AGRITERRA LIMITED

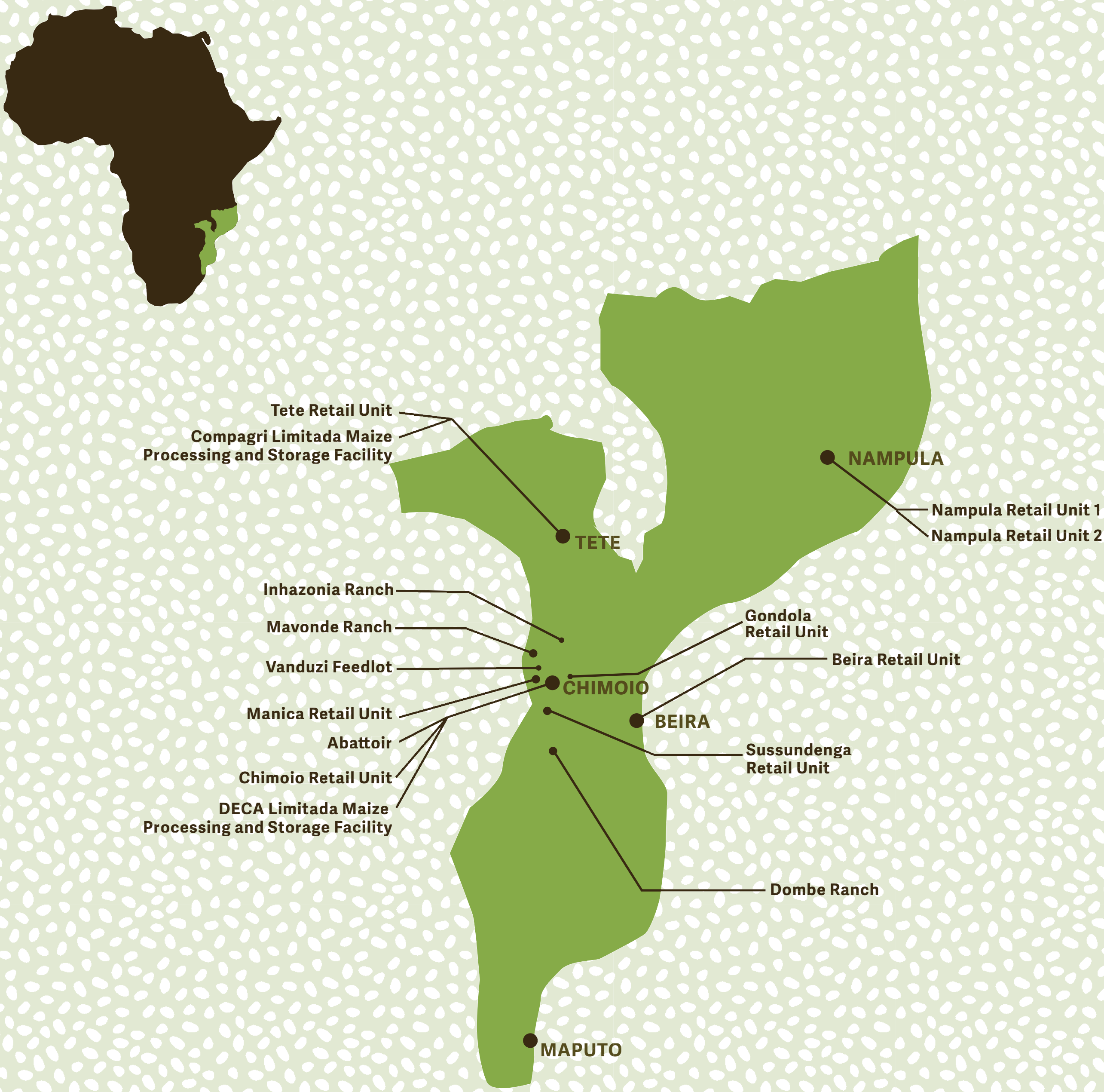
ANNUAL REPORT 2016

Agriterra

Annual Report
2016

Agriterra

AGRITERRA IS AN AIM QUOTED AFRICA FOCUSSED AGRICULTURAL COMPANY WITH MAIZE AND BEEF OPERATIONS IN MOZAMBIQUE



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Chair's statement

Having taken on the role of Chair of the Board of Agriterra on 29 April 2016, this is my first substantive opportunity to communicate with shareholders and I am pleased to be able to provide an update on our recent activity and outline our plans for the future.

Since 2009 Agriterra has focussed on building an agricultural business with a portfolio centred on beef and maize in Mozambique and cocoa in Sierra Leone. As discussed more fully below, the Group's operations are now focussed entirely on Mozambique following the sale of our cocoa operations in Sierra Leone in a management buy-out transaction (after the end of FY2016).

As shareholders are aware, the economic environment in Mozambique has altered substantially during the 2016 calendar year, most notably due to the combination of a decline in commodity prices, a prolonged and severe drought and the significant weakening of the Mozambique Metical against the United States $ (~110% since 31 May 2015) and the South African Rand (~100% since 31 May 2015). As a result, Mozambique is experiencing high inflation rates (reaching 25.5% for the 12 months to 31 October 2016), accompanied by a rapid increase in interest rates (prime lending rates are now at 28% compared to 16% at 31 May 2015). In addition to the economic complexities, Mozambique is experiencing military tension, particularly in the centre of the country.

Clearly these economic and political factors, together with the continuing ongoing operational losses that the Group has experienced, present real and significant hurdles to overcome. Having said this, there is still scope for Agriterra to capitalise on the growth opportunities present in Mozambique. In order to do so, we will need to continue to reduce our costs, wherever possible, to ensure that we operate as efficiently as possible, whilst also addressing and minimising the inherent challenges of operating in the African agriculture sector. Market conditions in Mozambique are such that our long-term aim should be to become a pre-eminent player in the national Mozambique beef and maize flour markets through effective implementation of our strategy by our operational teams. We are currently part-way through a period of consolidation, streamlining and optimisation around our existing operations, and I am hopeful that following completion we will see significant mid-term leveraging of the considerable investment which Agriterra has already made into Mozambique in order to build shareholder value.

The current situation in Mozambique presents both opportunities and challenges for businesses operating in the country. On the one hand, prices of imported products have risen rapidly, at a rate faster than inflation. This reduced competitiveness of imported products, combined with the lack of foreign currency available in country, has made our products more competitive; this is particularly reflected in the case of our beef products - we are now able to supply the Maputo market, the largest and most affluent market in Mozambique. On the other hand, wages have risen at a slower pace than inflation and therefore progressively more of a typical household budget is consumed by the purchase of fewer products. While our maize flour products continue to sell well in this environment - being a staple food produced from locally sourced maize - this has left less household income available for purchase of protein products, which has the effect of reducing the demand for our beef products. The net effect so far has been positive, with record volumes and revenue in Metical terms in our Beef division in FY2016, and the second highest year in terms of volumes and highest year in terms of Metical revenue in our Grain division. These trends have continued since the period end, with our highest ever month of sales in the Beef division occurring in August 2016 (generating revenues of approximately 35.5 million Metical). In this context, the Board believe that we are able to continue to strengthen our market position in both the Grain and Beef divisions.

In addition to improving efficiencies and driving revenue generation, our focus on reducing Group-wide costs and disposing of non-revenue generating assets (such as our aircraft) has also been important during FY2016. The savings made from these programmes have contributed to the Grain division returning an overall profit before depreciation of $561,000 (2015: loss of $2,500,000) and after depreciation of $322,000 (2015: loss of $2,886,000). Despite the positive effect of cost savings, the Beef division returned an operating loss during FY2016, before impairments, of $2,912,000 (2015: loss of $2,317,000), reflecting, in part, the investment and development in our farming infrastructure. Subsequent to the end of FY2016, the Board took the decision to de-stock the cattle farms and place them in care and maintenance. This decision was made in light of the military tension in country and the need to protect the value of the herd and security of our employees. This programme is well under way, and the Inhazonia and Mavonde ranches are now substantially de-stocked. While the Board continue to see the longer term potential of the farms, it is uncertain if and when the political and military tensions will be resolved and, until such time as resolution is reached, there will inevitably be significant uncertainty regarding the security of investment in certain parts of the country. This uncertainty, along with the general economic climate in Mozambique, has led to an impairment against the Beef division assets of $3,069,000 (2015: $nil).

Although placing the farms into "care and maintenance" is a significant change in our previously conceived strategy for the Beef division, it reduces the cash requirements of continuing the ongoing development of these assets; at the same time, the revised approach provides sizeable cash inflow through the de-stocking of the animals. This cash inflow, along with the income from the disposal of surplus, non-revenue generating assets, will be applied to reducing the Beef division's existing bank finance, which was taken during the expansion period, prior to the development of the current economic and political situation in country.

With regards to our cocoa operations in Sierra Leone, the Group had placed its plantation assets in "care and maintenance" during FY2015, with the assets being maintained and ready to return to operations when and if circumstances permitted. At the same time during FY2015, in order to support the country in its fight against and its recovery from the Ebola crisis, we leased part of our vehicle fleet and some of our warehousing infrastructure to international aid organisations. The country was initially declared Ebola free by the World Health Organisation in early November 2015 and finally in March 2016. While the Group successfully established and maintained the necessary infrastructure from which a large scale commercial cocoa plantation and trading business can be developed, the next stage in the development of these assets requires significant capital investment. Given the impact of Ebola on the West African region as a whole and the lack of investment appetite from traditional finance sources, the Board formed the view, after due investigations and careful consideration, that the Group would be unlikely to be able to raise the finance to continue with the development of the cocoa plantation in the foreseeable future. In this context, the Board therefore believed that it was in the best interests of the Group to dispose of the cocoa division in a management buy-out transaction to bolster the Group's cash reserves and to enable the management team behind the Cocoa division to access other finance sources, such as dedicated development and sustainability funds. The cocoa operations were sold after the end of FY2016 for cash consideration of $750,000 which is payable by 9 January 2017.

Corporate update

On 22 April 2016, Phil Edmonds stepped down as Chairman of the Board. Phil has been retained by the Company in a part-time consultancy capacity, providing us with ongoing access to his significant knowledge of the Group's operations and the benefit of his insights and experience of operating in Africa. I would like to thank Phil for his continued support and hard work for Agriterra over the years, and wish him well for the future.

Outlook

The African agriculture market remains an area of growth potential, with Mozambique having particularly strong prospects because of the eagerly anticipated establishment of a liquefied natural gas industry in the north of the country. As and when this industry gains significant development and production traction in Mozambique, it is expected to significantly change the economy of the entire country, which will translate into consequential growth in our revenue potential.

Subject to certain assumptions on the development of the natural gas resources in Mozambique, estimates by the IMF (in January 2016) suggest that average real GDP growth rates could achieve 24% between 2021 and 2025, thereafter stabilising at 3 - 4% from 2028 once liquefied natural gas production peaks (6 – 6.5% for the non-liquefied natural gas sector). This level of development will inevitably result in a significant increase in national demand for our products, initially to provide food products for staff in direct and related support industries during project construction phases, and later within a general population with higher disposable incomes (liquefied natural gas alone is expected to be sufficient to raise the country from one of the poorest in the world to a low middle income country). The development of Mozambique's liquefied natural gas resources is of course dependent on macroeconomic factors, not least of which is the demand for gas in Asia where the premium markets are, the available supply of gas worldwide, and the price of substitutes such as oil. Final investment decisions on the development of liquefied natural gas projects are expected later this year, or early in 2017. Encouragingly in late September 2016, multinational oil and gas company Eni S.p.A. ('ENI') confirmed that it has approached bankers regarding project finance for the development of its first offshore floating liquefied natural gas platform, and it is also reported to have agreed initial terms with BP for the sale of liquefied natural gas from Mozambique. Further, Exxon Mobil is reported to have acquired a multi-billion dollar stake in certain other Mozambique assets from ENI. The fundamentals for the energy markets remain strong and there is now general optimism that the projects will be developed. We hope to capitalise on this growth and are already working with sizeable contractors in the camp management arena supplying services to the gas sector.

In the shorter term, with particular focus on FY2017, the significant cost savings which we implemented during FY2016 will yield their full benefit during FY2017. We have progressed well in our maize buying programme during the 2016 buying season and have already secured most of our maize requirement; subject to achieving our forecast selling prices, we expect the Grain division to return positive cash flows again in FY2017. With respect to the Beef division, once the farms are de-stocked and in "care and maintenance", subject to achieving targeted operating parameters, we hope to be at monthly break even in cash terms by the end of FY2017; as the farms are de-stocked we will continue to buy animals from the national herd to satisfy our retail and wholesale targets, with a view to adding value during the time the animals spend in our feedlot. Within the Beef division we are also exploring options for the acquisition of mobile abattoir units to maximise efficiencies in our logistics chain.

Taking account of the inherent operational, economic and political risks which our business has to address on an ongoing basis, we remain committed to developing our business so as to increase value for all stakeholders. As we move forwards towards achieving this objective I wish to thank our entire team for their continued commitment and our shareholders for their ongoing support.

CSO Havers
Chair

17 November 2016

Operational and financial review

The Group loss for the year from continuing operations - which excludes the results of the discontinued cocoa operations - reduced from $8,205,000 in FY2015 to $7,677,000 in FY2016. Excluding non-recurring impairments recorded against property, plant and equipment in the Beef division of $3,069,000 (2015: $nil), the loss has decreased by 44% to $4,608,000. The decrease in loss reflects both an increase in gross profit of $1,251,000, primarily in the Grain division, combined with a decrease in other operating expenses of $2,222,000, primarily in the Grain division and central corporate overheads. Overall, the operating profit of the Grain division was $811,000 compared to an operating loss of $2,128,000 in FY2015, while the operating loss of the Beef division, excluding impairments of property, plant and equipment increased from $2,317,000 to $2,912,000.

Grain division

Agriterra operates its established maize buying and processing business from its Desenvolvimento E Comercialização Agricola Limitada ('DECA') facility in Chimoio, central Mozambique, which has a 35,000 tonne storage capacity, and its 15,000 tonne capacity Compagri Limitada ('Compagri') facility in Tete, north-west Mozambique. Maize is purchased from local out-growers through a network of buying stations, which is then stored and processed before being sold to the retail market.

The performance in the Grain division has been particularly encouraging this year, where revenues (before elimination of bran sales to the Beef division) increased in underlying Metical terms by nearly 190% on a 118% increase in the total volume of products sold. The increase in US$ terms was nearly 122%, from $5,517,000 to $12,246,000 – the lower percentage increase resulting from the relative weakening of the Metical to US$ exchange rate year on year, which moved from an average rate of 32.45 Metical / US$ in FY2015 to 43.61 Metical / US$ in FY2016. Total volume of maize products sold in the year was 39,400 tonnes compared to 18,100 tonnes in FY2015, with 27,900 tonnes of maize flour sold compared to 13,600 tonnes in FY2015; this represents the Group's second highest volume ever sold of maize flour.

