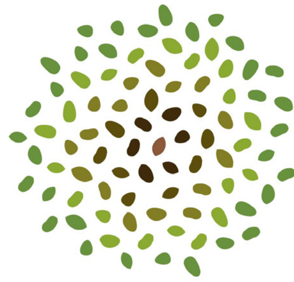

Agriterra

AGRITERRA LIMITED

ANNUAL REPORT 2017

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Chair's statement

On 28 February 2017, the Agriterra Limited ('Agriterra', or the 'Company') group (the 'Group') changed its accounting reference date to 31 March (from 31 May) to more effectively co-ordinate the Group's annual report and accounts with the business cycle of the Group's underlying operations. This change was implemented as at 31 March 2017, and I am now pleased to announce the results of the 10 month period ended 31 March 2017 ('FY-2017'), together with the comparative figures presented for the 12 month period ended 31 May 2016 ('FY-2016').

Outlook

As shareholders will be aware, during FY-2017 we have focussed our efforts on our Grain and Beef operations in Mozambique, following the decision to dispose of our interests in the Cocoa operations in Sierra Leone, which was completed in June 2017 (as more fully described below).

The Agriterra board has always held the opinion that there is significant development potential in Mozambique's agricultural markets, as a result of the natural growth in demand which will develop as the local population gains spending power, coupled with the growth uplift that has long been expected from the development of the liquefied natural gas ('LNG') industry in the north of the country. I am pleased to report that steps towards the development of the LNG industry have now been taken by a consortium of companies, led by ENI S.p.A (and including Galp Energia, ExxonMobile and others), which in early June 2017 announced a final investment decision to proceed with a $7bn offshore LNG platform off the coast of Cabo Delgado, in North East Mozambique. Significant infrastructure and construction contracts are reported to have been awarded for the development of this project, which is expected to produce its first exports, destined for Asian markets, in 2021/22. This important development has already started to generate positive economic effects within Mozambique, both on a macro-economic level in terms of positive sentiment regarding the country's return to high growth rates as well as at the more granular level of anticipated demand for our products (in particular, our beef).

This progress is particularly encouraging for the Group which has survived a very difficult period in Mozambique over the last two years. As has been noted in previous reports, the recent macro-economic conditions in Mozambique have been very challenging, 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 ('Metical' of 'MZN') against the United States $ (50% devaluation in the 12 months ended 31 December 2016) and the South African Rand (73% devaluation in the 12 months ended 31 December 2016). As a result of these economic changes, Mozambique has experienced high inflation rates (reaching c25% for the 12 months ended 31 December 2016, and 21% for the 12 months ended 31 March 2017), accompanied by a rapid rise in interest rates (prime lending rates are now at 27.75%, having recently peaked at 28.00% compared to 16.00% at 31 May 2015 and 19.50% at 31 May 2016). In addition to these economic complexities, Mozambique experienced further political and military tensions during the period, particularly in the centre of the country.

From January 2017, the macro-economic and political environment has improved as a result of a number of factors, including a cease-fire agreement between FRELIMO and RENAMO, combined with the relative strengthening (and stability) of the Metical to c60 Metical per United States $ as at the date of this report. Furthermore, the prevailing sentiment now is that the donor community and the IMF may soon resume much needed support to the Mozambique government, which is a significant positive change. In addition, two years of drought have now come to an end, with a return to normal or higher than normal rainfall in Central to Northern Mozambique, and Sub-Saharan Africa in general. The risk of damage to the maize harvest in Mozambique from armyworm infestation has also been alleviated and the crop is now being harvested with no evidence of any significant effect; the result is a sizeable harvest in many of the key staple agricultural products, including maize, in Mozambique and the wider region, which can only be beneficial to the poorer households who have been facing ever rising prices.

While these circumstantial improvements since January 2017 are expected to lead to an improvement in trading conditions going forwards, FY-2017 as a whole has been significantly and negatively impacted by the difficult trading conditions.

Grain division

In respect of our Grain operations, the drought conditions in the region have been a major factor in the results for the period. In particular there was a significant increase in the cost of raw maize, with a knock on effect on the price of maize meal, the primary product of our Grain division. Consistent with the normal price pattern, maize flour prices rose steadily throughout the year; price rises far outstripped inflation though and by December 2016 were 70% higher than December 2015. Despite the significantly higher price, demand was sustained over this period - maize flour is a key staple foodstuff and prices of competing products which are mainly imported (such as rice) were rising in Metical terms due to the weakening of the currency.

From January 2017, short term trading conditions worsened, with a sizeable drop in demand (to c 4,000 tonnes of maize flour in the period January to March compared to c 6,700 tonnes in the same period of FY-2016) and simultaneous lower prices (when compared to December 2016) – this is anomalous to a normal year when prices and demand rise in the period immediately preceding the new harvest, which started in May 2017.

A number of factors led to this abnormal reduction in demand and price, including a lack of cash resources for a sizeable proportion of the population, significant rainfall which made access to key selling points difficult, and the flooding of some markets with surplus maize inventory (either held on a speculative basis by traders or held at Beira port for delivery to neighbouring countries that were then unable to complete on their purchases).

This latter part of the yearly cycle is when the Grain division typically makes most of its profit and therefore these adverse trading conditions have inevitably impacted performance. As a result, the Grain division returned a small EBITDA loss of $81,000 (FY-2016: EBITDA profit of $1,050,000) on sales of $8,468,000 (FY-2016: $12,246,000) being 18,900 tonnes of maize flour (FY-2016: 27,900 tonnes) and 24,900 tonnes of all maize products (FY-2016: 39,400). Included within the results of the division is a provision of $769,000 (FY-2016: $nil) against the carrying value of maize inventory. The provision is required under IFRS to write the carrying value of this inventory down to net realisable value at the period end. Adjusted EBITDA for the Grain division, excluding this provision, is a profit of $688,000 (FY-2016: $1,050,000).

