquisition and development costs of the Group's cocoa plantation in Sierra Leone. Included in this sum is $0.3m (2012: $nil) of depreciation in respect of plant and equipment and $0.3m (2012: $nil) of wages and salaries.

A depreciation charge of $2.2m (2012: $1.9m) has been included in the income statement within operating expenses for the current and comparative years.

## 14. Biological assets

| | $'000 |
|---|---|
| **Fair value** | |
| At 1 June 2011 | 788 |
| Purchase of biological assets | 1,428 |
| Sale of biological assets | (5) |
| Change in fair value | 400 |
| Foreign exchange | 49 |
| At 1 June 2012 | 2,660 |
| Purchase of biological assets | 1,623 |
| Sale of biological assets | (906) |
| Change in fair value | 770 |
| Foreign exchange | (140) |
| **At 31 May 2013** | **4,007** |

Biological assets comprise a breeding herd of cattle. Certain livestock is held for slaughter and has been classified as a current asset. The remainder is expected to be held for more than one year and has been classified as a non-current asset, as follows:

| | 2013 Head of cattle | 2012 Head of cattle | 2013 $'000 | 2012 $'000 |
|---|---|---|---|---|
| Non-current asset | **4,091** | 2,704 | **2,060** | 1,642 |
| Current asset | **2,788** | 1,897 | **1,947** | 1,018 |
| | **6,879** | 4,601 | **4,007** | 2,660 |

The change in fair value has been excluded from cost of sales and gross margin in the income statement.

## 15. Inventories

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Consumables and spares | **305** | 399 |
| Raw materials | **4,955** | 6,178 |
| Work in progress | **27** | 52 |
| Finished goods | **169** | 72 |
| | **5,456** | 6,701 |

During the year inventories amounting to $12.1m (2012: $8.8m) were included in cost of sales in the income statement.

The Group has an overdraft facility of $2.0m secured upon its grain inventories in Mozambique. The balance utilised on the facility at 31 May 2013 was $1.6m (2012: $0.1m) (see note 17).

## 16. Investments and financial assets

| **31 May 2013** | Fair value through profit and loss $'000 | Investment in associate $'000 | Loans and receivables $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments | **4** | **4** | **—** |
| **Current assets** | | | |
| Trade receivables | **—** | **—** | **796** |
| Other receivables | **—** | **—** | **1,494** |
| Corporation Tax | **—** | **—** | **1,088** |
| Trade and other receivables | **—** | **—** | **3,378** |
| Cash and cash equivalents | **—** | **—** | **18,748** |
| | **4** | **4** | **22,126** |

| 31 May 2012 | Fair value through profit and loss $'000 | Investment in associate $'000 | Loans and receivables $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in associate | — | 9 | — |
| **Current assets** | | | |
| Trade receivables | — | — | 1,146 |
| Other receivables | — | — | 2,482 |
| Trade and other receivables | — | — | 3,638 |
| Cash and cash equivalents | — | — | 3,553 |
| | — | 9 | 7,181 |

The financial asset investment classified as fair value through profit and loss ("FVTPL"), comprises quoted securities in African Oilfield Logistics limited ("AOL"). As these are held for trading, the investment has been classified as FVTPL. After the year end an additional investment of $285,000 in AOL has been made.

The Group's associate comprises the 40% stake in African Management Services Limited, which provides accounting services.

## 16. Investments and financial assets continued

The Group's share of the loss of the associate for the period ended 31 May 2013 was $5,000 (2012: profit $9,000). The share of the cumulative profit and net assets of the associate is $4,000 (2012: $9,000).

Other receivables include amounts due from related parties (see note 20).

Cash balances include $107,000 (2012: $108,000) of restricted cash relating to cash held on deposit as security for certain bank guarantees.

The directors consider that the carrying amount of financial assets approximates their fair value. There are no significant amounts past due (2012: $nil).

## 17. Current liabilities

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Borrowings** | | |
| Bank overdraft | **1,591** | 123 |
| Loan note | **1,500** | — |
| | **3,091** | 123 |
| **Trade and other payables** | | |
| Trade payables | **159** | 209 |
| Other payables | **1,093** | 831 |
| Corporation tax | **—** | 56 |
| Accrued liabilities | **1,164** | 1,142 |
| | **5,507** | 2,361 |

The Group has an overdraft facility of $2m secured upon its grain inventories in Mozambique. The facility is repayable on demand and carries an interest rate at the Mozambique prime lending rate less 0.5%. The rate payable is currently 22%.