The increase in volume reflects in part a return to a more normal maize growing season in Mozambique at an estimated 1.7 million tonnes; the FY2015 results reflected an exceptionally large harvest, estimated at around 2.3 million tonnes, which saturated the local market and reduced the demand for processed products which we market under our DECA brand.

In the main though, the increase in volume reflects successful implementation of our strategy in this division, which has been to reduce our cost base to allow us to price our products more competitively in the market, at marginally lower prices than our competitors. This has allowed us to position DECA as a lower price brand, thereby providing a solid base on which to develop the business in the current economic climate in Mozambique, where price is a key factor. The Mozambique consumer is now facing a significant reduction in purchasing power as a result of wages increasing at a much slower pace than inflation. In addition, the 2016 maize harvest has been significantly impacted by an El-Niño induced drought in Sub-Saharan Africa, reducing available volumes and significantly increasing price. Substitute products are also increasing rapidly in price due to the significant devaluation in the Metical. This has left the Mozambique consumer with limited choice, spending an increasing amount of the household income on buying staple food products, of which maize flour is the preferred product. With DECA's products competitively priced, we expect to continue to gain market share.

In addition to maize flour, the Grain division produces maize bran as a by-product. This bran has historically been sold directly to our Beef division or third party customers. In order to improve the quality of animal feed for our Beef division, as well as to capitalise on the maximum potential uplift in value from the bran, we have recently acquired an animal feed pelletizer. This allows us to pre-mix animal feed, ensuring the optimum ratio of ingredients to provide feed with the appropriate nutritional characteristics for our cattle, as determined by specialist animal nutritionists. At present we are able to supply all of the Beef division's feed requirements from the pelletizer and have spare capacity for sales to the Mozambique animal feed market. We are currently finalising the development of appropriate feed products and, subject to the availability of surplus bran, expect to start supplying some volume to this market in H2-2017.

The Grain division's working capital is financed by a 300 million Metical overdraft facility provided by Standard Bank in Mozambique (approximately $5,034,000 at the 31 May 2016 exchange rate). Interest rates have risen rapidly in Mozambique to a prime rate of 28% as at the date of this report. Despite this high rate, with milling capacity in excess of 75,000 tonnes of maize per annum, storage capacity in excess of 50,000 tonnes, a favourable sales environment, and steady supplies of raw maize coming from our established buying network, we are optimistic that FY2017 will continue to be a profitable and cash generative year for the Grain division.

Beef division

In Mozambique, Agriterra operates its Beef division through Mozbife Limitada ('Mozbife'). The Group has a feedlot facility, an abattoir and own branded retail units in addition to three ranches which are in the process of being destocked.

In line with our strategy, the Beef division has continued to grow its revenues in the year, with a 52% increase in volume sold and Metical revenues. After adjusting for the weaker Metical to US$ exchange rate, this is an increase in US$ revenues of 17% from $5,366,000 to $6,265,000. Subsequent to the period end in August 2016, the Beef division achieved record monthly revenues in excess of 35.5 million Metical which, at the average exchange rate for FY2016, would equate to a monthly revenue of approximately $815,000. The growth in revenue has principally been from our existing operations, as we have sought to reduce the planned roll out of additional large retail sites in light of the economic and political developments in the country. In particular, the delay in the development of the LNG projects in the Northern provinces has put on hold our previously announced expansion plans into Pemba and Nacala; these sites remain under review and, if the LNG projects go ahead, will likely become development targets again.

A promising development in our retail business has been the expansion of sales into Maputo towards the end of FY2016 and into FY2017. Maputo, as the capital, is the largest and most affluent market in Mozambique. Due to its proximity to South Africa, it has historically been supplied with imported products. The devaluation in the Metical, and the lack of availability of foreign currency, has made these imports very expensive while making our products price competitive, opening up this attractive market to us. Our existing sales are currently to wholesalers and are supplied from our Chimoio abattoir, avoiding the need for us to establish a costly fixed presence in this market. With the Maputo market open, Mozbife is the only Mozambique wide supplier of domestically produced beef products.

The weakness in the Metical has also increased the price competitiveness of Mozambique beef in international markets. These markets require a relatively high quality animal and, as previously announced, export activities were being investigated by the Group, which relied on animals being reared or fattened on our ranches. The need for a reliable source of high quality animals to supply the affluent segment of the national market, as well as to provide animals for export opportunities, was the driving factor behind the Group's development plans for the ranches, where the Group had invested extensively to increase our stocking capacity. The expansion of the herd, where we have capacity for over 10,000 head across our ranches, was supported by capital investment in pivot irrigation at the farms, which now stands at 258 hectares at Mavonde and 118 hectares at Inhazonia. In addition to the pivot irrigation, we have an additional 110 hectares at Mavonde under line irrigation.

Disappointingly and despite all efforts, the recent military tension in the areas surrounding our ranches, coupled with the economic environment in Mozambique, led the Board to suspend the development of the ranches and destock the cattle to safeguard and crystallise its considerable livestock capital. The circa 4,200 head of cattle that we had on the ranches at 31 May 2016 are currently gradually being transferred to the Vanduzi feedlot and processed to slaughter; we expect the final animals to be taken off the ranches by the end of April 2017. Once the ranches are de-stocked, we will maintain a skeleton workforce to ensure our assets are maintained in readiness for future development.

In the longer run the farms remain an important asset in order to supply our retail outlets and capitalise on potential export opportunities with high quality beef products. This established infrastructure and capacity potential mean that we are well placed for growth once appropriate investment conditions for this more rural infrastructure are re-established in Mozambique.

In order to keep our retail units stocked with the highest quality beef products, and to ensure the full uplift in value is secured within the Group's own operations, all beef sold within Mozbife's retail units is sourced from the Group's state-of-the-art abattoir at Chimoio. 9,705 animals were processed through the abattoir during the period, an increase over the 5,013 animals processed during FY2015. With a current run rate of approximately 900 animals per month, the abattoir continues to perform well. With a monthly slaughter capacity of approximately 4,000 head there remains considerable flexibility to increase slaughter rates as the beef operations expand.

In order to achieve the best price for our cattle when slaughtered, our animals spend time at our Vanduzi feedlot, which has a current carrying capacity of approximately 4,000 head to provide in excess of 1,000 head for slaughter each month to the abattoir. At the period end there were ~2,600 animals in the feedlot, sourced from Mozbife's own ranches or from cattle purchased from the surrounding areas. In addition to feeding pens, the feedlot also has 1,050 hectares of land used for feed production which provides the twin benefits of reducing costs and providing certainty of supply. Furthermore, the feedlot works strategically with other companies in the Group, by using bran, the by-product from the grain processing facilities, as a feed supplement for the cattle, or more recently, pelletized animal feed. Performance in the feedlot was adversely impacted in the latter half of the year due to the El Niño drought conditions which resulted in locally sourced animals being under weight, weak, and poorly conditioned at purchase. This has led to additional feed costs and lower average live exit weights than would normally be the case. These issues have continued in the early part of FY2017, but the effects have been partially offset by the higher quality animals coming off our farms due to the destocking process. The rainy season is now starting in the areas where we buy cattle and normal to higher-than-normal precipitation is expected, which should help improve the local cattle source. In addition, the pelletized feed produced by DECA has started to be fed in the feedlot, which we expect will improve feeding efficiencies.

The economic, political and military environment in Mozambique led the Group to complete an impairment review of its property, plant and equipment in the Beef division, resulting in an impairment of $3,069,000 (2015: $nil).

The Beef division is partially funded by bank finance of approximately 105 million Metical (approximately $1,760,000 at the 31 May 2016 exchange rate). Due to the recent increase in interest rates, and the de-stocking of the farms, the Group is utilising cash savings to pay down these bank facilities wherever possible.

Cocoa division

In addition to the Grain and Beef divisions, the Group operated its Cocoa division in Sierra Leone during FY2016. This division was sold subsequent to the period end for cash consideration of $750,000, which is payable by 9 January 2017. The net assets of the Cocoa division at 31 May 2016 were $433,000. The Cocoa division returned a loss of $965,000 (2015: $7,853,000, including impairment of goodwill, property, plant and equipment, non-current receivables and inventory of $6,791,000) which is presented within discontinued operations.

As a result of the well-publicised Ebola outbreak affecting West Africa, including Sierra Leone, the Board made the decision to suspend development activities at the plantation in FY2015. Accordingly, during all of FY2016, activities at the plantation were significantly reduced and maintained solely at a level sufficient to protect staff while maintaining the Group's assets in country.

While the Group had successfully established and maintained the necessary infrastructure from which a large scale commercial cocoa plantation and trading business can be developed in Sierra Leone, the next stage in the development of these assets requires significant capital investment. Given the impact of Ebola on the West African region as a whole and the lack of investment appetite from traditional finance sources, the Board formed the view, after due investigations and careful consideration, that the Group would be unlikely to be able to raise sufficient finance to continue with the development of the cocoa plantation in the foreseeable future. In this context, the Board therefore believed that it was in the best interests of the Group to dispose of the Cocoa division in a management buy-out transaction to bolster the Group's cash reserves and to enable the management team behind the Cocoa division to access other finance sources, such as dedicated development and sustainability funds.

Conclusion

While we continue to strive to build our business towards profitability, ultimately we are still in the investment phase of the Group's development, particularly in the Beef division; that investment is now on hold until the military tension and economic uncertainties in the country are resolved. Our strategy has now adapted to this change in circumstances with a greater short term focus being placed on operating efficiencies and cash generation across our businesses. We continue to believe that Mozambique has enormous potential and that our businesses are well positioned to take advantage of this potential.

Directors' report

The directors (the 'Directors' or the 'Board') of Agriterra Limited ('Agriterra' or the 'Company') hereby present their annual report together with the audited financial statements for the year ended 31 May 2016 ('FY2016') for the Company and its subsidiaries (collectively the 'Group').

Except where otherwise noted, amounts are presented in this Directors' report in United States Dollars ('$' or 'US$').

1. Listing details

Agriterra is a non-cellular Guernsey registered company limited by shares, whose ordinary shares ('Ordinary Shares') are quoted on the AIM Market of the London Stock Exchange ('AIM') under symbol AGTA.

2. Principal activities, business review and future developments

The principal activity of the Group is the investment in, development of and operation of agricultural and associated civil engineering projects in Africa. The Group's current operations are focussed on maize and beef in Mozambique. As at 31 May 2016, the Group also held interests in certain cocoa operations in Sierra Leone. These operations were sold subsequent to the period end as more fully described in note 34.2. A review of the Group's performance by business segment, key performance indicators and future prospects are given in the Chair's statement and the Operational and financial review. A review of the risks and uncertainties impacting on the Group's long term performance is included in the Corporate Governance report.

3. Results and dividends

The Group results show a loss after taxation and discontinued operations of $8,455,000 (2015: loss $13,387,000), including an impairment charge against current and non-current assets of $3,069,000 (2015: $9,860,000) arising against the Group's beef assets in Mozambique (2015: against the Group's cocoa and palm assets in Sierra Leone). The Directors do not recommend the payment of a final dividend (2015: $nil). No interim dividends were paid in the year (2015: $nil).

4. Directors

4.1. Directors in office

The Directors who held office during the period and until the date of this report were:

Director	Position	Date of appointment / cessation of office in the period 1 June 2015 to the date of this report
PH Edmonds	Chair	Resigned 22 April 2016
CSO Havers	Chair	Appointed 29 April 2016
AS Groves	Chief Executive Officer	–
DL Cassiano-Silva	Finance Director	–

4.2. Directors' interests

As at the date of this report, the interests of the Directors and their related entities in the Ordinary Shares of the Company were:

	Ordinary Shares held
AS Groves	15,040,000

4.3. Directors emoluments

Details of the nature and amount of emoluments payable by the Group for the services of its Directors during the financial year are shown in note 10 to the financial statements.

4.4. Directors' share options

Details of the Director's interests in share options of the Company during the financial year are as follows:

Director	At 1 June 2015 and 31 May 2016	Exercise price GBP	Date from which exercisable	Expiry date
DL Cassiano-Silva	2,500,000	1.47	(1)	(2)

(1) These options were granted on 15 May 2014 and vest 20% per annum on the first to fifth anniversary from the date of grant.

(2) These options expire five years after the date they vest.

4.5. 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.

5. Substantial shareholdings

To the best of the knowledge of the Directors, except as set out in the table below, there are no persons who, as of 16 November 2016, are the direct or indirect beneficial owners of, or exercise control or direction over 3% or more of the Ordinary Shares in issue of the Company.

	Number of Ordinary Shares	% Holding
Beyond Africa Fund Limited	106,776,005	10.06%
Global Resources Fund	67,888,600	6.39%
Mr. William Philip Seymour Richards	54,000,000	5.09%
Libra Fund LP	52,729,574	4.97%
Oppenheimer Funds, Inc.	40,000,000	3.77%
World Precious Minerals Fund	38,476,200	3.62%

6. Employee involvement policies

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

7. Supplier 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 which is to abide by the terms of payment agreed with suppliers for 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 2016 was 5 days (2015: 8 days).

8. Political and charitable donations

During the year no political and charitable donations were made (2015: $nil).

9. Social and community issues

As a Group, we strongly believe that it is part of our wider responsibility to promote the development of the countries in which we operate. Central to this development and continued economic growth is employment and training. Wherever possible, the Group continues to ensure that its expertise and specialist skills and facilities are made available to the broader community. We also believe that it is part of our role to assist in activities designed to reduce hunger – we have been active in this area during the year and hope to continue, in particular, to support Mozambique through the current drought period caused by the El Nino phenomenon that has affected Sub-Saharan Africa in 2016.

Particular activities undertaken during the year have focussed on (1) practical, 'on the ground' training for students from the Manica Province Agricultural College, the Manica Province University and the University of Eduardo Mondelane in Maputo; (2) dissemination of agricultural management knowledge and practices; and (3) provision of health and medical assistance.

With respect to educational activities, these have included a day trip for 30 students focussing on food production at our milling operations, a three month internship in a maize milling position, various animal and veterinary science students visiting our abattoir for practical aspects of their university courses (these visits are guided by our in house vet who has more than 30 years' experience in the field of animal health in Mozambique) and 6 veterinary students obtaining practical work experience at our feedlot for 15 days.

With respect to agricultural management knowledge and practices, we undertook a trial with 40 small scale farmers to evaluate the effects of using certified seed and basal fertilizers on maize production, and to highlight the importance of these inputs to obtaining better yields. The results were encouraging as yields at least doubled on all trial plots. This concept can be spread rapidly through the local community as the farmers undertaking the trial will now train friends and family in these relatively simple, but highly effective agricultural practices.

With respect to the promotion of health and medical assistance, a contracted doctor visits our sites and facilities on a regular basis to deal with day to day ailments and concerns. He also coordinates and monitors progress on mid to long term treatments ensuring employees are supported through whatever treatments are required. He also follows up on any previous illnesses that may have occurred to ensure that employees are supported during their recovery period.

Wherever possible, the Group is also committed to the promotion of food security in Mozambique. We are particularly proud to be working with a leading international food donor programme, providing high quality maize flour products to both alleviate national hunger and support the education of the younger population – the majority of the maize flour we have provided to this food programme has been distributed to school children. We believe that the partner relationship we have built over the year will remain strong in future years, and we hope to continue working extensively with food donor programmes in the future.