In common with many agricultural products, the working capital requirements in the Grain division are significant, principally due to the natural cycle of maize purchases peaking between April and August, while peak maize flour sales are normally between December and March. During FY-2017 we purchased c 27,200 tonnes of maize (FY-2016: c 33,100 tonnes). The Grain division's working capital is financed by bank facilities provided by Standard Bank which, with a current interest rate of 26.25%, continues to impact the profitability of the division. After an interest charge of $686,000 in FY-2017 (FY-2016: $473,000), loss before tax for the Grain division was $890,000 compared to a profit of $338,000 in FY-2016.

While the loss in the Grain division, resulting from a combination of factors including the high interest rate and abnormal fall in demand in January to March 2017, resulting in the provision against maize inventory, is disappointing, it should be noted that the cost savings generated in this division in early 2016, and during the current financial period, have been critical in mitigating the adverse effect of these factors. The cost base of the Grain division is now at a more appropriate level for the business and, in the Board's opinion, still provides a platform for future growth.

Grain division strategy and outlook

As the economic situation in Mozambique improves, interest rates return to more normal levels and maize prices (and consequently maize flour prices) return to levels that are more sustainable for the population, we expect to see improvements in net profit generated by this division.

The development of appropriate animal feed products (primarily for poultry and beef) which are produced by our animal feed pelletizer (using maize bran, a by-product of the maize milling process) has now finished and we expect to start commercial supplies of animal feed in August 2017. In addition to this new product line, we believe that the development of further product lines is critical to the maize division. We are currently assessing the viability of additional "value add" products, including porridge, maize based drinks and maize based snacks and hope to be able to introduce additional products in the near future.

Chair's statement

Beef division

In respect of our Beef division, the reduced price competitiveness of imported products (arising from the devaluation of the Metical) has provided certain opportunities for us to grow our markets. Given these favourable conditions, we commenced supplying into the Maputo market (the largest and most affluent market in Mozambique), which was previously dominated by South African imports. Accessing this market has helped to increase our volumes of beef products sold and Metical revenues, which have averaged 227 tonnes and 30,400,000 Metical per month compared to 186 tonnes and 22,100,000 Metical in FY-2016. Despite a strong revenue performance in Metical terms, this translates to a fall in average monthly dollar denominated revenues to $434,000 from $522,000 in FY-2016, due to the substantial depreciation in the Metical during the period. The first three months of 2017 have also seen a temporary fall in sales volumes in our Beef division to c 173 tonnes a month of beef products, principally due to our efforts to improve the productivity in our feedlot where we are focussing on increasing the average stay of our animals to increase their weight. These efforts to improve feedlot productivity are in response to the reduction in internal animal stocks and the fact that traditional sources of supply from the rural community are only now beginning to return following the cessation of military activity in the country. Once the average stay of animals in the feedlot is increased, we expect to return to supplying approximately 230 tonnes a month of beef products from our existing operations.

In line with our overall Group strategy, we have continued to implement significant cost savings in the Beef division during the period. Despite the positive effect of cost savings, the Beef division returned a loss before tax during FY-2017 of $1,587,000 (FY-2016: loss of $6,186,000) and an EBITDA loss of $1,024,000 (FY-2016: $2,023,000). In part this loss reflects the ongoing farming costs incurred during the de-stocking process of the cattle farms; as previously announced, and in light of the military tension in country and the need to protect the value of the herd and security of our employees, the Board took the decision in June 2016 to de-stock the cattle farms and place them in "care and maintenance". This de-stocking programme is well under way, and the Inhazonia and Mavonde ranches are now de-stocked, with c 1,000 animals remaining on our Dombe ranch at the date of this report. Due to the de-stocking of the cattle farms, we expect to exhaust our current cattle asset inventory within 12 months. Accordingly all cattle inventory is presented as a current asset in the statement of financial position as at 31 March 2017.

Although placing the farms into "care and maintenance" is a significant shift in our strategy for the Beef division, it has the positive effect of reducing the cash requirements of the ongoing development of these assets and providing cash inflow through the slaughter and sale of our remaining own herd. This cash inflow, along with income from the disposal of surplus, non-revenue generating assets is permitting the reduction of the Beef division's existing bank finance (taken during the Group's expansion period, prior to the development of the current economic and political situation in country). The Beef division's bank borrowings stood at 66,400,000 Metical as at 31 March 2017 ($998,000 at the 31 March 2017 Metical to US$ exchange rate) and have now been reduced to c 17,800,000 Metical as at the date of this report ($297,000 at the current Metical to US$ exchange rate). This compares to 100,500,000 Metical as at 31 May 2016 ($1,687,000 at the 31 May 2016 Metical to US$ exchange rate).

Beef division strategy and outlook

Looking forwards, we see good growth potential in North Mozambique, both from the development of the camps to service the construction of the LNG facilities as well as the general spill-over effects of greater prosperity into and within the local community. We are therefore assessing the potential for a small feedlot and abattoir facility close to our Nampula distribution centre which, if implemented, would increase our overall supply capacity in Mozambique as a whole.

In accordance with our previous strategy, we will continue to assess new retail units in strategic locations to take advantage of regional development opportunities. While the initial focus is likely to be in North Mozambique, we remain open to opportunities countrywide.