The loan note is unsecured, due within one year, carried a coupon of 10% and was convertible at the lower of 90% of the volume weighted average mid market price of the Company's shares for the five days prior to conversion or 3.3p. It has been repaid since the year end.

Other payables include amounts payable to related parties (see note 20).

The directors consider that the carrying amount of financial liabilities approximates their fair value. The average credit period taken for trade purchases is three days (2012: six days).

## 18. Share capital

### Group and company

| | Authorised | Allotted and fully paid | |
|---|---|---|---|
| | Number | Number | $'000 |
| **Ordinary shares of 0.1p each** | | | |
| At 31 May 2011 | 2,345,000,000 | 693,254,888 | 1,149 |
| Issue of shares | | 366,461,350 | 570 |
| At 31 May 2012 | 2,345,000,000 | 1,059,716,238 | 1,719 |
| Issue of shares | | 2,102,240 | 3 |
| **At 31 May 2013** | **2,345,000,000** | **1,061,818,478** | **1,722** |
| **Deferred shares of 0.1p each** | | | |
| At 1 June 2011, 2012 and 31 May 2013 | 155,000,000 | 155,000,000 | 238 |
| **Total share capital** | | | |
| **At 31 May 2013** | **2,500,000,000** | **1,216,818,478** | **1,960** |
| At 31 May 2012 | 2,500,000,000 | 1,214,716,238 | 1,957 |
| At 31 May 2011 | 2,500,000,000 | 848,254,888 | 1,387 |

The Company has one class of ordinary share which carries no right to fixed income.

The deferred shares carry no right to any dividend; no right to receive notice, attend, speak or vote at any general meeting of the Company; and on a return of capital on liquidation or otherwise, the holders of the deferred shares are entitled to receive the nominal amount paid up after the repayment of £1,000,000 per ordinary share. In the event that disputes over certain oil and gas assets are satisfactorily resolved, the deferred shares may be converted into ordinary shares by resolution of the board.

On 2 December 2011 the Company issued 8,333,334 ordinary shares of 0.1p each at 3p per share in settlement of deferred consideration in respect of the acquisition of Tropical Farms Limited.

On 2 December 2011 the Company issued 37,800,000 ordinary shares of 0.1p each at 5p per share as consideration for the acquisition of Red Bunch Ventures (SL) Limited, the Group's palm oil concession. The consideration includes deferred consideration which is payable by the future issue of 37,800,000 ordinary shares of 0.1p each at a price of 5p per share. Red Bunch holds a lease over 43,000 hectares of agricultural land suitable for palm oil production in Pujehun District in Sierra Leone. The deferred consideration becomes payable once 1,000 hectares of the leasehold land has been developed. The Group intends to develop a nursery and clear an initial area along the line of its cocoa plantation and continues to evaluate the most suitable site.

On 2 December 2011 the Company issued 320,328,016 ordinary shares of 0.1p each at 3p per share raising gross cash proceeds of $15m to provide funding for the continued development of its Mozambique beef business and its cocoa business in Sierra Leone.

On 18 April 2013 the Company issued 2,102,240 ordinary shares of 0.1p each at 3p per share as part of the consideration paid to acquire ranching assets in Mozambique.

**Share Options:**
At 31 May 2013, the following options over ordinary shares of 0.1p each have been granted to directors and employees and remain unexercised:

| Date of grant | Number of shares | Exercise price | Exercise period |
|---|---|---|---|
| 9 January 2009 | 5,750,000 | 3.0p | 9 January 2010 to 9 January 2019 |
| 13 July 2011 | 5,000,000 | 3.0p | 13 July 2012 to 13 July 2017 |
| 1 December 2011 | 10,000,000 | 2.0p | 1 December 2011 to 1 December 2016 |
| 29 July 2012 | 7,500,000 | 3.5p | 29 July 2013 to 29 July 23 |
| 29 July 2012 | 12,500,000 | 5.5p | 29 July 2013 to 11 January 2020 |
| 01 May 2013 | 2,000,000 | 2.8p | 01 May 2014 to 30 April 2019 |
| 01 May 2013 | 2,000,000 | 5.5p | 01 May 2014 to 11 January 2020 |