10. Independent auditor and statement of provision of information to the independent auditor

RSM UK Audit LLP have expressed their willingness to continue in office as independent auditor of the Company and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is not aware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

11. Additional information and electronic communications

Additional information on the Company can be found on the Company's website at www.agriterra-ltd.com.

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.

By order of the Board.

CSO Havers
Chair

17 November 2016

Corporate governance

The Board is accountable to the Company's shareholders for good corporate governance. The Company is quoted on AIM and is therefore not required to comply with the provisions of the UK Corporate Governance Code (the 'Code') on corporate governance as published by the UK Listing Authority. Nevertheless, the Directors recognise the value and importance of effective corporate governance and observe provisions of good governance to the extent that they consider them to be appropriate for a group of this size and stage of development. Set out below is a summary of how, at 31 May 2016, the Group was dealing with corporate governance issues.

1. The Board of Directors and the Executive Committee

The Group is led and controlled by a Board comprising the Chair, the Chief Executive Officer and the Finance Director.

The Board has entrusted the day-to-day responsibility for the direction, supervision and management of the business of the Group to the Group Executive Committee (the 'ExCom'). The ExCom is currently comprised of the Chief Executive Officer and the Finance Director.

Certain matters are specifically reserved to the Board for its decision including, *inter alia*, the creation or issue of new shares and share options, acquisitions, investments and disposals, material contractual arrangements outside the ordinary course of business and the approval of all transactions with related parties.

Due to the current size of the Board and the Company, there is no separate Nomination Committee 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 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 Group has adopted a share dealing code for Directors' dealings which is appropriate for an AIM quoted company. The Directors and the Company comply with the relevant provisions of the AIM Rules and the Market Abuse Regulation (EU) No. 596/2014 relating to share dealings and take all reasonable steps to ensure compliance by the Group's employees.

The Company has remuneration and audit committees as more fully described below.

2. 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 administers any equity incentive schemes. The remuneration committee is constituted on an ad hoc basis and comprises at least two members.

Details of the remuneration of each Director are set out in note 10 to the financial statements.

3. 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 meets at least twice a year and has unrestricted access to the auditor. In addition to meeting with the auditor and reviewing the report from the auditor relating to the accounts and internal control, 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 audit committee is constituted annually and comprises of at least two members, one of which is the Chair of the Company, who acts as Chair of the committee.

4. Relations with shareholders

The Chief Executive 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.

5. Internal audit

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. 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.

6. 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 auditors 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.

7. Going concern

The Board has detailed its considerations relating to Going concern in note 4.1 to the financial statements.

8. Risks and uncertainties

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

8.1. Foreign exchange

The Group conducts its operations in multiple jurisdictions with differing currencies 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. Fluctuations in exchange rates may affect the underlying amounts that the Group will pay for goods or services ('transaction risk'), or the translation of the results of subsidiary companies into US$ for the purpose of reporting the Group results ('translation risk'). Translation risk has been particularly noticeable this financial year with respect to the Mozambique operations – the Mozambique to US$ exchange rate has moved from 36.9 MZN / US$ at 31 May 2015 to 59.61 MZN / US$ at 31 May 2016. Subsequent to the period end, the Metical has further devalued to approximately 77 MZN / US$. As more fully discussed in the Chair's statement, once converted to US$, this fall in the value of the Metical has offset a significant part of the increase in revenues that have been achieved in both our Grain and Beef businesses during the year.

8.2. 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.

8.3. General 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; (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.

During the 2016 calendar year Mozambique has experienced, and continues to experience, a complex economic crisis (arising through a combination of factors including the decline in commodity prices, strong devaluation of the Metical, a rise in inflation and natural disasters) and military conflict focussed in the central regions of the country. At present it is uncertain if and when the political and military tensions will be resolved and, until these matters are resolved, there will inevitably be significant uncertainty regarding the security of investment in certain parts of the country. This uncertainty surrounding security, along with the general economic climate in Mozambique at present, led the Board to initiate the de-stocking of the animals from the cattle farms in June 2016. Further details are provided in note 34.1 and the Chair's statement.

In the event that the ongoing political and military tensions escalate further, the Group will be obligated to assess the risks to staff and consider risk mitigation (including, without limitation, suspension of operations) so as to protect staff and assets, so far as practicable.

8.4. Land ownership in Mozambique

Under the laws of Mozambique, proprietary rights in land are exclusive to the state. The Mozambique constitution prescribes 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 for the title holder to build and register any infrastructure under its name on such land. DECA, Compagri and Mozbife's operations are dependent on 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.

8.5. Maize growing season

The Group anticipates a six month buying/growing season for maize. 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.

8.6. Cattle ranching and feedlot

The Group has significant cattle ranching and feedlot assets in Mozambique, with approximately 6,800 head as at 31 May 2016. While all necessary measures are taken to ensure the cattle remain disease and infection free, there is a risk that the animals may be affected by unforeseen illnesses which could impact on the future profitability of these operations. Mozambique is also subject to significant temperature and precipitation changes during and between years. In some years, particularly 'El Niño' years such as calendar year 2016, the country may be subject to drought conditions which impact on the availability of grazing feed for cattle (thereby necessitating the implementation of supplementary feeding programmes to maintain the condition of the animals). Any unexpected supplementary feeding programmes, or increases in the price of purchased feed (such as maize, bran, sunflower cake etc) resulting from lower than anticipated local supplies, may impact on the profitability of the ranching operations.

As more fully described in note 34.1, the Group has commenced de-stocking the animals from its cattle ranches into the feedlot as a precautionary measure due to the military conflict in the central provinces in Mozambique where the ranches are located. The risks associated with cattle ranching will therefore reduce in the short term. In the medium to longer term, the Group hopes to recommence cattle farming operations and will ensure that the relevant risks are re-assessed at that time to ensure appropriate risk mitigation procedures are implemented.

8.7. Health risks

The Group operates in countries that are, or may be, subject to significant health risks. For example, due to the Ebola epidemic in Sierra Leone in 2014 and 2015, the Group suspended the development of its Cocoa plantation and has subsequently disposed of this asset. In the event of other unforeseen epidemics in the future, there is a risk that the Group's operations may be further temporarily disrupted, or require additional precautionary measures. Accordingly, in such circumstances, the Group may be unable to develop its projects in the timeframe and budget initially projected, which may impact on the cash requirements or profitability of these projects.

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 of the 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').

The financial statements are required by IFRS as adopted by the EU to present fairly the financial position and 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 of the profit or loss of the Group for that period.

In preparing the Group 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 IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 financial statements of Agriterra Limited for the year ended 31 May 2016 on pages 18 to 61. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') 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 16, 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 financial and non-financial information contained in the annual report and consider the implications for our report if we become aware of any material inconsistency with the financial statements or with knowledge acquired by us in the course of performing the audit, or any material misstatement of fact within the other information. We also read the information in the Directors' report and consider the implications for our report if we become aware of any material inconsistency with the financial statements.

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 www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 May 2016 and of the Group's loss for the year then ended;
- the Group financial statements are in accordance with IFRSs as adopted by the European Union; and
- the Group financial statements comply 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's accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations which, to the best of our knowledge and belief, we consider are necessary for the purposes of our audit.

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

17 November 2016

Consolidated income statement

For the year ended 31 May 2016

	Note	2016 US$000	2015 (re-presented – note 16) US$000
Continuing operations			
Revenue	5	18,511	10,883
Cost of sales		(16,779)	(10,402)
Gross profit		1,732	481
Increase in value of biological assets	22	1,637	1,910
Operating expenses		(6,863)	(9,085)
Impairment of current and non-current assets	11.1	(3,069)	–
Other income		57	22
(Loss)/profit on disposal of property, plant and equipment and adjustments to the carrying value of assets classified as held for sale		(110)	61
Operating loss	7	(6,616)	(6,611)
Investment revenues	12	11	19
Other gains and losses	13	(360)	(849)
Finance costs	14	(678)	(683)
Loss before taxation		(7,643)	(8,124)
Taxation	15	(34)	(81)
Loss for the year from continuing operations		(7,677)	(8,205)
Discontinued operations			
Loss for the year from discontinued operations	16	(778)	(5,182)
Loss for the year attributable to owners of the Company		(8,455)	(13,387)
		US cents	**US cents**
LOSS PER SHARE			
Basic and diluted loss per share from continuing operations	17	(0.72)	(0.77)
Basic and diluted loss per share from continuing and discontinued operations	17	(0.80)	(1.26)

Consolidated statement of comprehensive income

For the year ended 31 May 2016

	2016 US$000	2015 US$000
Loss for the year	(8,455)	(13,387)
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation differences	(8,139)	(4,435)
Other comprehensive income for the year	(8,139)	(4,435)
Total comprehensive income for the year attributable to owners of the Company	(16,594)	(17,822)

Consolidated statement of financial position

As at 31 May 2016

	Note	2016 US$000	2015 US$000
Non-current assets			
Property, plant and equipment	19	7,505	19,746
Interests in associates	20	4	4
Investments in quoted companies	21	16	376
Biological assets	22	888	2,246
		8,413	22,372
Current assets			
Biological assets	22	1,106	1,019
Inventories	23	1,357	2,892
Trade and other receivables	24	1,290	1,594
Assets classified as held for sale	25	860	–
Cash and cash equivalents		4,055	6,421
		8,668	11,926
Total assets		17,081	34,298
Current liabilities			
Borrowings	26	1,812	3,079
Trade and other payables	27	708	1,377
Liabilities directly associated with assets classified as held for sale	25	142	–
		2,662	4,456
Net current assets		6,006	7,470
Non-current liabilities			
Borrowings	26	1,105	–
		1,105	–
Total liabilities		3,767	4,456
Net assets		13,314	29,842
Share capital	29	1,960	1,960
Share premium		148,622	148,622
Share based payment reserve		1,980	1,914
Translation reserve	30.1	(16,382)	(8,243)
Accumulated losses		(122,866)	(114,411)
Equity attributable to equity holders of the parent		13,314	29,842

The financial statements of Agriterra Limited were approved and authorised for issue by the Board of Directors on 17 November 2016. Signed on behalf of the Board of Directors by:

CSO Havers
Chair

17 November 2016

Consolidated statement of changes in equity

For the year ended 31 May 2016

	Note	Share capital US$000	Share premium US$000	Shares to be issued US$000	Share based payment reserve US$000	Translation reserve US$000	Accumulated losses US$000	Total equity US$000
Balance at 1 June 2014		1,960	148,622	2,940	1,859	(3,808)	(101,024)	50,549
Loss for the year		–	–	–	–	–	(13,387)	(13,387)
Other comprehensive income:								
Exchange translation loss on foreign operations		–	–	–	–	(4,435)	–	(4,435)
Total comprehensive income for the year		–	–	–	–	(4,435)	(13,387)	(17,822)
Share-based payments	31	–	–	–	55	–	–	55
Released to profit and loss	11.3	–	–	(2,940)	–			(2,940)
Balance at 31 May 2015		1,960	148,622	–	1,914	(8,243)	(114,411)	29,842
Loss for the year		–	–	–	–	–	(8,455)	(8,455)
Other comprehensive income:								
Exchange translation loss on foreign operations		–	–	–	–	(8,139)	–	(8,139)
Total comprehensive income for the year		–	–	–	–	(8,139)	(8,455)	(16,594)
Share-based payments	31	–	–	–	66	–	–	66
Balance at 31 May 2016		1,960	148,622	–	1,980	(16,382)	(122,866)	13,314

Consolidated cash flow statement

For the year ended 31 May 2016

	Note	2016 US$000	2015 (re-presented – note 16) US$000
Cash flows from operating activities			
Loss before tax from continuing operations		(7,643)	(8,124)
Adjustments for:			
Depreciation	19	1,160	1,644
Profit on disposal of property, plant and equipment		(15)	(61)
Adjustments to the carrying value of assets classified as held for sale		125	–
Share based payment expense	31.1	66	55
Foreign exchange (gain)/loss		(37)	177
Increase in value of biological assets	22	(1,637)	(1,910)
Finance costs	14	678	683
Investment revenues	12	(11)	(19)
Decrease in fair value of quoted investments	21	360	849
Impairment of current and non-current assets	11.1	3,069	–
Operating cash flows before movements in working capital		(3,885)	(6,706)
Decrease in inventories		122	1,158
Increase in trade and other receivables		(291)	(848)
Decrease in trade and other payables		(325)	(719)
Net decrease in biological assets	22	1,592	2,281
Cash used in operating activities by continuing operations		(2,787)	(4,834)
Corporation tax paid		(34)	(9)
Finance costs		(678)	(683)
Interest received		11	19
Net cash used in operating activities by continuing operations		(3,488)	(5,507)
Net cash (used in)/provided by operating activities by discontinued operations		(133)	5,291
Net cash used in operating activities		(3,621)	(216)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment net of expenses incurred		105	239
Acquisition of property, plant and equipment	19	(465)	(1,217)
Net cash used in investing activities by continuing operations		(360)	(978)
Net cash from/(used in) investing activities by discontinued operations		106	(286)
Net cash used in investing activities		(254)	(1,264)
Cash flows from financing activities			
Net draw down of overdrafts		53	1,376
Net draw down of loans		1,721	–
Net cash from financing activities from continuing operations		1,774	1,376
Net cash used in financing activities by discontinued operations		–	(200)
Net cash from financing activities		1,774	1,176
Net decrease in cash and cash equivalents		(2,101)	(304)
Effect of exchange rates on cash and cash equivalents		(265)	(269)
Cash and cash equivalents at beginning of the year		6,421	6,994
Cash and cash equivalents at end of the year		4,055	6,421

Notes to the consolidated financial statements

1. General information

Agriterra is incorporated and domiciled in Guernsey, the Channel Islands, with registered number 42643. Further details, including the address of the registered office, are given on page 62. The nature of the Group's operations and its principal activities are set out in the Directors' report. A list of the investments in subsidiaries and associate companies held directly and indirectly by the Company during the period and at the period end, including the name, country of incorporation, operation and ownership interest is given in note 3.2.

The reporting currency for the Group is the US Dollar ('$' or 'US$') 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 IFRSs as adopted by the EU.

2. Adoption of new and revised standards and interpretations

2.1. New standards and interpretations adopted with no significant effect on the financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements, but may impact the accounting for future transactions and arrangements.