We will also continue to assess our farming estate which, in the longer run, remains 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.

Cocoa division

Turning to our Cocoa division, as previously announced, on 5 October 2016 the Group agreed the sale of its Sierra Leone Cocoa division in a management buy-out transaction (the 'MBO'), which was ultimately unsuccessful. The Cocoa division principally comprised a 3,200 hectare cocoa plantation in the Kenema district of Sierra Leone, a 2,000 m2 warehouse, and related support infrastructure and vehicles. The MBO team failed to secure the necessary finance and on 16 January 2017, the Group took back the ownership of the relevant local operating subsidiaries. Following this disappointment, we immediately initiated actions to market the Cocoa division's assets to interested parties, culminating in the disposal of the Group's operating subsidiaries in Sierra Leone on 1 June 2017 for $500,000. The purchasers were local Sierra Leone businessmen who have existing cocoa production, purchasing and distribution operations in country. The disposal proceeds have been applied subsequent to the period end to reduce the Group's Beef division borrowing facilities in Mozambique and for general working capital purposes.

Conclusion

Having rationalised our cost base and improved efficiencies, while reducing our outstanding debt obligations and related interest payments, we have been able to improve the underlying profitability of our businesses, and working capital position such that we have a sustainable business that can now capitalise on the growth that will inevitably come from the development of the LNG industry.

The past three years have been a particularly difficult period and I must thank our management and staff for their strong commitment to the business which has allowed it to push through the challenging business environment in which we have been operating.

CSO Havers
Chair

17 July 2017

Directors' report

The directors the Company hereby present their annual report together with the audited financial statements for the 10 month period ended 31 March 2017 for the Group. The Company changed its accounting reference date to 31 March from 31 May, effective from 31 March 2017 in order to more effectively co-ordinate the Group's annual report and accounts with the business cycle of the Group's underlying business operations. Accordingly the financial statements present the results and cash flows of the Group for the 10 month period ended 31 March 2017, with the comparative period being the 12 months ended 31 May 2016.

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 March 2017, 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 24. A review of the Group's performance by business segment, key performance indicators and future prospects are given in the Chair's statement. 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 for the 10 month period ending 31 March 2017 show a loss after taxation and discontinued operations of $3,774,000 (12 month period ending 31 May 2016: loss $8,455,000), including an impairment charge against current and non-current assets of $nil (12 month period ended 31 May 2016: $3,069,000 arising against the Group's beef assets in Mozambique). The Directors do not recommend the payment of a final dividend (12 month period ending 31 May 2016: $nil). No interim dividends were paid in the period (12 month period ended 31 May 2016: $nil).

Further details on the Group's performance in the period are included in the Chair's statement.

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
CSO Havers	Chair
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 period 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 period are as follows:

Director	At 1 June 2016 and 31 March 2017	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 14 July 2017, 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%
Mr. William Philip Seymour Richards	98,250,000	9.25%
Global Resources Fund	67,888,600	6.39%
Libra Fund LP	52,729,574	4.97%
Gersec Trust Reg.	51,336,989	4.83%
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 March 2017 was 4 days (31 May 2016: 5 days).

8. Political and charitable donations

During the period no political and charitable donations were made (12 month period ending 31 May 2016: $nil).

Directors' report

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 period, in particular, by supporting Mozambique through the drought period caused by the El Nino phenomenon that has affected Sub-Saharan Africa in 2016.

Particular activities undertaken during the period have focussed on (1) practical, 'on the ground' training for students from various universities in Mozambique studying, inter alia, production practices in beef and cattle, milling practices (including mill engineering), veterinary sciences and animal sciences; (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 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 continued 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. We have also assisted the local population in the Mousourrize district of the Manica Province to improve the bloodline of their breeding herd by trading 10 young bulls for steers.

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. We have further completed the construction of a clinic in the district of Dombe for use by the local population.

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 July 2017

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 March 2017, 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 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 period. 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 period 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's operations are impacted by fluctuations in exchange rates, in particular between the Metical and South African Rand and the Metical and United States Dollar. Fluctuations in exchange rates may affect the underlying amounts that the Group will pay for goods or services, or impact the price competitiveness of the Group's products in certain markets. This risk has continued to be particularly noticeable this financial period – the Mozambique to US$ exchange rate has moved from 59.61 Metical/US$ at 31 May 2016 to 66.51 Metical/US$ at 31 March 2017, having reached as high as approximately 80 Metical/US$ in the period; this follows a depreciation from 36.9 Metical/US$ at 31 May 2015. On the one hand, the devaluation in the Metical has increased a portion of the Group's cost base, albeit measures taken by the Group to reduce foreign denominated expenditure, such as the reduction in salaries pad in currencies other than Metical, have been partially successful in mitigating this exposure. On the other hand, the devaluation in the Metical has increased the cost of imported beef products, which has been relatively more expensive than produce of Mozambique origin. On a net basis, the devaluation in the Metical has been favourable for sales and net income. Future fluctuations in exchange rates could have a net positive or adverse effect on the Group's business.

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.

Corporate governance

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, including more recently Mozambique, 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.

This risk increased significantly during the 2016 calendar year in Mozambique, which has experienced 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. During 2017 there has been a relative improvement in Mozambique; in particular, the cease fire which was provisionally announced in late December 2016 has now become indefinite, which will hopefully mark the end of the period of political and military unrest. Further, inflation is slowing down and agricultural commodity prices are falling in response to a more normal, or even bumper harvest in many key staple agricultural products (including maize). Conversely, international prices for coal in particular have shown significant increases since the ten year low registered in early 2016, and expectations for future gas prices also remain favourable. Combined with a general improvement in the international sentiment towards Mozambique in response to the positive actions undertaken by the Government to address the debt crisis, there is hope that donor funding and private investment (particularly in the natural gas and coal sectors) will contribute to a general economic uplift.