## 19. Share-based payments

**Equity-settled share option plan**

The Group unapproved share option scheme was established to provide equity incentives to the directors of, employees of and consultants to the company. The scheme rules provide that the board shall determine the exercise price. The minimum vesting period is generally one year. If options remain unexercised after a period of four or five years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Options number | Weighted average exercise price | Options number | Weighted average exercise price |
| Options at the beginning of the year | 20,750,000 | 2.5p | 5,750,000 | 3.0p |
| Granted in the year | 24,000,000 | 4.6p | 15,000,000 | 2.3p |
| Options at the end of the year | 44,750,000 | 3.7p | 20,750,000 | 2.5p |
| Exercisable at year end | 20,750,000 | 2.5p | 20,750,000 | 2.5p |

At 31 May 2013 the weighted average remaining contractual life of the options outstanding was 6.0 years (31 May 2012: 5.2 years).

## 19. Share-based payments continued

**Equity-settled share option plan** continued

The fair value of the options granted during the period was determined using the Black-Scholes option pricing model using the following assumptions:

- share price at the date of grant was the average mid-market closing price for the three days immediately prior to grant;
- the risk free rate ranged from 0.12% to 0.65% based on the gilt yield over the vesting period at the date of grant;
- the annual dividend yield is expected to be nil based on management's immediate intention to reinvest operating cash flows;
- the annual volatility ranged from 68% to 72% and is derived from the daily share prices of the Company over the year preceding the date of grant;
- the options granted on 29 July 2012 vest at 20% per annum from the date of grant. The respective exercise period is the date of vesting;
- the options granted on 1 May 2013 vest on the first anniversary of the date of grant. The exercise period is 3.4 years, being 50% of the exercise period; and
- the fair value of options granted during the period ranged from 1p to 2p.

On 12 January 2010, options over 50 million shares with an exercise price of 5.5p were issued to Ely Place Nominees Limited to be held on trust to be issued at the discretion of the board to directors, employees or consultants to the Company. Included in the 24,000,000 options granted during the year, 14,500,000 options were allocated from this reserve and 35,500,000 remain unallocated.

## 20. Related party disclosures

1. PH Edmonds and AS Groves, directors of the Company, are also directors of Sable Mining Africa Limited ("Sable"), Liberian Cocoa Corporation ("LCC"), African Oilfield Logistics Limited ("AOL") and African Management Services Limited ("AMS"). AS Groves is a director of African Potash Limited ("African Potash"). PH Edmonds resigned as a director of African Potash during the year. Related party transactions are entered into on an arm's length basis. No provisions have been made in respect of amounts owed by or to related parties.

   During the year AMS provided accounting, treasury and administrative services to the Group for a management fee of $587,000 (2012: $264,000). The Group also incurred certain expenditures on behalf of AMS. As at 31 May 2013 the Group owed $77,000 to AMS (2012: $26,500). This has been settled after the year end.

   At 31 May 2013 the Group was due $89,000 from LCC (2012: $89,000). This balance remains outstanding as at the date of these financial statements.

   During the year the Group and Sable incurred certain expenses on each other's behalf. At 31 May 2013, the amount due to Sable was $32,000 (2012: due from Sable $14,000). This has been settled since the year end.

   During the year the Group incurred certain expenses on behalf of African Potash. At 31 May 2013, the amount due to African Potash was $56,000 (2012: due from African Potash $40,000). This has been settled since the year end. In addition during the year, Agriterra drew down and repaid $2m under a loan agreement with African Potash; facility fees of $100,000 and interest of $21,000 (at 5% per annum) were paid in connection with this loan.
2. During the year the Group advanced $1.0m to Ardan Risk and Support Services Limited ("Ardan"), a company controlled by MN Pelham. This loan, together with accrued interest has been repaid since the year end.
3. During the year the Group invested $4,000 (2012: $nil) in AOL. Since the year end it has invested a further $285,000.
4. Remuneration of key management personnel:

   The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures". Further information about the remuneration of individual directors is provided in note 7.

| | **2013 $'000** | 2012 $'000 |
|---|---|---|
| Short-term employee benefits | **1,266** | 408 |
| Share options and other long-term incentive plans | **24** | 50 |
| | **1,290** | 458 |