IFRS 10	Amendment 2015	Consolidated Financial Statements: Amendments deferring the effective date of the September 2014 amendments (effective immediately)
IAS 28	Amendment 2015	Investments in Associates and Joint Ventures: Amendments deferring the effective date of the September 2014 amendments (effective immediately)

2.2. New Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations are in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 2	Amendment 2016	Amendments to clarify the classification and measurement of share-based payment transactions (effective for annual periods beginning on or after 1 January 2018)
IFRS 4 & IFRS 9	Amendment 2016	Amendments regarding the interaction of IFRS 4 and IFRS 9. (An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018)
IFRS 9 (2014)	New 2009, Amendment 2010, 2011, 2013 and 2014	Financial instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (effective for annual periods beginning on or after 1 January 2018)
IFRS 10, IFRS 12, IAS 27 and IAS 28	Amendment 2014	Sale or contribution of assets and application of the consolidation exemption (effective for annual periods beginning on or after 1 January 2016)
IFRS 11	Amendment 2014	Acquisition of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016)

IFRS 14	New 2014	Regulatory deferral accounts (effective for annual periods beginning on or after 1 January 2016)
IFRS 15	New 2014, Amendments 2015 and 2016	Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)
IFRS 16	New 2016	Leases (effective for annual periods beginning on or after 1 January 2019)
IAS 12	Amendment 2016	Amendments regarding the recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017)
IAS 16	Amendments 2014	Amendments bringing bearer plants into the scope of IAS 16 and clarifying acceptable methods of depreciation (effective for annual periods beginning on or after 1 January 2016)
IAS 38	Amendments 2014	Amendment clarifying acceptable methods of amortisation (effective for annual periods beginning on or after 1 January 2016)
IAS 41	Amendment 2014	Amendments bringing bearer plants into the scope of IAS 16 (effective for annual periods beginning on or after 1 January 2016)
Disclosure initiative	Amendments 2014	Amendments resulting from the disclosure initiative (effective for annual periods beginning on or after 1 January 2016)
Disclosure initiative	Amendments 2016	Amendments resulting from the disclosure initiative (effective for annual periods beginning on or after 1 January 2017)
September 2014 Annual Improvements to IFRSs	Amendments 2014	Effective for annual periods beginning on or after 1 January 2016

The Directors do not anticipate that the adoption of these Standards and Interpretations will have a material impact on the Group's financial statements in the period of initial application.

3. Significant accounting policies

The financial statements have been prepared on a historical cost basis, except for certain financial instruments, biological assets and share based payments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets acquired. The principal accounting policies adopted are set out below in this note.

3.1. Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has 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. Further detail is provided in note 4.1 to the financial statements.

3.2. Basis of consolidation

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 achieved when the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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.

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.

As at 31 May 2016, the Company held equity interests in the following undertakings:

Direct investments

	Proportion held	Country of incorporation	Nature of business
Subsidiary undertakings			
Agriterra (Mozambique) Limited	100%	Guernsey	Holding company
Agriterra Aviation (Pty) Limited	100%	South Africa	Aviation services
Agriterra East Africa Limited	100%	Mauritius	Trading
West Africa Cocoa Services Limited[(1)]	100%	British Virgin Islands	Holding company
Shawford Investments Inc.	100%	British Virgin Islands	Holding company
Baranca Tide Limited[(1)]	100%	British Virgin Islands	Holding company
Associate undertakings			
African Management Services Limited	40%	United Kingdom	Business support services

Indirect investments of Agriterra (Mozambique) Limited

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

Indirect investments of West Africa Cocoa Services Limited

	Proportion held	Country of incorporation	Nature of business
Subsidiary undertakings			
Tropical Farms (SL) Limited[(1)]	100%	Sierra Leone	Cocoa and coffee trading

Indirect investments of Baranca Tide Limited

	Proportion held	Country of incorporation	Nature of business
Subsidiary undertakings			
Tropical Farms Plantation (SL) Limited[(1)]	100%	Sierra Leone	Cocoa plantation

Indirect investments of Shawford Investments Inc.

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

(1) These companies form part of the Cocoa disposal group. Refer to note 25 for further details.

3.3. Foreign currency

The individual financial statements of each company in the Group are prepared in the currency of the primary economic environment in which it operates (its 'functional currency'). The consolidated financial statements are presented in US Dollars.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 each month, unless exchange rates fluctuate significantly during the month, 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 other comprehensive income and accumulated in equity in the translation reserve. Such translation differences are recognised as income or expense in the year in which the operation or branch is disposed of.

The following are the material exchange rates applied by the Group:

	Average Rate		Closing Rate	
	2016	2015	2016	2015
Mozambican Meticais: US$	43.61	32.45	59.61	36.90
Sierra Leone Leones: US$	5,067	4,301	6,200	4,295

3.4. Operating segments

The Chief Operating Decision Maker is the ExCom. The ExCom 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 ExCom which consider the activities by nature of business.

3.5. Revenue recognition

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, value added taxes 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.

Income arising from the rental of surplus plant and machinery is stated on an accruals basis at the amount due for rental until 31 May of the relevant financial year.

3.6. Operating loss

Operating loss is stated before investment revenues, other gains and losses, finance costs and taxation.

3.7. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Group did not incur any borrowing costs in respect of qualifying assets in the period.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.8. Share based payments

The Company issues equity-settled share-based payments to certain employees of the Group. 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.

3.9. Employee benefits

3.9.1. Short term employee benefits

Short-term employee benefits include salaries and wages, short-term compensated absences and bonus payments. The Group recognises a liability and corresponding expense for short-term employee benefits when an employee has rendered services that entitle him/her to the benefit.

3.9.2. Post-employment benefits

The Group does not contribute to any retirement plan for its employees. Social security payments to state schemes are charged to profit and loss as the employee's services are rendered.

3.10. Leases

Leases that transfer substantially all the risks and reward of ownership are classified as finance leases. All other leases are classified as operating leases. As at 31 May 2015 and 31 May 2016 the Group does not have any finance leases. During the periods presented in these financial statements, the Group was counterparty to certain operating lease contracts. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

3.11. Taxation

The Company is resident for taxation purposes in Guernsey and its income is subject to income tax, presently at a rate of zero per cent per annum. 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.

3.12. 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. Acquisition related costs are recognised in profit and loss as incurred.

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 profit and loss.

3.13. Property, plant and equipment

All items of property, plant and equipment are stated at historical cost less accumulated 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 the course of construction for production, rental or administrative purposes are carried at cost, less any identified impairment loss. Cost includes professional fees and associated expenses.

Other than for Aviation assets, depreciation is charged on a straight-line basis over the estimated useful lives of each item, as follows:

• Land and buildings:	
Land	Nil
Buildings and leasehold improvements	2% – 33%
• Plant and machinery	5% – 25%
• Motor vehicles	20% – 25%
• Other assets	10% – 33%
• Assets under construction	Nil

Depreciation on Aviation assets is charged based on the separate components of the aircraft, on an hours flown basis for engines and on a straight-line basis over 15 years for the airframe.

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 received with the carrying amount of the asset immediately prior to disposal and are included in profit and loss.

3.14. Impairment of property, plant and equipment
At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss because the Group does not record any assets at a revalued amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit and loss.

3.15. Biological assets
Consumer biological assets, being the beef cattle herd, are measured in accordance with IAS 41, 'Agriculture' at fair value less costs to sell, with gains and losses in the measurement to fair value recorded in profit and loss. 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 animals (principally 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.

Cattle ceases to be a biological asset from the point it is slaughtered, after which it is accounted for in accordance with the accounting policy below for inventories.

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

3.16. 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.

3.17. Non-current assets held for sale
Non-current assets (and disposal groups) held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving the loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria above are met.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

3.18. Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

3.18.1. Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss ('FVTPL'), which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at 'FVTPL', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. The Company and Group currently have financial assets in the category of 'loans and receivables' and FVTPL.

3.18.1.1. Loans and receivables

Trade receivables, loans receivable, bank balances, cash in hand and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.18.1.2. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or is designated as at FVTPL upon initial recognition. The Group holds certain investments in quoted companies which are designated as held for trading. Financial assets at FVTPL are stated at fair value, with any gains and losses arising on re-measurement recognised in profit or loss. The net gain or loss incorporates any dividends, interest earned, or foreign exchange gains and losses on the financial asset and is included within other gains and losses in the income statement. Fair value is determined in the manner described in note 21.

3.18.1.3. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For loans and receivables carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

3.18.2. Financial liabilities and equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.18.2.1. Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3.18.2.2. Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Group only has financial liabilities in the category of other financial liabilities.

3.18.2.2.1. Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3.18.2.2.2. De-recognition of financial liabilities
The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.19. Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The effect on the financial statements of changes in estimates in future periods could be material.

4.1. Going concern

The Group has prepared forecasts for the Group's ongoing businesses covering the period of at least 12 months from the date of approval of these financial statements. These forecasts are based on assumptions including, inter alia, that there are no significant disruptions to the supply of maize or cattle to meet its projected sales volumes and that key inputs are achieved, such as anticipated sales price increases to reflect underlying inflation in Mozambique, and projected weight gains of cattle in the feedlot. They further take into account the expected meat to be obtained by de-stocking the beef herd from the beef ranches, planned disposals of property plant and equipment, general working capital requirements and available borrowing facilities.

The Directors believe that with existing resources, including available undrawn borrowing facilities, the Group and Company is able to manage its business risks. 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 these financial statements.

4.2. Impairment

Impairment reviews for non-current assets are carried out at each balance sheet date in accordance with IAS 36, Impairment of Assets. Where there are indicators of impairment, the net book value of the asset or cash generating unit is compared with its fair value. The impairment review is sensitive to various assumptions, including the expected sales forecasts, cost assumptions, capital requirements, and discount rates among others. Details of impairments recorded in the period are included in note 11.

4.3. Biological assets

Cattle are accounted for as biological assets and measured at their fair value at each balance sheet date. Fair value is based on the estimated market value for cattle in Mozambique of a similar age and breed, less the estimated costs to bring them to market, converted to US$ at the exchange rate prevailing at the period end. Changes in any estimates could lead to the recognition of significant fair value changes in the consolidated income statement, or significant changes in the foreign currency translation reserve for changes in the Metical to US$ exchange rate.

The herd is further categorised as either breeding herd of slaughter herd, depending on whether it is principally held for reproduction or slaughter. At 31 May 2016 the value of the breeding herd disclosed as a non-current asset was $888,000 (2015: $2,246,000). The value of the herd held for slaughter disclosed as a current asset was $1,106,000 (2015: $1,019,000). Subsequent to the period end the Group has commenced de-stocking its cattle farms (where the breeding herd is held) into the feedlot and these animals are being processed for slaughter. The de-stocking is expected to be complete by the end of April 2017 and accordingly, the value of the breeding herd will now be realised within 12 months of the balance sheet date. The decision to close the cattle ranches was not made until after the period end and, accordingly, the breeding herd continues to be disclosed as a non-current asset as at 31 May 2016. Further details on the de-stocking are included in note 34.1 and the Chair's statement.

4.4. Recoverability of input Value Added Tax

Mozambique Value Added Tax ('IVA') operates in a similar manner to UK Value Added Tax ('VAT'). The Group is exempt from IVA on its sales of maize products under the terms of Mozambique tax law. The Group is able to recover input sales tax on substantially all of the purchases of the Grain division. The Group is always therefore in a net recovery position of IVA in respect of its Grain operations. To date the Group has not succeeded in recovering IVA from the Mozambique Government. Due to the significant uncertainty over the recoverability of these IVA balances, the Group has provided in full against the assets as at 31 May 2015 and 31 May 2016. As at 31 May 2016, the gross and net IVA recoverable assets are respectively $837,000 (2015: $1,319,000) and $nil (2015: $nil) at the US$ to Metical exchange rate of 59.61 (2015: 36.90) at that date.

4.5. Presentation of 'Other cocoa activities' as discontinued operations and classification of related assets and liabilities as held for sale

As discussed in note 16.3, the results of the Group's Cocoa division are presented as discontinued operations in the period and the related assets and liabilities are classified as a disposal group held for sale (refer to note 25). The classification requires, inter alia, that:

- the disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for the sale of such a group; and
- the sale of the disposal group must be highly probable.

As at 31 May 2016, the Board had reached the decision to sell the Cocoa division if an appropriate offer was made and confidential discussions had been initiated with a number of parties including the incumbent management team of the Cocoa division. These discussions indicated that the disposal of the Cocoa division would achieve a realistically acceptable price and accordingly, its sale within twelve months of the balance sheet date was considered highly probable. Accordingly the Cocoa division was classified as available for sale as at 31 May 2016. Subsequent to the period end, the incumbent management team of the Cocoa division agreed the detailed purchase terms for the holding companies that control the Cocoa division, confirming this assessment. Further details are provided in note 34.2.

5. Revenue

An analysis of the Group's revenue is as follows:

	2016 US$000	2015 (re-presented – note 16) US$000
Continuing operations		
Sale of goods	18,334	10,839
Hire of equipment and machinery	177	44
	18,511	10,883
Investment revenues (note 12)	11	19
	18,522	10,902
Discontinued operations		
Sales of goods (note 16)	161	–
Hire of equipment and machinery (note 16)	228	904
	389	904
	18,911	11,806

6. Segment reporting

The ExCom consider that the Group's operating activities comprise the segments of Grain, Beef and Cocoa, all undertaken in Africa. In addition, the Group has certain other unallocated expenditure, assets and liabilities, either located in Africa or held as support for the Africa operations.

6.1. Segment revenue and results
The following is an analysis of the Group's revenue and results by operating segment:

Year ending 31 May 2016	Grain US$000	Beef US$000	Cocoa[3] US$000	Unallocated US$000	Discontinued[4] US$000	Eliminations US$000	Total US$000
Revenue							
External sales[2]	12,246	6,265	389	–	(389)	–	18,511
Inter-segment sales[1]	660	–	–	–	–	(660)	–
	12,906	6,265	389	–	(389)	(660)	18,511
Segment results							
– Operating profit/(loss)	811	(5,981)	(965)	(1,446)	965	–	(6,616)
– Interest (expense) /income	(473)	(205)	–	11	–	–	(667)
– Other gains and losses	–	–	–	(360)	–	–	(360)
Profit/(loss) before tax	338	(6,186)	(965)	(1,795)	965	–	(7,643)
Income tax	(16)	(18)	–	–	–	–	(34)
Profit/(loss) for the period from continuing operations	322	(6,204)	(965)	(1,795)	965	–	(7,677)

Year ending 31 May 2015 (re-presented – note 16)	Grain US$000	Beef US$000	Cocoa[3] US$000	Unallocated US$000	Discontinued[4] US$000	Eliminations US$000	Total US$000
Revenue							
External sales[2]	5,517	5,366	904	–	(904)	–	10,883
Inter-segment sales[1]	524	–	–	–	–	(524)	–
	6,041	5,366	904	–	(904)	(524)	10,883
Segment results							
– Operating loss	(2,128)	(2,317)	(7,853)	(2,166)	7,853	–	(6,611)
– Interest (expense) /income	(680)	2	–	14	–	–	(664)
– Other gains and losses	–	–	–	(849)	–	–	(849)
Loss before tax	(2,808)	(2,315)	(7,853)	(3,001)	7,853	–	(8,124)
Income tax	(78)	(3)	–	–	–	–	(81)
Loss for the period from continuing operations	(2,886)	(2,318)	(7,853)	(3,001)	7,853	–	(8,205)

(1) Inter-segment sales are charged at prevailing market prices.
(2) Revenue represents sales to external customers and is recorded in the country of domicile of the group company making the sale. Sales from the Grain and Beef divisions are principally for supply to the Mozambique market. $161,000 of sales from the Cocoa division were supplied to the world market during the year, with the remainder supplied within Sierra Leone (2015: supplied in full within Sierra Leone during the year).
(3) $228,000 (2015: $904,000) of revenue reported in the Cocoa segment for the year ended 31 May 2016 arises on the rental of certain of the Cocoa division's assets, principally in aid of the relief effort against the Ebola crisis in Sierra Leone.
(4) Amounts reclassified to discontinued operations in both periods presented relate to the Cocoa segment – refer to notes 16.2 and 16.3.