However, in the event that political and military tensions escalate again, the Group will be obligated to assess the risks to staff and re-consider risk mitigation 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. Our Mozambique 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 3,500 head as at 31 March 2017 (31 May 2016: 6,800). 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 Nino' 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 the Chair's statement, the Group has completed de-stocking the Mavonde and Inhazonia farms, and has only limited animal stock at Dombe. The risks associated with cattle ranching have therefore been reduced at present. 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 Directors are responsible for preparing the Director' Report and the financial statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law 2008, as amended (the '2008 Law') requires the Directors to prepare group financial statements for each financial period in accordance with generally accepted accounting principles.

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 of the Group are required by law to give a true and fair view and are required by IFRS as adopted by the EU to present fairly the financial position and financial performance of the Group.

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 Group 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 are properly prepared in accordance with The Companies (Guernsey) Law 2008. 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

Opinion on financial statements

We have audited the Group financial statements on pages 15 to 54. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2017 and of the Group's loss for the period then ended;
- are in accordance with IFRSs as adopted by the European Union; and
- comply with the requirements of The Companies (Guernsey) Law 2008.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements arising from the requirements of International Standards on Auditing (UK and Ireland) is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

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 parent Company; or
- the parent Company financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Respective responsibilities of Directors and auditor

As more fully explained in the Statement of Directors' Responsibilities set out on page 13, 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.

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.

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

17 July 2017

Consolidated income statement

For the 10 month period ended 31 March 2017

	Note	10 months ended 31 March 2017 US$000	12 months ended 31 May 2016 US$000
Continuing operations			
Revenue	5	12,807	18,511
Cost of sales		(11,915)	(16,779)
Gross profit		892	1,732
Increase in value of biological assets	21	487	1,637
Operating expenses		(4,532)	(6,863)
Impairment of current and non-current assets	11	–	(3,069)
Other income		29	57
Profit/(loss) on disposal of property, plant and equipment and adjustments to the carrying value of assets classified as held for sale		439	(110)
Operating loss	7	(2,685)	(6,616)
Investment revenues	12	12	11
Other gains and losses	13	(16)	(360)
Finance costs	14	(927)	(678)
Loss before taxation		(3,616)	(7,643)
Taxation	15	(22)	(34)
Loss for the period from continuing operations		(3,638)	(7,677)
Discontinued operations			
Loss for the period from discontinued operations	16	(136)	(778)
Loss for the period attributable to owners of the Company		(3,774)	(8,455)
		US cents	**US cents**
LOSS PER SHARE			
Basic and diluted loss per share from continuing operations	17	(0.35)	(0.72)
Basic and diluted loss per share from continuing and discontinued operations	17	(0.36)	(0.80)

Consolidated statement of comprehensive income

For the 10 month period ended 31 March 2017

	10 months ended 31 March 2017 US$000	**12 months ended 31 May 2016 US$000**
Loss for the period	(3,774)	(8,455)
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation differences	(1,119)	(8,139)
Other comprehensive income for the period	(1,119)	(8,139)
Total comprehensive income for the period attributable to owners of the Company	(4,893)	(16,594)

Consolidated statement of financial position

As at 31 March 2017

	Note	31 March 2017 US$000	31 May 2016 US$000
Non-current assets			
Property, plant and equipment	18	6,094	7,505
Interests in associates	19	4	4
Investments	20	–	16
Biological assets	21	–	888
		6,098	8,413
Current assets			
Biological assets	21	746	1,106
Inventories	22	1,253	1,357
Trade and other receivables	23	1,557	1,290
Assets classified as held for sale	24	573	860
Cash and cash equivalents		2,425	4,055
		6,554	8,668
Total assets		12,652	17,081
Current liabilities			
Borrowings	25	2,730	1,812
Trade and other payables	26	634	708
Liabilities directly associated with assets classified as held for sale	24	128	142
		3,492	2,662
Net current assets		3,062	6,006
Non-current liabilities			
Borrowings	25	734	1,105
		734	1,105
Total liabilities		4,226	3,767
Net assets		8,426	13,314
Share capital	28	1,960	1,960
Share premium		148,622	148,622
Share based payment reserve		1,985	1,980
Translation reserve	29.1	(17,501)	(16,382)
Accumulated losses		(126,640)	(122,866)
Equity attributable to equity holders of the parent		8,426	13,314

The financial statements of Agriterra Limited were approved and authorised for issue by the Board of Directors on 17 July 2017. Signed on behalf of the Board of Directors by:

CSO Havers
Chair

17 July 2017

Consolidated statement of changes in equity

For the 10 month period ended 31 March 2017

	Note	Share capital US$000	Share premium US$000	Share based payment reserve US$000	Translation reserve US$000	Accumulated losses US$000	Total equity US$000
Balance at 1 June 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	30	–	–	66	–	–	66
Balance at 31 May 2016		1,960	148,622	1,980	(16,382)	(122,866)	13,314
Loss for the period		–	–	–	–	(3,774)	(3,774)
Other comprehensive income:							
Exchange translation loss on foreign operations		–	–	–	(1,119)	–	(1,119)
Total comprehensive income for the period		–	–	–	(1,119)	(3,774)	(4,893)
Share-based payments	30	–	–	5	–	–	5
Balance at 31 March 2017		1,960	148,622	1,985	(17,501)	(126,640)	8,426