# Company statement of financial position as at 31 May 2013

| | Note | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 23 | **35** | 4 |
| Investment in subsidiaries | 24 | **39,040** | 41,547 |
| Financial assets | 25 | **4** | — |
| Total non-current assets | | **39,079** | 41,551 |
| **Current assets** | | | |
| Trade and other receivables | 25 | **2,098** | 1,760 |
| Cash and cash equivalents | 25 | **17,770** | 2,434 |
| Total current assets | | **19,868** | 4,194 |
| **Total assets** | | **58,947** | 45,745 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Borrowings | 26 | **(1,500)** | (123) |
| Trade and other payables | 26 | **(1,193)** | (1,305) |
| Total current liabilities | | **(2,693)** | (1,428) |
| **Net assets** | | **56,254** | 44,317 |
| **Equity** | | | |
| Issued capital | 18 | **1,960** | 1,957 |
| Share premium | | **148,622** | 148,530 |
| Shares to be issued | | **2,940** | 2,940 |
| Share-based payment reserve | | **1,710** | 1,620 |
| Translation reserve | | **2,621** | 3,515 |
| Retained earnings | | **(101,599)** | (114,245) |
| **Total equity** | | **56,254** | 44,317 |

The notes on pages 50 to 52 form part of the financial statements.

The financial statements on pages 47 to 52 were approved and authorised for issue by the board of directors on 13 November 2013 and were signed on its behalf.

**PH Edmonds**
Chairman

## Statement of changes in equity for the year ended 31 May 2013

| | Ordinary share capital $'000 | Deferred share capital $'000 | Share premium $'000 | Shares to be issued $'000 | Share-based payment reserve $'000 | Translation reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Balances at 1 June 2011** | 1,149 | 238 | 131,593 | — | 1,360 | 5,262 | (112,908) | 26,694 |
| Loss for the year | — | — | — | — | — | — | (1,337) | (1,337) |
| **Other comprehensive income** | | | | | | | | |
| Exchange translation differences on foreign operations | — | — | — | — | — | (1,747) | — | (1,747) |
| **Total comprehensive income for the year** | — | — | — | — | — | (1,747) | (1,337) | (3,084) |
| **Transactions with owners** | | | | | | | | |
| Share issues | 570 | — | 17,707 | — | — | — | — | 18,277 |
| Issue costs | — | — | (770) | — | 160 | — | — | (610) |
| Shares to be issued | — | — | — | 2,940 | — | — | — | 2,940 |
| Share-based payment charge | | | | — | 100 | — | — | 100 |
| **Total transactions with owners** | 570 | — | 16,937 | 2,940 | 260 | — | — | 17,767 |
| **Balances at 31 May 2012** | 1,719 | 238 | 148,530 | 2,940 | 1,620 | 3,515 | (114,245) | 44,317 |
| Profit for the year | — | — | — | — | — | — | 12,646 | 12,646 |
| **Other comprehensive income** | | | | | | | | |
| Exchange translation differences on discontinued activities | — | — | — | — | — | (894) | — | (894) |
| **Total comprehensive income for the year** | — | — | — | — | — | (894) | 12,646 | 11,752 |
| **Transactions with owners** | | | | | | | | |
| Share issues | 3 | — | 92 | — | — | — | — | 95 |
| Share-based payment charge | — | — | — | — | 90 | — | — | 90 |
| **Total transactions with owners** | 3 | — | 92 | — | 90 | — | — | 185 |
| **Balances at 31 May 2013** | **1,722** | **238** | **148,622** | **2,940** | **1,710** | **2,621** | **(101,599)** | **56,254** |

The notes on pages 50 to 52 form part of the financial statements.

# Company cash flow statement for the year ended 31 May 2013

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Operating activities** | | |
| Loss before tax | (16,093) | (2,058) |
| Adjustments for: | | |
| – Depreciation of property, plant and equipment | 12 | 4 |
| – Impairment of loans to subsidiaries | 13,423 | — |
| – Loss on foreign exchange | — | 1 |
| – Share-based payment charge | 90 | 100 |
| – Net interest income | (571) | (22) |
| Operating cash flow before movements in working capital | (3,139) | (1,975) |
| Working capital adjustments: | | |
| – Decrease/(increase) in receivables | 662 | (841) |
| – (Decrease)/increase in payables | (50) | 152 |
| Cash used in operations | (2,527) | (2,664) |
| Interest received | 31 | 22 |
| Interest paid | (339) | — |
| Net cash used in continuing operating activities | (2,835) | (2,642) |
| Net cash from discontinued activities | — | 721 |
| **Net cash used in operating activities** | (2,835) | (1,921) |
| **Investing activities** | | |
| Purchase of property, plant and equipment | (43) | — |
| Purchase of investments | (4) | — |
| Loan to subsidiaries | (10,453) | (12,782) |
| Net cash used in investing in continuing activities | (10,500) | (12,782) |
| Net cash from discontinued activities | 27,171 | — |
| **Net cash from/(used in) investing activities** | 16,671 | (12,782) |
| **Financing activities** | | |
| Proceeds from issue of share capital | — | 15,000 |
| Share issue costs | — | (600) |
| Draw down of loans | 6,000 | — |
| Repayment of loans | (4,500) | — |
| **Net cash from financing continuing activities** | 1,500 | 14,400 |
| **Net increase/(decrease) in cash and cash equivalents** | 15,336 | (303) |
| Cash and cash equivalents at start of the year | 2,434 | 2,922 |
| Exchange rate adjustment | — | (185) |
| **Cash and cash equivalents at end of the year** | 17,770 | 2,434 |