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

Year ending 31 May 2016	Grain US$000	Beef US$000	Cocoa[3] US$000	Unallo-cated US$000	Discon-tinued[1] US$000	Elimi-nations US$000	Total US$000
Depreciation	239	889	391	32	(391)	–	1,160
Impairment of assets (note 11.1)	–	3,069	–	–	–	–	3,069

Year ending 31 May 2015 (re-presented – note 16)	Grain US$000	Beef US$000	Cocoa[3] US$000	Unallo-cated US$000	Discon-tinued[1] US$000	Elimi-nations US$000	Total US$000
Depreciation	386	1,122	628	136	(628)	–	1,644
Impairment of assets (note 11.2)	–	–	6,791	–	(6,791)	–	–

[1] Amounts reclassified to discontinued operations in both periods presented relate to the Cocoa segment – refer to notes 16.2 and 16.3.

6.2. Segment assets, liabilities and capital expenditure

Segment assets consist primarily of property, plant and equipment, biological assets, inventories, trade and other receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities, including an overdraft financing facility in the Grain segment, and bank loans and overdraft financing facilities in the Beef segment.

Capital expenditure comprises additions to property, plant and equipment, including capitalised depreciation where applicable in the year ended 31 May 2015.

The segment assets and liabilities at 31 May 2016 and capital expenditure for the year then ended are as follows:

	Grain US$000	Beef US$000	Cocoa US$000	Unallocated US$000	Total US$000
Assets	6,167	6,401	–	4,513	17,081
Liabilities	(1,496)	(1,889)	–	(382)	(3,767)
Capital expenditure	(85)	(380)	–	–	(465)

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

	Assets US$000	Liabilities US$000
Segment assets and liabilities	12,568	3,385
Unallocated:		
Investments in quoted companies and interests in associates	20	–
Other receivables	568	–
Assets classified as held for sale	607	–
Cash and cash equivalents	3,318	–
Liabilities directly associated with assets classified as held for sale	–	142
Trade payables	–	96
Accrued liabilities	–	144
Total	17,081	3,767

The segment assets and liabilities at 31 May 2015 and capital expenditure for the year then ended are as follows:

	Grain US$000	Beef US$000	Cocoa US$000	Unallocated US$000	Total US$000
Assets	9,603	16,057	1,656	6,982	34,298
Liabilities	(3,297)	(228)	(146)	(785)	(4,456)
Capital expenditure	49	1,168	484	–	1,701

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

	Assets US$000	Liabilities US$000
Segment assets and liabilities	27,316	3,671
Unallocated:		
Property, plant and equipment	78	–
Investments in quoted companies and interests in associates	380	–
Other receivables	495	–
Cash and cash equivalents	6,029	–
Trade payables	–	627
Accrued liabilities	–	158
Total	34,298	4,456

6.3. Significant customers

In the year ended 31 May 2016, no single customer contributed more than 10% of the Group's revenue. During the year ended 31 May 2015, one of the Beef division's customers generated $1,515,000 of revenue being 13.9% of Group revenue.

7. Operating loss

Operating loss has been arrived at after charging/(crediting):

	2016 US000	2015 (re-presented – note 16) US$000
Depreciation of property, plant and equipment	1,160	1,644
Profit on disposal of property, plant and equipment	(15)	(61)
Loss on re-measurement of assets classified as held for sale	125	–
Net foreign exchange (gain)/loss	(37)	177
Impairment of assets (see note 11.1)	3,069	–
Staff costs (see note 9)	3,360	4,326

8. Auditors remuneration

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

	2016 US$000	2015 US$000
Fees payable to the Company's auditor for the audit of the Company's accounts	121	153
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries	–	52
Total audit fees	121	205

Other than as disclosed above, the Company's auditor and their associates have not provided additional services to the Group.

9. Staff costs

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

	2016 Number	2015 (re-presented – note 16) Number
Office and Management	47	48
Operational	746	814
	793	862
Of which relating to:		
Continuing operations	730	707
Discontinued operations	63	155
	793	862

Their aggregate remuneration comprised:

	2016 US$000	2015 (re-presented – note 16) US$000
Wages and salaries	3,615	5,008
Social security costs	78	104
Share based payment charge	66	55
	3,759	5,167
Less: capitalised and included in property, plant and equipment	–	(169)
Amount charged to profit and loss	3,759	4,998
Of which relating to:		
Continuing operations	3,360	4,326
Discontinued operations	399	672
	3,759	4,998

10. Remuneration of Directors

Year ended 31 May 2016	Salary US$000	Bonus US$000	Share based payment US$000	Total US$000
PH Edmonds	136	13	–	149
CS Havers	4	–	–	4
AS Groves	149	13	–	162
DL Cassiano-Silva	202	16	13	231
	491	42	13	546

Year ended 31 May 2015	Salary US$000	Bonus US$000	Share based payment US$000	Total US$000
PH Edmonds	159	–	–	159
AS Groves	159	–	–	159
DL Cassiano-Silva	215	–	11	226
EA Kay	47	–	15	62
MN Pelham	50	–	–	50
	630	–	26	656

11. Impairment of current and non-current assets

In accordance with IAS 36, *Impairment of assets*, the Group conducted an impairment review of its tangible assets as at 31 May 2016, resulting in an impairment against its Beef division assets held in Mozambique. The equivalent impairment review conducted as at 31 May 2015 resulted in an impairment against the tangible and intangible cocoa and palm lease assets, all held in Sierra Leone. Details of the recorded impairments are as follows:

	2016 US$000	2015 (re-presented – note 16) US$000
Beef division	3,069	–
Impairment against continuing operations	3,069	–
Cocoa division	–	6,791
Palm activities	–	3,069
Impairment against discontinued operations	–	9,860
	3,069	9,860

Further details are provided below.

11.1. Impairment of Beef division non-current assets in the financial year ended 31 May 2016

The economic environment in Mozambique has altered substantially during the 2016 calendar year, having been affected by a combination of a decline in commodity prices, the strong devaluation of the Metical, a rise in inflation, natural disasters and military conflict in the central regions of the country. On the one hand, this changing economic environment has presented significant sales opportunities for the Group, particularly in the ability to supply local product to substitute previously preferred imported goods which are now relatively more expensive. The increased price competitiveness of our beef products in particular has opened up the sizeable Maputo market and we are now seeing record monthly sales volumes as a result. On the other hand, it is uncertain if and when the political and military tensions will be resolved and, until these matters are resolved, there will inevitably be significant uncertainty regarding the security of investment in certain parts of the country. This uncertainty, along with the general economic climate in Mozambique, led the Board to initiate the de-stocking of the animals from the cattle farms in June 2016. Further details are provided in note 34.1 and the Chair's statement.

As a result of the above, and as required by IFRS, the Group conducted an impairment review of the Beef division assets in Mozambique, resulting in an impairment against property, plant and equipment in the Beef division of $3,069,000 (2015: $nil).

Where assets were capable of generating cash flows that were largely independent from those generated by other assets, the impairment review compared the carrying value of individual assets to their recoverable amount. Examples of such assets were mainly vehicles, agricultural equipment, heavy plant and machinery etc. Where the asset did not generate cash flows that were independent from other assets, the Group estimated the recoverable amount of the cash-generating unit to which the asset belonged. Examples of such assets were (1) the farm and feedlot development assets (for each of Mavonde, Inhazonia, Dombe and Vanduzi), including the land itself, clearing costs, planting, maintenance and other expenditure, and (2) the abattoir and retail units.

$2,408,000 of the impairment charge relates to the farming assets, which comprise in the main the initial purchase price of the land, fixed land improvements (such as land clearing and preparation or the construction of the Mavonde dam) and semi-fixed improvements (such as fencing). Given the political and military tensions in Mozambique, and their consequential impact on the investment landscape, there was no basis for making a reliable estimate of fair value less costs of disposal and therefore recoverable amount was measured by reference to value in use alone. This was estimated at $nil because the farm assets at their stage of development as cattle farms, are not capable of generating positive cash returns without further development funding.

$197,000 of the impairment charge relates to vehicles, heavy plant and machinery and agricultural equipment (including irrigation pivots). Recoverable amount was determined for assets or cash generating units based on fair value less costs of disposal, where fair value was based on the Directors best estimates of the likely realisable value for individual assets within Mozambique.

The remaining charge of $464,000 was recorded against the Vanduzi feedlot assets where recoverable amount was estimated based on a value in use discounted cash flow basis. The retail and abattoir assets were also assessed for impairment on a value in use discounted cash flow basis. No impairments were recorded against these assets. The impairment review utilised the cash flow forecasts for the Beef division (which are not reliant on the ongoing supply of animals from the cattle farms) are based on the most recent financial budgets approved by management for the next five years. Cash flows were estimated in real terms. No growth is assumed in subsequent years which are maintained at constant levels. The key assumptions in the value in use calculations are those regarding the discount rate, expected changes to selling prices and, for the feedlot, expected daily weight gains. Where appropriate, the expected cash flows have been probability weighted in respect of these key assumptions. Management estimates discount rates using pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the cash generating unit. Changes in selling prices are based on expectations of future changes in the market and, in particular, reflect the expected price rises that should be achievable given the recent devaluation in the Metical and inflation which have not as yet been reflected in the selling prices. Daily weight gains in the feedlot are estimated based on past experience. The rate used to discount cash flows was 17.5%, reflecting the estimated real interest rate in Mozambique of 12.5% and a 5% adjustment for risks specific to the assets which have not been reflected in the underlying cash flows.

The Board notes that the impairment review does not reflect the significant upside potential in Mozambique from the development of the liquefied natural gas ('LNG') operations in the North. Further detail regarding the current status of these projects is included in the Chair's statement.

11.2. Impairment of Cocoa division current and non-current assets in the financial year ended 31 May 2015

During the year ended 31 May 2015, and as a result of the Ebola outbreak affecting Western Africa, including Sierra Leone, the Company suspended development activities at the cocoa plantation in Sierra Leone. In addition to the significant restrictions in movement in country causing a shortage of labour, the Board assessed that it was unsafe to pursue an expansion of the plantation at that stage, which could increase the risk of Ebola developing on the plantation site and place staff at risk. Further, despite significant efforts to eradicate the virus and restore confidence in the country, the Board was of the opinion that the investment landscape in Sierra Leone had not returned to the favourable environment that was present pre-Ebola, and, in the Board's opinion, significant further regeneration and international development support was needed in the short to medium term to facilitate further significant private sector investment.

Activities at the plantation have since been maintained at the level sufficient to protect staff while maintaining the Group's assets in country.

As required by IFRS, in 2015, the Group conducted an impairment review of all of the Group's Cocoa division assets in Sierra Leone, which principally comprised goodwill, property, plant and equipment, long term prepayments, and inventory. The impairment review resulted in an impairment against the Cocoa division's assets in Sierra Leone of $6,791,000, analysed as follows:

	2015 US$000
Impairment of goodwill	575
Impairment of property, plant and equipment	5,998
Impairment of non-current receivables	159
Impairment of inventory	59
	6,791

Where assets were capable of generating cash flows that were largely independent from those generated by other assets, the impairment review compared the carrying value of individual assets to their recoverable amount. Examples of such assets were warehouses, vehicles, nurseries etc. Where the asset did not generate cash flows that were independent from other assets, the Group estimated the recoverable amount of the cash-generating unit to which the asset belonged. Examples of such assets were the plantation development assets, including the land itself, clearing costs, planting, maintenance and other expenditure related to the growing of cocoa plants at the plantation. Due to the suspension of funding for the cocoa operations, recoverable amount was generally determined for assets or cash generating units based on fair value less costs of disposal, where fair value was based on the Directors best estimates of the likely realisable value for individual assets within Sierra Leone. Where, given the investment landscape in Sierra Leone there was no basis for making a reliable estimate of fair value less costs of disposal - such as for the plantation development assets - recoverable amount was measured by reference to value in use alone. This was estimated at $nil because the relevant assets, at their stage of development, were not capable of generating positive cash returns without further development funding. The impairment review resulted in a write down of the cocoa divisions goodwill and non-current receivables (which represented long term land lease rental payments) to $nil, and its property, plant and equipment to $1,180,000.

The impairment of the Cocoa division assets was presented within continuing operations in the year ended 31 May 2015 because, in the medium to long term, the Board remained positive about the future development potential in Sierra Leone for the cocoa plantation. As more fully described in note 16.3, during the year ended 31 May 2016, the Board made the decision to dispose of all of the Cocoa division's assets through sale. Accordingly and as required by IFRS 5. '*Non-current Assets Held for Sale and Discontinued Operations*', the comparative amounts, including the impairment charge, have been reclassified to discontinued operations.

11.3. Impairment of palm activities' non-current assets in the financial year ended 31 May 2015
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 lease was acquired in 2012 and the Board has continued to evaluate this property and its potential for commercialisation. Due to the factors described above which resulted in an impairment against the Group's Cocoa division assets in the financial year ended 31 May 2015, the Group decided to suspend any activity on this lease. The assets were accordingly impaired to $nil and presented within discontinued operations in the financial year ended 31 May 2015.

The carrying value of these assets, included within Property, plant and equipment was $6,009,000, which included the initial purchase price of the lease, deferred consideration, and expenditure incurred on maintaining the lease (such as annual lease rental payments). The deferred consideration was to be settled in Ordinary Shares in the Company, following the initial development of 1,000 hectares of the leasehold land. Due to the impairment, the Group no longer intended to complete this initial development and accordingly the related obligation to issue shares (which was included within the 'Shares to be issued reserve', a component of the Group equity, with a carrying value of $2,940,000) was released to profit and loss, reducing the impairment arising on the palm activities to $3,069,000, which was included in the results of discontinued operations (refer to note 16.4).

12. Investment revenues

	2016 US$000	2015 US$000
Interest income on bank deposits	11	19

All investment revenues are earned on cash and bank balances which are financial assets classified as loans and receivables.

13. Other gains and losses

	2016 US$000	2015 US$000
Decrease in fair value of quoted investments (note 21)	360	849

14. Finance costs

	2016 US$000	2015 US$000
Interest expense on bank borrowings	678	683

15. Taxation

	2016 US$000	2015 (re-presented – note 16) US$000
Loss before tax from continuing activities	(7,643)	(8,124)
Tax credit at the Mozambican corporation tax rate of 32% (2015: 32%)	(2,446)	(2,600)
Tax effect of expenses that are not deductible in determining taxable profit	55	67
Tax effect of losses not allowable	463	1,556
Tax effect of losses not recognised in overseas subsidiaries (net of effect of different rates)	1,928	977
Statutory taxation payments irrespective of income	14	9
Adjustment in respect of prior years	20	72
Tax expense	34	81

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.