Consolidated cash flow statement

For the 10 month period ended 31 March 2017

	Note	10 months ended 31 March 2017 US$000	12 months ended 31 May 2016 US$000
Cash flows from operating activities			
Loss before tax from continuing operations		(3,616)	(7,643)
Adjustments for:			
Depreciation	18	445	1,160
Profit on disposal of property, plant and equipment		(460)	(15)
Adjustments to the carrying value of assets classified as held for sale		21	125
Share based payment expense	30.1	5	66
Foreign exchange loss/(gain)		104	(37)
Increase in value of biological assets	21	(487)	(1,637)
Finance costs	14	927	678
Investment revenues	12	(12)	(11)
Decrease in fair value of investments	20	16	360
Impairment of current and non-current assets	11	–	3,069
Operating cash flows before movements in working capital		(3,057)	(3,885)
(Increase)/decrease in inventories		(151)	122
Increase in trade and other receivables		(729)	(291)
Decrease in trade and other payables		(13)	(325)
Net decrease in biological assets	21	1,454	1,592
Cash used in operating activities by continuing operations		(2,496)	(2,787)
Corporation tax paid		(22)	(34)
Finance costs		(927)	(678)
Interest received		12	11
Net cash used in operating activities by continuing operations		(3,433)	(3,488)
Net cash used in operating activities by discontinued operations		(48)	(133)
Net cash used in operating activities		(3,481)	(3,621)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment net of expenses incurred		927	105
Acquisition of property, plant and equipment	18	(204)	(465)
Net cash from/(used in) investing activities by continuing operations		723	(360)
Net cash from investing activities by discontinued operations		33	106
Net cash from/(used in) investing activities		756	(254)
Cash flows from financing activities			
Net draw down of overdrafts		1,145	53
Net (repayment)/draw down of loans		(110)	1,721
Net cash from financing activities from continuing operations		1,035	1,774
Net cash used in financing activities by discontinued operations		–	–
Net cash from financing activities		1,035	1,774
Net decrease in cash and cash equivalents		(1,690)	(2,101)
Effect of exchange rates on cash and cash equivalents		60	(265)
Cash and cash equivalents at beginning of the period		4,055	6,421
Cash and cash equivalents at end of the period		2,425	4,055

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 42. 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.

The Company changed its accounting reference date to 31 March from 31 May, effective from 31 March 2017 in order to more effectively co-ordinate the Group's annual report and accounts with the business cycle of the Group's underlying business operations. Accordingly these financial statements present the results and cash flows of the Group for the 10 month period ended 31 March 2017, with the comparative period being the 12 months ended 31 May 2016.

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	Amendments 2014	Amendments regarding the application of the consolidation exception (effective for annual periods beginning on or after 1 January 2016)
IFRS 11	Amendments 2014	Amendments regarding the accounting for acquisitions of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016)
IFRS 12	Amendments 2014	Amendments regarding the application of the consolidation exception (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)
IAS 27	Amendments 2014	Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective for annual periods beginning on or after 1 January 2016)
IAS 28	Amendments 2014	Amendments regarding the application of the consolidation exception (effective for annual periods beginning on or after 1 January 2016)
IAS 38	Amendments 2014	Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016)
IAS 41	Amendments 2014	Amendments bringing bearer plants into the scope of IAS 16 (effective for annual periods beginning on or after 1 January 2016)
September 2014 Annual Improvements to IFRSs	Amendments 2014	Effective for annual periods beginning on or after 1 January 2016

Notes to the consolidated financial statements

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	Amendments 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 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 4 & IFRS 9	Amendments 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 10	Amendments 2014	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (effective date deferred indefinitely)
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 28	Amendments 2014	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (effective date deferred indefinitely)
IAS 40	Amendments 2016	Amendments to clarify transfers or property to, or from, investment property (effective for annual periods beginning on or after 1 January 2018)
December 2016 Annual Improvements to IFRSs	Amendments 2016	Effective for annual periods beginning on or after 1 January 2018

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 March 2017 (or 31 May for periods up to and including the year ended 31 May 2016). 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 March 2017, the Company held equity interests in the following undertakings:

Direct investments

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

Notes to the consolidated financial statements

Indirect investments of Baranca Tide Limited

	Proportion held of equity instruments	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 of equity instruments	Country of incorporation	Nature of business
Subsidiary undertakings			
Red Bunch Ventures (SL) Limited	100%	Sierra Leone	Non-trading

(1) The assets and liabilities of these companies form part of the Cocoa disposal group. These companies were either disposed or liquidated subsequent to the end of the financial period. Refer to note 24 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 period in which the operation or branch is disposed of.

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

	Average Rate		Closing Rate	
	2017	2016	2017	2016
Mozambican Meticais: US$	71.36	43.61	66.51	59.61
Sierra Leone Leones: US$	7,025	5,067	7,400	6,200

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, or the rental of land and buildings, is stated on an accruals basis at the amount due for rental until the relevant financial period end.

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 any period presented.

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 rewards of ownership are classified as finance leases. All other leases are classified as operating leases. As at 31 May 2016 and 31 March 2017 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 period. 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 periods. Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for

Notes to the consolidated financial statements

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. 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.

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%

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.

3.13. 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.

3.14. 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 comprised breeding and non-breeding cattle. The breeding cattle comprised bulls, cows and heifers. As these were expected to be held for more than one year, breeding cattle were classified as non-current assets. The non-breeding cattle comprise animals that will be grown and sold for slaughter and are classified as current assets. Subsequent to the decision to close the cattle farms during the period, all cattle are classified as non-breeding animals and disclosed as a current asset.