The notes on pages 50 to 52 form part of the financial statements.

## 21. Company accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The information relating to financial risk factors and critical accounting estimates and judgements is as described for the Group in note 3 above.

### Basis of accounting

The financial statements have been prepared on the historical cost basis except for the financial assets held at fair value through profit and loss. The accounting policies of the Company where applicable are consistent with those of the Group as described in note 2 unless otherwise noted below. They have been applied consistently throughout the year and the preceding year.

### Investment in subsidiaries

Investments in subsidiaries are stated at cost less where appropriate any provision for impairment.

## 22. Profit for the year

The Company has elected not to present its own income statement. The Company reported a profit for the year of $12.6m (2012: loss $1.3m).

The auditor's remuneration for audit and other services is disclosed in note 6 to the financial statements.

## 23. Property, plant and equipment

| | Motor vehicles $'000 | Plant and machinery $'000 | Other assets $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| 1 June 2011 | 1,665 | 367 | 189 | 2,221 |
| Additions | — | — | — | — |
| Disposals | (1,665) | (367) | (174) | (2,206) |
| 1 June 2012 | — | — | 15 | 15 |
| Additions | 42 | — | 1 | 43 |
| **31 May 2013** | **42** | **—** | **16** | **58** |
| **Depreciation** | | | | |
| 1 July 2011 | 1,665 | 367 | 181 | 2,213 |
| Charge for the year | — | — | 4 | 4 |
| Disposals | (1,665) | (367) | (174) | (2,206) |
| 31 May 2012 | — | — | 11 | 11 |
| Charge for the year | 8 | — | 4 | 12 |
| **31 May 2013** | **8** | **—** | **15** | **23** |
| **Net book value** | | | | |
| **31 May 2013** | **34** | **—** | **1** | **35** |
| 31 May 2012 | — | — | 4 | 4 |
| 31 May 2011 | — | — | 8 | 8 |

## 24. Investment in subsidiaries

| | Investment $'000 | Loans $'000 | Total $'000 |
|---|---|---|---|
| **Cost** | | | |
| 31 May 2011 | 3,801 | 35,720 | 39,521 |
| Additions | 5,900 | 13,184 | 19,084 |
| Exchange rate adjustment | (21) | (1,659) | (1,680) |
| 31 May 2012 | 9,680 | 47,245 | 56,925 |
| Additions | — | 10,916 | 10,916 |
| **31 May 2013** | **9,680** | **58,161** | **67,841** |
| **Impairment** | | | |
| 31 May 2011 and 2012 | 3,801 | 11,577 | 15,378 |
| Charge for the year | — | 13,423 | 13,423 |
| **31 May 2013** | **3,801** | **25,000** | **28,801** |
| **Net book value** | | | |
| **31 May 2013** | **5,879** | **33,161** | **39,040** |
| 31 May 2012 | 5,879 | 35,668 | 41,547 |
| 31 May 2011 | — | 24,143 | 24,143 |

Loans to subsidiaries fall due after more than one year. The impairment in loans to subsidiary companies reflects reductions in the value of the underlying businesses as a result of movements in exchange rates.