The Group has recognised a tax credit of $187,000 (2015: $nil) in respect of the disposal of its Ethiopian oil and gas interests, reported within discontinued operations.

The Group has operations in a number of overseas jurisdictions where it has incurred taxable losses which may be available for offset against future taxable profits amounting to approximately $9,652,000 (31 May 2015: $13,460,000). In addition, the Group has further deductible timing differences amounting to approximately $31,285,000 (31 May 2015: $13,575,000). No deferred tax asset has been recognised for these tax losses and other deductible timing differences 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 percent. per annum (2015: zero percent. per annum). 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).

16. Discontinued operations

The loss after tax arising on discontinued operations during the period is analysed by business operation as follows:

	2016 US$000	2015 (re-presented – note 16.3) US$000
Oil and gas activities	187	5,740
Cocoa trading activities	–	(174)
Other cocoa activities[1]	(965)	(7,679)
Palm activities	–	(3,069)
Net loss after tax attributable to discontinued operations (attributable to owners of the Company)	(778)	(5,182)

[1] The corresponding amounts for 'Other cocoa activities' were previously reported within continuing operations for the year ended 31 May 2015. For the reasons described in note 16.3, these activities are classified as discontinued operations in the year ended 31 May 2016 and, as required by IFRS 5, '*Non-current Assets Held for Sale and Discontinued Operations*', the comparative amounts have been reclassified.

16.1. Oil and gas

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. At the same time the Group suspended all exploration activities and reduced 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.

In the financial year ended 31 May 2013 the Group completed the disposal of its oil and gas interests in Ethiopia. The gain on disposal was taxed in full in Ethiopia in that year, without taking into consideration certain tax deductible expenditure incurred by the Group. In the current financial year the Group has been successful in recovering $187,000 as full and final settlement of amounts due to the Group from overpaid tax arising on the aforementioned gain on disposal.

During the year ended 31 May 2015 the Group was paid £3,412,000 (being $5,659,000) in cash as compensation due to the Company by the Government of the Republic of South Sudan for works undertaken by the Company in the Republic of South Sudan. A further net credit of $81,000 was recorded in the year ended 31 May 2015 with respect to the re-imbursement of expenditure incurred in pursuing this claim. No amounts were recorded in respect of this matter in the current financial year.

16.2. Cocoa trading

Due to the serious and well-publicised Ebola outbreak and the associated precautionary restrictions on travelling in Sierra Leone, accompanied by the ongoing losses suffered by the cocoa trading operations, the Group ceased its cocoa trading operations in Sierra Leone in the financial year ended 31 May 2014. The cocoa trading operations represented a significant component of a business segment of the Group and accordingly the results of the cocoa trading operations were presented as discontinued operations within the consolidated income statement. No amounts are recorded with respect to the cocoa trading operations in the current financial year. The amounts recorded in the consolidated income statement in the preceding financial year, which relate to the winding down of the cocoa trading operations between June and August 2014, were as follows:

	2015 **US$000**
Expenses	(174)
Loss before taxation	(174)
Taxation	–
Loss after tax and net loss attributable to the discontinued cocoa trading operations in the period (attributable to owners of the Company)	(174)

Cash flows pertaining to the cocoa trading operations are presented in the consolidated cash flow statement along with all cash flows relating to discontinued operations.

16.3. Other cocoa activities

From 1 September 2014 and following the cessation of all cocoa trading related activities (refer to note 16.2), the Cocoa division focussed its efforts on maintaining the cocoa plantation assets, while undertaking revenue generating logistics activities, principally providing assistance in the Ebola relief efforts (collectively the 'Other cocoa activities'). Due to the significant efforts undertaken to control the Ebola epidemic by international aid and health organisations, Sierra Leone was declared Ebola free during the current financial year, initially in November 2015 and subsequently in March 2016. Consequently, the logistics activities which were being undertaken to provide cash support for the Cocoa division reduced in scale such that the available income from these activities no longer substantially covered the costs of the Cocoa division.

While the Group has successfully established and maintained the necessary infrastructure from which a large scale commercial cocoa plantation and trading business can be developed in Sierra Leone, the next stage in the development of these assets requires significant capital investment. Given the impact of Ebola on the West African region as a whole and the lack of investment appetite from traditional finance sources, the Board formed the view, after due investigations and careful consideration that the Group would be unlikely to be able to raise the finance to continue with the development of the cocoa plantation in the foreseeable future. In this context, the Board therefore believed that it was in the best interests of the Group to sell the Cocoa division to bolster the Group's cash reserves and to enable the Cocoa division to access other finance sources, such as dedicated development and sustainability funds.

The Other cocoa activities represented a business segment of the Group and accordingly the results of the Other cocoa activities are presented as discontinued operations within the consolidated income statement. Comparative amounts have been represented as required by IFRS 5. The amounts recorded in the consolidated income statement related to the Other cocoa activities were as follows:

	2016 US$000	**2015 US$000**
Revenue	389	904
Cost of sales	(277)	(260)
Gross profit	112	644
Operating expenses	(1,126)	(1,558)
Profit on disposal of property, plant and equipment	49	15
Other income	–	11
Impairment of current and non-current assets (note 11.2)	–	(6,791)
Loss before taxation	(965)	(7,679)
Taxation	–	–
Loss after tax and net loss attributable to the discontinued Other cocoa activities in the period (attributable to owners of the Company)	(965)	(7,679)

Cash flows pertaining to the Other cocoa activities are presented in the consolidated cash flow statement along with all cash flows relating to discontinued operations.

The net assets of the Cocoa division, all of which related to the Other cocoa activities, are classified as held for sale as at 31 May 2016. Further details are provided in notes 4.5 and 25.

The Cocoa division was sold subsequent to the period end for cash consideration of $750,000. Further details are provided in note 34.2.

16.4. Palm activities

The amount reported within discontinued operations for palm activities during the year ended 31 May 2015 represents the impairment against the carrying value of the Group's 45,000 hectare lease in the Pujehun District of Sierra Leone, net of the release of deferred consideration which was assessed as no longer being due, as more fully described in note 11.3.

17. Loss per share

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

	2016 US$000	2015 (re-presented – note 16) US$000
Loss for the purposes of basic and diluted earnings per share from continuing activities	(7,677)	(8,205)
Loss for the purposes of basic and diluted earnings per share from discontinued activities	(778)	(5,182)
Loss for the purposes of basic and diluted earnings per share (loss for the year attributable to equity holders of the Company)	(8,455)	(13,387)
Weighted average number of Ordinary Shares for the purposes of basic and diluted loss per share	1,061,818,478	1,061,818,478
Basic and diluted loss per share	(0.80)	(1.26)
Basic and diluted loss per share from continuing activities	(0.72)	(0.77)
Basic and diluted loss per share from discontinued activities	(0.08)	(0.49)

18. Goodwill

The movements in the carrying value of the Group's goodwill are as follows:

	US$000
At 1 June 2014	576
Eliminated in the period	(575)
Exchange rate adjustment	(1)
At 31 May 2015 and 31 May 2016	–

The Group's goodwill balance, which related to the cocoa plantation, was written off in full in the year ended 31 May 2015 as more fully described in note 11.2.

Notes to the consolidated financial statements

continued

19. Property, plant and equipment

	Land and buildings US$000	Plant and machinery US$000	Motor vehicles US$000	Aviation US$000	Other assets US$000	Assets under construction US$000	Total US$000
Cost							
At 1 June 2014	24,377	10,569	5,870	1,178	595	2,395	44,984
Additions	1,039	529	38	10	85	–	1,701
Disposals	(1)	(291)	(241)	–	(18)	–	(551)
Transfers	2,195	200	–	–	–	(2,395)	–
Exchange rate adjustment	(2,425)	(1,483)	(735)	(202)	(87)	–	(4,932)
At 31 May 2015	25,185	9,524	4,932	986	575	–	41,202
Additions	124	151	92	78	20	–	465
Disposals	(5)	(297)	(427)	–	–	–	(729)
Transfer to assets classified as held for sale	(4,510)	(1,020)	(623)	(1,000)	(53)	–	(7,206)
Exchange rate adjustment	(6,858)	(3,471)	(1,722)	(64)	(213)	–	(12,328)
At 31 May 2016	13,936	4,887	2,252	–	329	–	21,404
Accumulated depreciation and impairment							
At 1 June 2014	864	3,067	4,187	341	257	–	8,716
Charge for the year	421	1,101	645	174	77	–	2,418
Disposals	–	(112)	(219)	–	(5)	–	(336)
Impairment loss (note 11)	11,766	175	32	–	34		12,007
Exchange rate adjustment	(160)	(456)	(620)	(72)	(41)	–	(1,349)
At 31 May 2015	12,891	3,775	4,025	443	322	–	21,456
Charge for the year	283	762	417	44	45	–	1,551
Disposals	–	(209)	(361)	–	–	–	(570)
Impairment loss (note 11)	2,497	546	25	–	1	–	3,069
Transfer to assets classified as held for sale	(4,182)	(996)	(538)	(434)	(53)	–	(6,203)
Exchange rate adjustment	(2,245)	(1,491)	(1,490)	(53)	(125)	–	(5,404)
At 31 May 2016	9,244	2,387	2,078	–	190	–	13,899
Net book value							
31 May 2016	4,692	2,500	174	–	139	–	7,505
31 May 2015	12,294	5,749	907	543	253	–	19,746

Additions to land and buildings include $nil (2015: $399,000) of acquisition and development costs of the Group's cocoa plantation in Sierra Leone. Included in this sum is $nil (2015: $146,000) of depreciation in respect of plant and equipment and $nil (2015: $169,000) of wages and salaries.

A depreciation charge of $1,160,000 (2015: $1,644,000) has been included in the consolidated income statement within operating expenses and $391,000 (2015: $628,000) has been included within discontinued operations.

Property, plant and equipment with a carrying amount of $5,311,000 (2015: $2,173,000) have been pledged to secure the Group's bank overdrafts and loans (note 26). The Group is not allowed to pledge these assets as security for other borrowings or sell them to another entity.

At 31 May 2016 and 31 May 2015, the Group had no contractual commitments for the acquisition of property, plant and equipment.

20. Interests in associates

The Group's interest in associates represents a 40% equity investment in African Management Services Limited ('AMS'). The Group's share of the result of AMS for all periods presented was $nil. The share of the cumulative results and net assets of AMS is $4,000 (2015: $4,000). The Group's initial investment in AMS was $nil.

21. Investments in quoted companies

'Investments in quoted companies' comprise financial assets at FVTPL. Changes in market value are recorded in profit and loss within other gains and losses. As at 31 May 2016 and 31 May 2015, these investments comprise 8,337,682 ordinary shares in Atlas African Industries Limited (formerly Atlas Development & Support Services Limited) ('AAI'), an AIM quoted company. Movements in the value of the investment in AAI were as follows:

	US$000
At 1 June 2014	1,225
Decrease in fair value (note 13)	(849)
At 31 May 2015	376
Decrease in fair value (note 13)	(360)
At 31 May 2016	16

The fair value has been determined based on quoted market prices in an active market and comprises a level 1 fair value in the IFRS 13 fair value hierarchy.

22. Biological assets

	US$000
Fair value	
At 1 June 2014	4,272
Purchase of biological assets	1,666
Sale, slaughter or other disposal of biological assets	(3,947)
Change in fair value	1,910
Foreign exchange adjustment	(636)
At 31 May 2015	3,265
Purchase of biological assets	2,815
Sale, slaughter or other disposal of biological assets	(4,407)
Change in fair value	1,637
Foreign exchange adjustment	(1,316)
At 31 May 2016	1,994

Biological assets comprise cattle in Mozambique held for breeding purposes (the 'Breeding herd') or for slaughter (the 'Slaughter herd'). The Slaughter herd has been classified as a current asset. The Breeding herd is classified as a non-current asset. Biological assets are accordingly classified as current or non-current assets as follows:

	2016 Head	2015 Head	2016 US$000	2015 US$000
Non-current asset	3,564	4,395	888	2,246
Current asset	3,216	2,772	1,106	1,019
	6,780	7,167	1,994	3,265

For valuation purposes, cattle are grouped into classes of animal (e.g. bulls, cows, steers etc). A standard animal weight per breed and class is then multiplied by the number of animals in each class to determine the estimated total live weight of all animals in the herd. The herd is then valued by reference to market prices for meat in Mozambique, less estimated costs to sell. The valuation is accordingly a level 2 valuation in the IFRS 13 hierarchy whereby inputs other than quoted prices that are observable for the asset are used.

The Group's biological assets have been pledged in full to secure the Beef division's bank overdraft and loans (see note 26).

Subsequent to the period end and for the reasons described in note 34.1, the Board made the decision to close the breeding farms. Accordingly, the breeding herd are being moved to the Vanduzi feedlot where they are being fattened and will eventually be slaughtered.

23. Inventories

	2016 US$000	2015 US$000
Consumables and spares	139	120
Raw materials	1,028	2,452
Work in progress	14	27
Finished goods	176	293
	1,357	2,892

During the year inventories amounting to $14,267,000 (2015: $8,191,000) were included in cost of sales and $127,000 (2015: $nil) were included within discontinued operations.

Inventories with a carrying amount of $1,022,000 (2015: $2,140,000) have been pledged to secure the Grain division's bank overdraft and inventories with a carrying value of $134,000 (2015: $nil) have been pledged to secure the Beef division's bank overdraft and loans (see note 26).

24. Trade and other receivables

	2016 US$000	2015 US$000
Trade receivables	678	1,018
Other receivables	580	492
Prepayments	32	84
	1,290	1,594

'Trade receivables' and 'Other receivables' disclosed above are classified as loans and receivables and measured at amortised cost.

Included in 'Trade receivables' and 'Other receivables' are receivables which have been provided against. Movements in the allowance account against these receivables are as follows:

	US$000
At 1 June 2014	1,345
Charged to profit and loss	224
Foreign exchange gain	(250)
At 31 May 2015	1,319
Charged to profit and loss	182
Written off in the period	(96)
Foreign exchange gain	(495)
At 31 May 2016	910

$837,000 (2015: $1,319,000) of the allowance account relates to input IVA recoverable in Mozambique (refer to note 4.4). The movement in the allowance account against the IVA recoverable during both periods presented principally reflects the increase in the underlying input IVA balance recorded by the Group offset by the effect of the devaluation of the Mozambique Metical against the United States Dollar.

Other receivables include $361,000 (2015: $350,000) due from related parties (see note 32).

Trade receivables with a carrying amount of $496,000 (2015: $nil) have been pledged to secure the Grain division's bank overdraft and trade receivables with a carrying value of $182,000 (2015: $nil) have been pledged to secure the Beef division's bank overdraft and loans (see note 26).

The Directors consider that the carrying amount of financial assets approximates their fair value. Included within Other receivables are $385,000 of receivables which are past due but not impaired (2015: there are no significant amounts past due which have not been provided against). The ageing of past due but not impaired receivables is as follows:

	2016 US$000
Greater than 120 days	385

Further details on the Group's financial assets are provided in note 28.