Cattle are recorded as assets at the period 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 profit or loss over the period it is consumed.

3.15. 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.

3.16. 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.

3.17. 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.

Notes to the consolidated financial statements

3.17.1. 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.

3.17.1.1. 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.

3.17.1.2. 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 companies which were previously quoted on AIM and were 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 20.

3.17.1.3. 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 difference 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.

3.17.1.4. 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.

3.17.2. 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.

3.17.2.1. 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.

3.17.2.2. 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.

3.17.2.2.1. 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.

3.17.2.2.2. 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.

3.18. 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).

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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 forecast selling prices and volume, budgeted cost reductions, and projected weight gains of cattle in the feedlot. They further take into account the expected meat to be obtained by de-stocking the remaining beef herd from the beef ranches (being approximately 1,500 animals at 31 March 2017), 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.

No impairments were recorded in the 10 month period ended 31 March 2017. Details of impairments recorded in the 12 month period ended 31 May 2016 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.

In prior periods, the herd was further categorised as either the breeding herd of slaughter herd, depending on whether it was principally held for reproduction or slaughter. During the period the Group has started to de-stock its cattle farms (where the breeding herd was held) into the feedlot, where the animals were, or are, being fattened for slaughter. The herd on the farms has decreased in the period from approximately 4,200 animals as at 31 May 2016, to approximately 1,500 animals as at 31 March 2017. The de-stocking is expected to be complete before 31 March 2018 and accordingly, the value of the breeding herd will be realised within 12 months of the balance sheet date; the herd is therefore disclosed as a current asset. At 31 March 2017 the value of the breeding herd disclosed as a non-current asset was $nil (31 May 2016: $888,000). The value of the herd held for slaughter disclosed as a current asset was $746,000 (31 May 2016: $1,106,000).

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 2016 and 31 March 2017. As at 31 March 2017, the gross and net IVA recoverable assets are respectively $857,000 (31 May 2016: $837,000) and $nil (31 May 2016: $nil) at the US$ to Metical exchange rate of 66.51 (31 May 2016: 59.61) at that date.

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

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 notes 16 and 24). This classification was initially adopted as at 31 May 2016 for the reasons described below. 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.

On 5 October 2016, the Group agreed the sale of its Sierra Leone Cocoa division in a management buy-out transaction (the 'MBO').The Cocoa division principally comprised the 3,200 hectare cocoa plantation in the Kenema district of Sierra Leone, a 2,000 m^2 warehouse, and related support infrastructure and vehicles.

Under the terms of the MBO, the Group would dispose of its interests in Baranca Tide Limited and West Africa Cocoa Services Limited (the intermediate holdings companies which held the assets comprising the Group's cocoa business in Sierra Leone, the 'Target Companies') with immediate effect; payment by the MBO team was deferred for a period of 65 business days from completion of the MBO (i.e. until 9 January 2017). The MBO team failed to secure the necessary finance and, following an extension to 16 January 2017, the Group took back the ownership of the Target Companies.

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The Group immediately initiated actions to market the Cocoa division's assets to interested parties. Advanced discussions with interested parties, including on site due diligence, were underway at the period end, culminating in the disposal of the Group's operating subsidiaries in Sierra Leone (being Tropical Farms Limited and Tropical Farms Plantation (SL) Limited) on 1 June 2017 for $500,000. The purchasers were local Sierra Leone businessmen who have existing cocoa production, purchasing and distribution operations. The Group has now initiated the solvent liquidation of the Target Companies, which is expected to be completed during the financial year ended 31 March 2018.

The Directors are of the opinion that the conditions for classification as held for sale were met as at 31 March 2017 and accordingly continued to adopt that classification. The sale of these assets is part of the Group's ongoing rationalisation programme; $400,000 of the proceeds from the sale of these assets have been applied to reduce the Group's borrowing facilities in the Beef division, with $100,000 applied for general working capital purposes.

5. Revenue

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

	10 months ended 31 March 2017 US$000	**12 months ended 31 May 2016 US$000**
Continuing operations		
Sale of goods	12,759	18,334
Hire of equipment and machinery	48	177
	12,807	18,511
Investment revenues (note 12)	12	11
	12,819	18,522
Discontinued operations		
Sales of goods (note 16)	–	161
Hire of equipment and machinery (note 16)	25	228
	25	389
	12,844	18,911

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:

10 month period ending 31 March 2017	Grain US$000	Beef US$000	Cocoa[3] US$000	Unallo-cated US$000	Discon-tinued[4] US$000	Elimi-nations US$000	Total US$000
Revenue							
External sales[2]	8,468	4,339	25	–	(25)	–	12,807
Inter-segment sales[1]	446	–	–	–	–	(446)	-
	8,914	4,339	25	–	(25)	(446)	12,807
Segment results							
– Operating (loss)/profit	(204)	(1,346)	(136)	(1,135)	136	–	(2,685)
– Interest (expense) /income	(686)	(241)	–	12	–	–	(915)
– Other gains and losses	–	–	–	(16)	–	–	(16)
(Loss)/profit before tax	(890)	(1,587)	(136)	(1,139)	136	–	(3,616)
Income tax	(6)	(1)	–	(15)	–	–	(22)
(Loss)/profit for the period from continuing operations	(896)	(1,588)	(136)	(1,154)	136	–	(3,638)

Year ending 31 May 2016	Grain US$000	Beef US$000	Cocoa[3] US$000	Unallo-cated US$000	Discon-tinued[4] US$000	Elimi-nations 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)

[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. Sales from the Cocoa division for the 10 month period ending 31 March 2017 were supplied within Sierra Leone (12 month period ending 31 May 2016: $161,000 of sales from the Cocoa division were supplied to the world market, with the remainder supplied within Sierra Leone).