As at 31 May 2013, the Company held equity in the following principal undertakings:

**Direct investments:**

| Subsidiary undertakings | Proportion held | Country of incorporation | Nature of business |
|---|---|---|---|
| Agriterra (Mozambique) Limited | 100% | Guernsey | Holding Company |
| P A Energy Africa Limited | 100% | British Virgin Islands | Inactive |
| Agriterra Aviation (Pty) Limited | 100% | South Africa | Aviation services |
| Agriterra East Africa Limited | 100% | Mauritius | Trading |
| Agriterra Guinea SA | 100% | Guinea | Infrastructure |
| West Africa Cocoa Services Limited | 100% | British Virgin Islands | Holding Company |
| Shawford Investments Inc | 100% | British Virgin Islands | Holding Company |
| Branca Tide Limited | 100% | British Virgin Islands | Holding Company |

**Indirect investments of Agriterra (Mozambique) Limited:**

| Subsidiary undertakings | Proportion held | Country of incorporation | Nature of business |
|---|---|---|---|
| Desenvolvimento E Comercialização Agricola Limitada | 100% | Mozambique | Grain |
| Compagri Limitada | 100% | Mozambique | Grain |
| Mozbife Limitada | 100% | Mozambique | Beef |
| Carnes de Manica Limitada | 100% | Mozambique | Beef |
| Agriterra Aviação Limitada | 100% | Mozambique | Aviation services |

**Indirect investments of West Africa Cocoa Services Limited:**

| Subsidiary undertakings | Proportion held | Country of incorporation | Nature of business |
|---|---|---|---|
| Tropical Farms (SL) Limited | 100% | Sierra Leone | Cocoa and coffee |

**Indirect investments of Branca Tide Limited Limited:**

| Subsidiary undertakings | Proportion held | Country of incorporation | Nature of business |
|---|---|---|---|
| Tropical Farms Plantation (SL) Limited | 100% | Sierra Leone | Cocoa plantation |

**Indirect investments of Shawford Investments Inc.:**

| Subsidiary undertakings | Proportion held | Country of incorporation | Nature of business |
|---|---|---|---|
| Red Bunch Ventures (SL) Limited | 100% | Sierra Leone | Palm oil |

As set out in note 4, the directors have decided to suspend further expenditure on all oil and gas exploration and evaluation projects. The Company considers its investment in and its loan to PA Energy Africa Limited to be impaired and full provision has been made in prior periods.

## 25. Financial assets

| 31 May 2013 | Fair value through profit and loss $'000 | Loans and receivables $'000 | Total $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments | 4 | — | 4 |
| **Current assets** | | | |
| Other receivables | — | 1,098 | 1,098 |
| Corporation tax | — | 1,000 | 1,000 |
| Total trade and other receivables | 4 | 2,098 | 2,102 |
| Cash and cash equivalents | — | 17,770 | 17,770 |
| | 4 | 19,868 | 19,872 |

| 31 May 2012 | Fair value through profit and loss $'000 | Loans and receivables $'000 | Total $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Trade receivables | — | 209 | 209 |
| Other receivables | — | 1,551 | 1,551 |
| Total trade and other receivables | — | 1,760 | 1,760 |
| Cash and cash equivalents | — | 2,434 | 2,434 |
| | — | 4,194 | 4,194 |

The Company holds a 40% stake in African Management Services Limited (see note 16).

Other receivables include amounts due from related parties (see note 27).

Cash balances include $107,000 (2012: $108,000) of restricted cash relating to cash held on deposit as security for certain bank guarantees.

The directors consider that the carrying amount of financial assets approximates their fair value. There are no significant amounts past due (2012: $nil).

## 26. Financial liabilities

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Borrowings | | |
| Loan note | 1,500 | — |
| Trade and other payables | | |
| Trade payables | 140 | 200 |
| Other payables | 679 | 613 |
| Accruals and deferred income | 374 | 615 |
| | 2,693 | 1,428 |

The loan note is unsecured, due within one year, carried a coupon of 10% and has been repaid since the year end.

Other payables include amounts payable to related parties (see note 27). The directors consider that the carrying amount of financial liabilities approximates their fair value.

## 27. Related party disclosures

The transactions of the Company with related parties other than with subsidiary companies are disclosed in note 20. Related party transactions are entered into on an arm's length basis. No provisions have been made in respect of amounts owed by or to related parties except where disclosed.

Subsidiary companies are financed by means of parent company loans which bare a market rate of interest.

The Company provided funding to its subsidiaries of $10.5m (2012: $12.8m) during the period and had outstanding loans amounting to $33.2m (2012: $35.7m). With the continued depreciation of the Mozambican Metical, the Company has made a further provision of $13.4m (2012:$nil) during the year.

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