25. Disposal groups held for sale

The major classes of assets and liabilities comprising the operations classified as held for sale as at 31 May 2016 are as follows:

	Cocoa disposal group US$000	Aircraft disposal group US$000	Total US$000
Assets classified as held for sale:			
Property, plant and equipment	436	285	721
Inventories	126	–	126
Trade and other receivables	2	–	2
Cash and cash equivalents	11	–	11
Total assets classified as held for sale	575	285	860
Liabilities associated with assets classified as held for sale:			
Trade and other payables	(142)	–	(142)
Total liabilities associated with assets classified as held for sale	(142)	–	(142)
Net assets of the disposal group	433	285	718

There were no assets classified as held for sale as at 31 May 2015.

Assets and associated liabilities within the 'Cocoa disposal group' represent the net assets of the Group's Cocoa division. As more fully described in note 16.3, all activities in the Cocoa division were discontinued in the period. This division was sold subsequent to the period end realising gross proceeds of $750,000 (refer to note 34.2). No impairments were recorded against the assets in the Cocoa division during the year, or subsequent to the period end.

Assets classified as held for sale within the 'Aircraft disposal group' comprise all of the Group's aircraft assets, being one fixed wing plane and two helicopters, which were identified as being surplus to requirements. The aircraft were sold subsequent to the period end, realising gross proceeds of $570,000. No impairments were recorded against the aircraft assets upon transfer from property, plant and equipment. Subsequent revisions to the expected sales proceeds from the disposal of the fixed wing aircraft, offset by favourable exchange rate movements, resulted in a net write down in the carrying value of the Aircraft disposal group by $125,000 (refer to note 7). No further adjustments have been made to the carrying value of the Aircraft disposal group subsequent to the period end.

26. Borrowings

	2016 US$000	2015 US$000
Non-current liabilities		
Bank loans	1,105	–
		–
Current liabilities		
Bank loans	137	–
Overdraft	1,675	3,079
	1,812	3,079
	2,917	3,079

As at 31 May 2016, the Group has overdraft and bank loan facilities to finance the Beef division provided by Standard Bank S.A. ('Standard Bank'), and overdraft facilities to finance the Grain division provided by ABC Bank MZ ('ABC Bank') and Standard Bank. Further details are provided below.

Beef division

On 24 June 2015, the Group agreed lending facilities totalling 105,000,000 Metical with Standard Bank to finance the Beef division in Mozambique. The facilities comprise 75,000,000 Metical ($1,258,000 at the 31 May 2016 US$ to MZN exchange rate) of term loans for the purchase of cattle, irrigation equipment, butchery equipment, refrigerated vehicles and general capital purposes, and a 30,000,000 Metical ($503,000 at the 31 May 2016 US$ to MZN exchange rate) overdraft. The term loans carry interest at the bank's prime lending rate plus 0.25% (being a rate of 19.75% as at 31 May 2016), and have a five year term from draw down with a moratorium on capital repayments of 15 months. Capital repayments on these loans commence in October 2016. The overdraft renews annually, with the latest renewal on 29 September 2016, and carries interest at the bank's prime lending rate (being a rate of 19.5% as at 31 May 2016). The lending facilities are secured with a fixed charge against certain of the Group's property, plant and equipment with a carrying value of $2,137,000 (2015: $nil) (refer to note 19), and with floating charges against all cattle and meat inventories with a carrying value of respectively $1,994,000 (2015: $nil) (refer to note 22) and $134,000 (2015: $nil) (refer to note 23), and trade receivables with a carrying value of $182,000 (2015: $nil) (refer to note 24).

As at 31 May 2016, the Beef division had available, undrawn borrowing facilities of approximately 4,477,000 Metical ($75,000 at the 31 May 2016 US$ to MZN exchange rate).

Grain division

At 31 May 2016, the Group had an overdraft facility of 179,000,000 Metical ($3,003,000 at the 31 May 2016 US$ to MZN exchange rate) (2015: 179,000,000 Metical) provided by ABC Bank for working capital funding in the Grain division, principally for the purchase of maize and related operating expenditure. It was secured by a fixed charge against $1,273,000 (2015: $2,173,000) of the Group's property, plant and equipment (refer to note 19) and by a floating charge over all maize inventory and finished maize products totalling $1,022,000 (2015: $2,140,000) (refer to note 23). Interest was charged at ABC Bank's prime lending rate less 3% (2015: counterparty bank's prime lending rate less 3%), being a rate as at 31 May 2016 of 13% (2015: 13%). As at 31 May 2016, this overdraft facility was in the process of being settled in full, with a new overdraft facility being provided by Standard Bank. This process was completed subsequent to the period end.

On 19 May 2016, the Group entered into a separate 300,000,000 Metical ($5,034,000 at the 31 May 2016 US$ to MZN exchange rate) overdraft facility with Standard Bank (the 'Facility') to provide working capital funding, principally for the purchase of maize and related operating expenditure. It is secured by a fixed charge against $3,174,000 (2015: $nil) of the Group's property, plant and equipment (refer to note 19), and by floating charges against all maize inventory and finished maize products totalling $1,022,000 (2015: $nil) (refer to note 23) and trade receivables totalling $496,000 (2015: $nil) (refer to note 24). Interest is charged at the counterparty bank's prime lending rate less 1.75%, being a rate as at 31 May 2016 of 17.75%. Unless it is cancelled by either party, the facility will renew on 25 March 2017. Fees of approximately $33,000 were recorded in connection with the Facility in the year ended 31 May 2016. These fees were paid subsequent to the period end.

The first drawdowns on the Facility were made in May 2016; subsequent to the period end, the Facility was in part utilised to discharge the Group's obligations to ABC Bank on the overdraft disclosed above at which point the ABC Bank overdraft facility was extinguished and ceased to be available to the Group. The Group completed the provision of the new security over its land and buildings and the discharge of the security to ABC Bank subsequent to the period end (note 34.3).

As at 31 May 2016, the Grain division had available, undrawn borrowing facilities of approximately 224,756,000 Metical ($3,771,000 at the 31 May 2016 US$ to MZN exchange rate).

27. Trade and other payables

	2016 US$000	2015 US$000
Trade payables	266	314
Other payables	125	623
Accrued liabilities	317	440
	708	1,377

'Trade payables', 'Other payables' and 'Accrued liabilities' principally comprise amounts outstanding for trade purchases and ongoing costs. No interest is charged on any balances.

The Directors consider that the carrying amount of financial liabilities approximates their fair value.

28. Financial instruments

28.1. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders. The capital structure of the Group comprises its net debt (the borrowings disclosed in note 26 after deducting cash and bank balances) and equity of the Group as shown in the Statement of financial position. The Group is not subject to any externally imposed capital requirements.

The ExCom reviews the capital structure on a regular basis and seeks to match new capital requirements of subsidiary companies to new sources of external debt funding denominated in the currency of operations of the relevant subsidiary. Where such additional funding is not available, the Group funds the subsidiary company by way of loans from the Company. The Group places funds which are not required in the short term on deposit at the best interest rates it is able to secure from its bankers. In accordance with this policy, the Group has maintained its overdraft facility in Mozambique to finance its Grain operations and has secured additional borrowing facilities in Mozambique for its Beef operations (note 26).

28.2. Categories of financial instruments

The following are the Group financial instruments as at 31 May:

	2016 US$000	2015 US$000
Financial assets		
Cash and bank balances	4,055	6,421
Fair value through profit and loss:		
Held for trading	16	376
Other loans and receivables	1,257	1,510
	5,328	8,307
Financial liabilities		
Amortised cost	3,560	4,456
	3,560	4,456
	1,768	3,851

28.3. Financial risk management objectives

The Group manages the risks arising from its operations, and financial instruments at ExCom and Board level. The Board has overall responsibility for the establishment and oversight of the Group's risk management framework and to ensure that the Group has adequate policies, procedures and controls to manage successfully the financial risks that the Group faces.

While the Group does not have a written policy relating to risk management of the risks arising from any financial instruments held, the close involvement of the ExCom in the day to day operations of the Group ensures that risks are monitored and controlled in an appropriate manner for the size and complexity of the Group. Financial instruments are not traded, nor are speculative positions taken. The Group has not entered into any derivative or other hedging instruments.

The Group's key financial market risks arise from changes in foreign exchange rates ('currency risk') and changes in interest rates ('interest risk'). To a lesser extent the Group is exposed to other price risk in respect of its investments in quoted companies. The Group is also exposed to credit risk and liquidity risk. The principal risks that the Group faces as at 31 May 2016 with an impact on financial instruments are summarised below.

28.4. Market Risk
The Group is exposed to currency risk, interest risk and other price risk (in respect of its investments in quoted companies). These are discussed further below.

28.4.1. Currency risk
Certain of the Group companies have functional currencies other than US$ and the Group is therefore subject to fluctuations in exchange rates in translation of their results and financial position into US$ for the purposes of presenting consolidated accounts. The Group does not hedge against this translation risk. The Group's financial assets and liabilities by functional currency of the relevant Group company are as follows:

	Assets		Liabilities	
	2016 US$000	**2015 US$000**	**2016 US$000**	**2015 US$000**
United States Dollar ('US$')	3,877	6,880	222	786
Mozambique Metical ('MZN')	1,450	1,143	3,336	3,524
Sierra Leone Leones ('SLL')	–	284	–	146
Other	1	–	2	–
	5,328	8,307	3,560	4,456

The Group transacts with suppliers and/or customers in currencies other than the functional currency of the relevant group company (foreign currencies), and hold investments in quoted companies which are traded in currencies other than US$. The Group does not hedge against this transactional risk. As at 31 May 2015 and 31 May 2016, the Group's outstanding foreign currency denominated monetary items were principally exposed to changes in the US$/GBP and US$/MZN exchange rate.

The following tables detail the Group's exposure to a 5, 10 and 15 per cent increase in the US$ against GBP and separately to a 10, 20 and 30 per cent increase against MZN. For a weakening of the US$ against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances would be of opposite sign. The sensitivity analysis includes only outstanding foreign currency denominated items and excludes the translation of foreign subsidiaries and operations into the Group's presentation currency. The sensitivity also includes intra-group loans where the loan is in a currency other than the functional currency of the lender or borrower. A negative number indicates a decrease in profit and other equity.

	2016 US$000	2016 US$000
GBP Impact		
Profit or loss		
5% Increase in US$	(4)	(10)
10% Increase in US$	(7)	(20)
15% Increase in US$	(11)	(30)
Other equity		
5% Increase in US$	(69)	–
10% Increase in US$	(138)	–
15% Increase in US$	(208)	–
MZN Impact		
Profit or loss		
10% Increase in US$	23	–
20% Increase in US$	46	–
30% Increase in US$	69	–
Other equity(1)		
10% Increase in US$	(6,039)	(5,820)
20% Increase in US$	(12,078)	(11,640)
30% Increase in US$	(18,117)	(17,460)

(1) This is mainly due to the exposure arising on the translation of US$ denominated intra-group loans provided to MZN functional currency entities which are included as part of the Group's net investment in the related entities.

28.4.2. Interest rate risk

The Group is exposed to interest rate risk because entities in the Group hold cash balances and borrow funds at floating interest rates. As at 31 May 2015 and 31 May 2016, the Group has no interest bearing fixed rate instruments.

The Group maintains cash deposits at variable rates of interest for a variety of short term periods, depending on cash requirements. The operations in Mozambique are also financed through overdraft facilities and bank loans. The rates obtained on cash deposits are reviewed regularly and the best rate obtained in the context of the Group's needs. The weighted average interest rate on deposits was 0.23% (2015: 0.59%). The weighted average interest on drawings under the overdraft facilities and bank loans was 16.42% (2015: 14%). The Group does not hedge interest rate risk.

The following table details the Group's exposure to interest rate changes, all of which affect profit and loss only with a corresponding effect on accumulated losses. The sensitivity has been prepared assuming the liability outstanding at the balance sheet date was outstanding for the whole year. In all cases presented, a negative number in profit and loss represents an increase in finance expense/decrease in interest income. The sensitivity as at 31 May 2016 is presented assuming interest rates on cash balances remain constant, with increases of between 20bp and 1000bp on outstanding overdraft and bank loans. This sensitivity to interest rate rises is deemed appropriate because the Group interest bearing liabilities are Metical based. The current macroeconomic circumstances in Mozambique, particularly due to the significant weakening of the Metical, have led to a rapid increase in interest rates following the year end to a prime rate of 28.0% by the date of this report. This alone is an 850 bp increase compared to 31 May 2016.

	2016[(2)] US$000	2015[(1)(2)] US$000
+ 20 bp increase in interest rates	(6)	(7)
+ 50 bp increase in interest rates	(15)	(17)
+100 bp increase in interest rates	(29)	(34)
+200 bp increase in interest rates	(58)	(68)
+500 bp increase in interest rates	(146)	(170)
+800 bp increase in interest rates	(233)	(272)
+1000 bp increase in interest rates	(291)	(340)

(1) The sensitivity as at 31 May 2015 was prepared on the basis of changes to interest rates affecting both interest income and expense.
(2) The table above is prepared on the basis of an increase in rates. A decrease in rates would have the opposite effect.

28.4.3. Other price risk
The Group is exposed to equity price risk on its investments in quoted securities which are measured at fair value (refer to note 21). Investments in quoted companies comprise investments in one company, AAI. If AAI's share price increased/(decreased) by 10% and the US$/GBP exchange rate remained unchanged, the Group's net profit would increase/(decrease) by $2,000 (2015: $38,000).

28.5. 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 principal deposits are 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 maximum exposure to credit risk is the carrying value of the Group financial assets disclosed in note 28.2. Details of provisions against financial assets are provided in note 24.

28.6. Liquidity risk
The Group policy throughout the year has been to ensure that it has adequate liquidity by careful management of its working capital. The ExCom continually monitors the Group's actual and forecast cash flows and cash positions. The ExCom pays particular attention to ongoing expenditure, both for operating requirements and development activities, and matching of the maturity profile of the Group's overdrafts to the processing and sale of the Group's maize and beef products.

At 31 May 2016 the Group held cash deposits of $4,055,000 (2015: $6,421,000). At 31 May 2016 the Group had overdraft and bank loans facilities of approximately $6,800,000 (2015: overdraft facility of approximately $4,850,000) of which $2,950,000 (2015: $3,079,000) was drawn. As at the date of this report the Group has adequate liquidity to meet its obligations as they fall due.

The following table details the Group's remaining contractual maturity of its financial liabilities. The table is drawn up utilising undiscounted cash flows and based on the earliest date on which the Group could be required to settle its obligations. The table includes both interest and principal cash flows.

	2016 US$000	2015 US$000
1 month	689	1,410
2 to 3 months	100	67
12 months	2,224	3,379
1 to 2 years	501	–
2 to 5 years	892	–
	4,406	4,856

28.7. 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 financial assets and liabilities of the Group as at 31 May 2016 and 31 May 2015.

29. Share capital

	Authorised Number	Allotted and fully paid Number	US$000
At 31 May 2015 and 31 May 2016:			
Ordinary shares of 0.1p each	2,345,000,000	1,061,818,478	1,722
Deferred shares of 0.1p each	155,000,000	155,000,000	238
Total share capital	2,500,000,000	1,216,818,478	1,960

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. The deferred shares may be converted into ordinary shares by resolution of the Board.