[3] $25,000 (12 month period ended 31 May 2016: $228,000) of revenue reported in the Cocoa segment for the 10 month period ended 31 March 2017 arises on the rental of certain of the Cocoa division's assets.

[4] Amounts reclassified to discontinued operations in both periods presented relate to the Cocoa segment – refer to note 16.

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

10 month period ending 31 March 2017	Grain US$000	Beef US$000	Cocoa US$000	Unallocated US$000	Discontinued US$000	Eliminations US$000	Total US$000
Depreciation	123	322	–	–	–	–	445

Year ending 31 May 2016	Grain US$000	Beef US$000	Cocoa US$000	Unallocated US$000	Discontinued[1] US$000	Eliminations US$000	Total US$000
Depreciation	239	889	391	32	(391)	–	1,160
Impairment of assets (note 11)	–	3,069	–	–	–	–	3,069

[1] Amounts reclassified to discontinued operations in 12 months ended 31 May the 2016 relate to the Cocoa segment – refer to note 16.

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.

The segment assets and liabilities at 31 March 2017 and capital expenditure for the period then ended are as follows:

	Grain US$000	Beef US$000	Cocoa US$000	Unallocated US$000	Total US$000
Assets	5,456	4,713	–	2,483	12,652
Liabilities	(2,806)	(1,178)	–	(242)	(4,226)
Capital expenditure	(130)	(74)	–	–	(204)

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

	Assets US$000	Liabilities US$000
Segment assets and liabilities	10,169	3,984
Unallocated:		
Interests in associates	4	–
Other receivables	13	–
Assets classified as held for sale	453	–
Cash and cash equivalents	2,013	–
Liabilities directly associated with assets classified as held for sale	–	128
Trade payables	–	11
Accrued liabilities	–	103
	12,652	4,226

The segment assets and liabilities at 31 May 2016 and capital expenditure for the period 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 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
	17,081	3,767

6.3. Significant customers

In the 10 month period ended 31 March 2017, one customer of the Grain division generated revenue of $2,484,000 amounting to 19.4% of Group revenue (12 month period ended 31 May 2016: no single customer contributed more than 10% of the Group's revenue).

7. Operating loss

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

	10 months ended 31 March 2017 US$000	12 months ended 31 May 2016 US$000
Depreciation of property, plant and equipment	445	1,160
Profit on disposal of property, plant and equipment	(460)	(15)
Loss on re-measurement of assets classified as held for sale	21	125
Net foreign exchange loss/(gain)	104	(37)
Impairment of assets (see note 11)	–	3,069
Staff costs (see note 9)	1,838	3,360

Notes to the consolidated financial statements

8. Auditors remuneration

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

	10 months ended 31 March 2017 US$000	12 months ended 31 May 2016 US$000
Fees payable to the Company's auditor for the audit of the Company's accounts	94	121
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries	31	–
Total audit fees	125	121

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 period was as follows:

	10 months ended 31 March 2017 Number	12 months ended 31 May 2016 Number
Office and Management	50	47
Operational	492	746
	542	793
Of which relating to:		
Continuing operations	519	730
Discontinued operations	23	63
	542	793

Their aggregate remuneration comprised:

	10 months ended 31 March 2017 US$000	12 months ended 31 May 2016 US$000
Wages and salaries	1,828	3,615
Social security costs	40	78
Share based payment charge	5	66
	1,873	3,759
Of which relating to:		
Continuing operations	1,838	3,360
Discontinued operations	35	399
	1,873	3,759

10. Remuneration of Directors

10 months ended 31 March 2017	Salary US$000	Bonus US$000	Share based payment US$000	Total US$000
CS Havers	32	–	–	32
AS Groves	106	–	–	106
DL Cassiano-Silva	145	–	5	150
	283	–	5	288

12 months 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

11. Impairment of current and non-current assets

	10 months ended 31 March 2017 US$000	12 months ended 31 May 2016 US$000
Beef division	–	3,069
	–	3,069

In accordance with IAS 36, *Impairment of assets*, the Group conducted an impairment review of its tangible assets as at 31 March 2017; no impairment charges were recorded as a result of this review. The equivalent impairment review conducted as at 31 May 2016 resulted in an impairment against the Beef division assets held in Mozambique. 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 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. As a result of these factors and in accordance with IAS 36, *Impairment of assets*, the Company conducted an impairment review of its tangible assets as at 31 May 2016, resulting in an impairment against its property, plant and equipment of $3,069,000.

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 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 related 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). $197,000 of the impairment charge related to vehicles, heavy plant and machinery and agricultural equipment (including irrigation pivots). The remaining charge of $464,000 was recorded against the Vanduzi feedlot assets. No impairments were recorded against the retail and abattoir assets.