30. Reserves
Movements in the Group reserves are included in the consolidated statement of changes in equity. A description of each reserve is provided below.

30.1. Translation reserve
For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are taken to the translation reserve.

31. Share based payments

31.1. Charge in the period
The Group recorded a charge within Operating expenses for share based payments of $66,000 (2015: $55,000).

31.2. Outstanding options and warrants
The Group, through the Company, has two unapproved share option schemes which were established to provide equity incentives to the Directors of, employees of and consultants to the Group. The schemes' rules provide that the Board shall determine the exercise price for each grant which shall be at least the average mid-market closing price for the three days immediately prior to the grant of the options. The minimum vesting period is generally one year. If options remain unexercised after a period of 4 or 5 years from the date of grant, or vesting, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

In addition to share options issued under the unapproved share option schemes, on 1 June 2015, the Group created a warrant instrument (the 'Instrument') to provide suitable incentives to the Group's employees, consultants and agents, and in particular those based, or those spending considerable time, on site at the Group's operations. Up to 100,000,000 warrants (the 'Warrants') to subscribe for new Ordinary Shares in the Company (the 'Warrant Shares') may be issued pursuant to the Instrument. The exercise price of each Warrant is 0.65p (the share price of the Company being approximately 0.6p when the Instrument was created) and the subscription period during which time the Warrants may be exercised and Warrants Shares issued is the 5-year period from 1 June 2016 to 1 June 2021. Subject to various acceleration provisions, a holder of Warrants is not entitled to sell more than 100,000 Warrant Shares in any day nor more than 1m Warrant Shares (in aggregate) in any calendar month, without Board consent. 22,500,000 Warrants have been issued during the period to employees.

The following table provides a reconciliation of share options and warrants outstanding during the period:

	2016 Number	**Weighted average exercise price**	**2015 Number**	**Weighted average exercise price**
At 1 June	36,499,998	3.4	42,249,998	4.6p
Granted in the year	22,500,000	0.7	–	–
Terminated in the year	(5,166,000)	4.5		
Lapsed in the year	(2,830,000)	4.5	(5,750,000)	3.0p
At 31 May	51,003,998	2.0	36,499,998	3.4p
Exercisable at year end	47,504,006	1.9	27,500,004	3.3p

The fair value of the 22,500,000 Warrants granted during the year ended 31 May 2016 was determined using the Black-Scholes option pricing model using the following assumptions:

– Share price at the date of grant was the closing price on that date, being 0.54p.

– The risk free rate was 0.91% based on the gilt yield over the expected life of the Warrants at the date of grant.

– The annual dividend yield was expected to be nil based on the Board's intention to reinvest operating cash flows.

– The annual volatility was 83.82% and was derived from the historic daily share prices of the Company over the period matching the expected life of the Warrants at the date of grant.

– The Warrants have a fair value of 0.27p with the total fair value of the Warrants granted during the year ended 31 May 2016 calculated at $92,000.

On 12 January 2010, options over 50,000,000 ordinary shares with an exercise price of 5.5p were issued to Ely Place Nominees Limited ('EPN') to be held on trust to be issued at the discretion of the Board as incentives to Directors, employees or consultants (the 'Incentive Options'). Between January 2010 and 15 May 2014, 14,999,999 Incentive Options were allocated. On 15 May 2014 and in light of the share price at that date, the Directors concluded that these Incentive Options would not provide an appropriate mechanism for incentivising Directors, employees and consultants. As such, and with the agreement of EPN, EPN waived their rights to the Incentive Options, which were cancelled and replaced by 35,000,001 new incentive options granted at the prevailing price on 15 May 2014 (rounded up to the nearest half penny) of 1.5p, otherwise to be held on the same terms as the Incentive Options. No further Incentive Options have been allocated.

At 31 May 2016, the following options and warrants over ordinary shares of 0.1p each have been granted and remain unexercised:

Date of grant	Total options	Exercisable options	Exercise price	Expiry date
13 July 2011	5,000,000	5,000,000	3.0p	13 July 2017
1 December 2011	10,000,000	10,000,000	2.0p	1 December 2016
29 July 2012	3,501,999	2,502,003	3.5p	29 July 2023
29 July 2012	3,501,999	2,502,003	5.5p	11 January 2020
01 May 2013	2,000,000	2,000,000	2.8p	30 April 2019
01 May 2013	2,000,000	2,000,000	5.5p	11 January 2020
15 May 2014	2,500,000	1,000,000	1.5p	15 May 2024
1 June 2015	22,500,000	22,500,000	0.7p	1 June 2021
	51,003,998	47,504,006		

32. Related party disclosures

AS Groves and PH Edmonds, current or former directors of the Company, are also directors of Liberian Cocoa Corporation ('LCC') and African Management Services Limited ('AMS'). In addition, AS Groves is, or was during the period, a Director of Consolidated Growth Holdings Limited (formerly Sable Mining Africa Limited, 'CGH'), Atlas African Industries Limited (formerly Atlas Development & Support Services Limited, 'AAI'), East Africa Packaging Limited ('EAPC') and African Property Corporation ('APC'). The Group has transacted with these companies 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, office, treasury and administrative services to the Group for fees of $510,000 (2015: $388,000). As at 31 May 2016 the Group was owed $116,000 by AMS (2015: $107,000).

At 31 May 2016 the Group was owed $89,000 from LCC (2015: $89,000).

During the year the Group and CGH incurred certain expenses on each other's behalf, which were refunded in full during the year. At 31 May 2016, the amount due to CGH was $nil (2015: $nil).

During the year the Group and AAI incurred certain expenses on each other's behalf. In addition, AAI acquired EAPC, and assumed EAPC's outstanding debt to the Group of $150,000 (2015: $150,000). At 31 May 2016, the amount due from AAI to the Group was $156,000 (2015: $nil).

During the year ended 31 May 2015, the Group incurred certain expenses on behalf of, or advanced loan funding to, APC. At 31 May 2015 APC owed the Group $3,000, which was settled in the current financial year. No amounts are due from APC at 31 May 2016.

PH Edmonds resigned as a Director of the Company on 22 April 2016 and has subsequently been retained as a consultant to the Group. Consultancy fees charged in the year ended 31 May 2016 were $9,000 (2015: $nil). No amounts were outstanding at the period end.

The remuneration of the Directors, who are the key management personnel of the Group, is set out in note 10.

33. Operating leases

At 31 May the Group had commitments for future minimum lease payments under non-cancellable operating leases for land and buildings, which fall due as follows:

	2016 US$000	2015 US$000
Within one year	152	138
In the second to fifth years inclusive	190	95
	342	233

Operating lease rentals recognised as an expense in the consolidated income statement were as follows:		
Land and buildings	187	209

34. Events subsequent to the balance sheet date

34.1. Destocking of the cattle ranches

As announced on 21 April 2016, the political and economic environment in Mozambique has deteriorated during the course of 2016 and militias are entrenched in some rural areas in the Manica province, where the Group's three farms are located. As announced on 23 June 2016, due to the well documented political unrest in the area around its cattle ranching operations in Central Mozambique, the Group began destocking its cattle in order to safeguard and crystallise its considerable livestock capital. The decision was made to destock these farms in order to protect the value of the herd during a period in which there is an increased possibility of livestock theft and an increased risk in the movement of people and goods in the country.

The Group's three farms, at Mavonde, Dombe and Inhazonia, held approximately 4,200 head of cattle at 31 May 2016. Over the forthcoming months, the cattle will continue to be delivered to the Vanduzi feedlot for fattening and subsequent slaughter. The feedlot, which continues to operate as normal, enables the Group to produce a well finished, high quality animal for slaughter ensuring premium grade meat is available to supply its butcheries and wholesale operations.

Once the farms have been completely destocked, which is anticipated to be by the end of April 2017, the Vanduzi feedlot will exclusively process locally reared animals. The Board is confident that suitable quality animals are available in the local market for these purposes, having seen a growth in local commercial cattle farming in recent times, in part as a result of the market generated by the Company's feedlot and abattoir infrastructure.

The decision to destock the ranches was the outcome of a lengthy internal deliberation and risk assessment. This process was completed subsequent to the period end when the final decision was made, although factors leading to that decision were present at 31 May 2016. The decision to destock the farms has accordingly been taken into consideration for the purposes of the Group's impairment review of its tangible assets in the Beef division for the year ended 31 May 2016. Further details of the impairment review are included in note 11.1.

34.2. Disposal of the Cocoa division

On 5 October 2016, the Group completed the sale of its Sierra Leone Cocoa division in a management buy-out transaction (the 'MBO') for cash consideration of $750,000 (the 'Consideration'). The net assets of the Cocoa division had a carrying value as at 31 May 2016 of $433,000 (refer to note 25). The Cocoa division principally comprised the 3,200 hectare cocoa plantation in the Kenema district of Sierra Leone, a 2,000 m2 warehouse, and related support infrastructure and vehicles.

Under the terms of the MBO, the Group disposed of its interests in Baranca Tide Limited and West Africa Cocoa Services Limited (the intermediate holdings companies which hold the assets comprising the Group's cocoa business in Sierra Leone, the 'Target Companies') with immediate effect; payment of the Consideration is deferred for a period of 65 business days from completion of the MBO (i.e. until 9 January 2017); in the event that the Consideration is not paid on the due date, the ownership of the Target Companies will immediately revert to the Group.

The sale of these assets pursuant to the MBO is part of the Group's ongoing rationalisation programme. The proceeds of the sale of these assets will be applied towards the Group's general working capital requirements.

34.3. Repayment of ABC Bank overdraft, discharge of mortgages and creation of new mortgages in favour of Standard Bank

As more fully described in note 26, the Group has an overdraft facility of 300,000,000 Metical with Standard Bank to provide working capital funding, principally for the purchase of maize and related operating expenditure. Inter alia, the Facility is secured against certain of the Group's property, plant and equipment. These items of property, plant and equipment were previously mortgaged to ABC Bank. Subsequent to the period end, and following the repayment in full of the ABC Bank overdraft facility, the deeds discharging the ABC Bank mortgage and perfecting this security in the name of Standard Bank were completed. Standard Bank's final mortgage was registered on 29 June 2016.

34.4. Disposal of the Group's aircraft

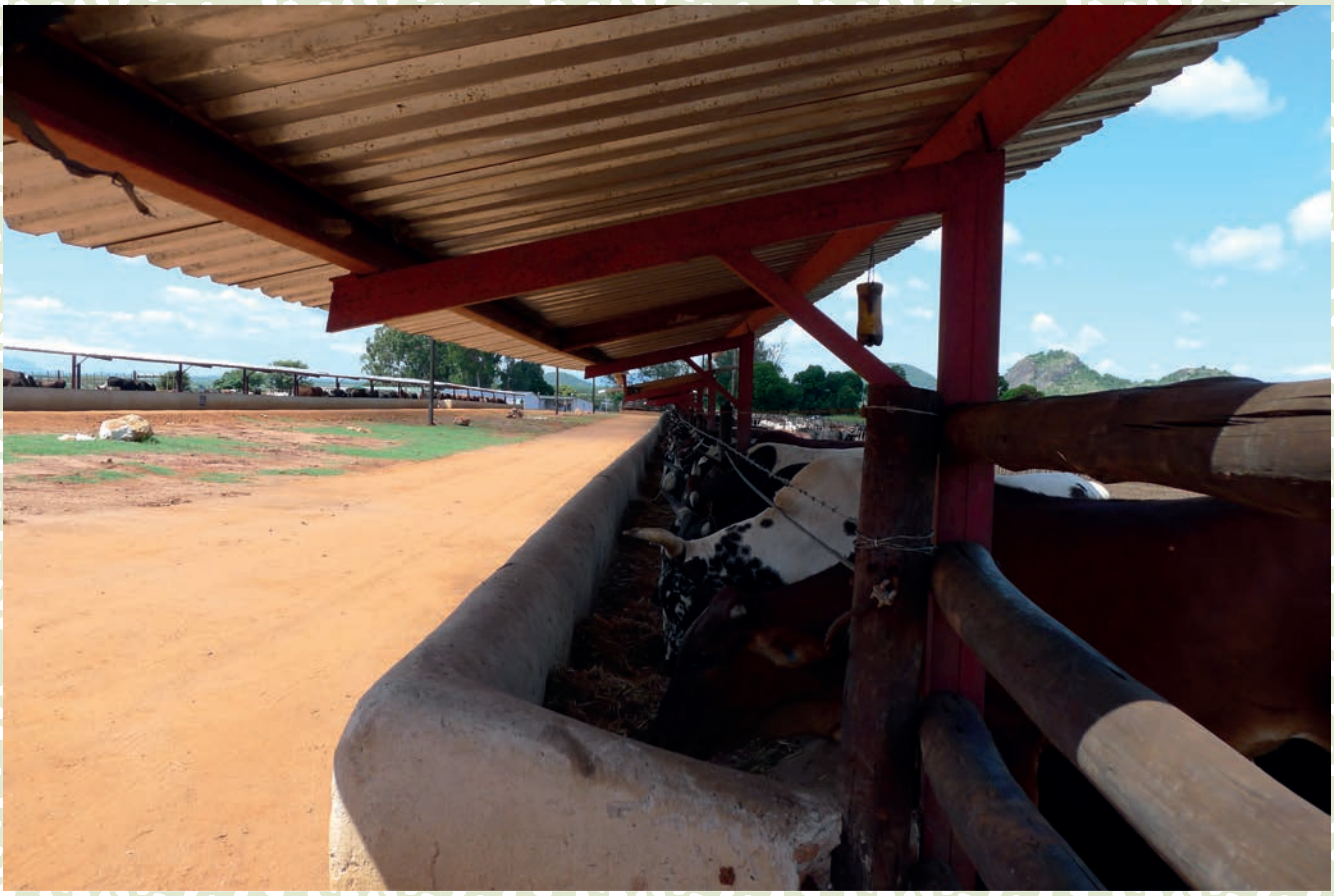
Subsequent to the period end and as more fully described in note 25, the Group sold its aircraft assets, realising gross proceeds of $570,000 and net proceeds after expenses of approximately $526,000. The sale of these assets is part of the Group's ongoing rationalisation programme.

Company information and advisers

Country of incorporation	Guernsey, Channel Islands
Registered address	Richmond House St Julian's Avenue St Peter Port Guernsey, GY1 1GZ
Directors	Ms Caroline Havers (Chair) Mr Andrew Groves (Chief Executive) Mr Daniel Cassiano-Silva (Finance Director)
Auditor	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London, EC4A 4AB
Solicitors	Carey Olsen 8-10 Throgmorton Avenue London, EC2N 2DL
Nominated adviser and broker	Cantor Fitzgerald Europe One Churchill Place London, E14 5RB
Registrars	Capita Registrars (Guernsey) Limited Longue House Longue House Lane St Sampson's Guernsey, GY2 4JN

Perivan Financial Print 243145

DECA Limitada maize processing and storage facility, Chimoio (Mozambique)



Vanduzi feedlot, Vanduzi (Mozambique)

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