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12. Investment revenues

	10 months ended 31 March 2017 US$000	12 months ended 31 May 2016 US$000
Interest income on bank deposits	12	11

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

13. Other gains and losses

	10 months ended 31 March 2017 US$000	12 months ended 31 May 2016 US$000
Decrease in fair value of quoted investments (note 20)	16	360

14. Finance costs

	10 months ended 31 March 2017 US$000	12 months ended 31 May 2016 US$000
Interest expense on bank borrowings	927	678

15. Taxation

	10 months ended 31 March 2017 US$000	12 months ended 31 May 2016 US$000
Loss before tax from continuing activities	(3,616)	(7,643)
Tax credit at the Mozambican corporation tax rate of 32% (2016: 32%)	(1,157)	(2,446)
Tax effect of expenses that are not deductible in determining taxable profit	39	55
Tax effect of losses not allowable	499	463
Tax effect of net losses not recognised in overseas subsidiaries (net of effect of different rates)	634	1,928
Statutory taxation payments irrespective of income	7	14
Adjustment in respect of prior periods	–	20
Tax expense	22	34

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 not recognised any tax credits for the 10 month period ended 31 March 2017 (12 month period ended 31 May 2016: $187,000 tax credit 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 $9,324,000 (31 May 2016: $9,652,000). In addition, the Group has further deductible timing differences relating to property, plant and equipment, and foreign exchange gains and losses on intercompany loans, amounting to approximately $33,926,000 (31 May 2016: $31,285,000). 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 (2016: zero percent. per annum). No tax is payable for the period 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:

	10 months ended 31 March 2017 US$000	**12 months ended 31 May 2016 US$000**
Oil and gas activities	–	187
Cocoa activities	(136)	(965)
Net loss after tax attributable to discontinued operations (attributable to owners of the Company)	(136)	(778)

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 financial year ended 31 May 2016, the Group was 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.

16.2. Cocoa activities

Since September 2014, the group's Cocoa division in Sierra Leone focussed its efforts on maintaining its cocoa plantation assets, while undertaking revenue generating logistics activities, principally providing assistance in the Ebola relief efforts. Sierra Leone was declared Ebola free in the year ended 31 May 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.

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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 Cocoa activities represented a business segment of the Group and accordingly the results of the Cocoa activities are presented as discontinued operations within the consolidated income statement. This presentation was already adopted by the Group in the financial year ended 31 May 2016. The amounts recorded in the consolidated income statement related to the Cocoa activities were as follows:

	10 months ended 31 March 2017 US$000	**12 months ended 31 May 2016 US$000**
Revenue	25	389
Cost of sales	(3)	(277)
Gross profit	22	112
Operating expenses	(188)	(1,126)
Profit on disposal of property, plant and equipment	30	49
Loss before taxation	(136)	(965)
Taxation	–	–
Loss after tax and net loss attributable to the discontinued Cocoa activities in the period (attributable to owners of the Company)	(136)	(965)

Cash flows pertaining to the 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 Cocoa activities, are classified as held for sale as at 31 March 2017 and 31 May 2016. Further details are provided in notes 4.5 and 24.

The operating companies that comprised the Cocoa division were sold subsequent to the period end for cash consideration of $500,000. Further details are provided in notes 24 and 33.2.

17. Loss per share

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

	10 months ended 31 March 2017 US$000	12 months ended 31 May 2016 US$000
Loss for the purposes of basic and diluted earnings per share from continuing activities	(3,638)	(7,677)
Loss for the purposes of basic and diluted earnings per share from discontinued activities	(136)	(778)
Loss for the purposes of basic and diluted earnings per share (loss for the period attributable to equity holders of the Company)	(3,774)	(8,455)
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 – US cents	(0.36)	(0.80)
Basic and diluted loss per share from continuing activities – US cents	(0.35)	(0.72)
Basic and diluted loss per share from discontinued activities – US cents	(0.01)	(0.08)

18. 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	Total US$000
Cost						
At 1 June 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
Additions	23	149	9	–	23	204
Disposals	(170)	(201)	(168)	–	(12)	(551)
Transfer to assets classified as held for sale	–	(378)	(74)	–	(1)	(453)
Exchange rate adjustment	(837)	(513)	(240)	–	(33)	(1,623)
At 31 March 2017	12,952	3,944	1,779	–	306	18,981

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	Land and buildings US$000	Plant and machinery US$000	Motor vehicles US$000	Aviation US$000	Other assets US$000	Total US$000
Accumulated depreciation and impairment						
At 1 June 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
Charge for the period	101	235	85	–	24	445
Disposals	(15)	(144)	(167)	–	(9)	(335)
Transfer to assets classified as held for sale	–	(238)	(74)	–	–	(312)
Exchange rate adjustment	(335)	(241)	(216)	–	(18)	(810)
At 31 March 2017	8,995	1,999	1,706	–	187	12,887
Net book value						
31 March 2017	3,957	1,945	73	–	119	6,094
31 May 2016	4,692	2,500	174	–	139	7,505

For the 10 month period ended 31 March 2017, a depreciation charge of $445,000 (12 month period ending 31 May 2016: $1,160,000) has been included in the consolidated income statement within operating expenses and $nil (12 month period ending 31 May 2016: $391,000) has been included within discontinued operations.

Property, plant and equipment with a carrying amount of $4,479,000 (31 May 2016: $5,311,000) have been pledged to secure the Group's bank overdrafts and loans (note 25). The Group is not allowed to pledge these assets as security for other borrowings or sell them to another entity.

At 31 March 2017 and 31 May 2016, the Group had no contractual commitments for the acquisition of property, plant and equipment.

19. 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 (31 May 2016: $4,000). The Group's initial investment in AMS was $nil.

20. Investments

'Investments' comprise financial assets at FVTPL. Changes in market value are recorded in profit and loss within other gains and losses. As at 31 March 2017 and 31 May 2016, these investments comprise 8,337,682 ordinary shares in Atlas African Industries Limited ('AAI'), a company quoted on AIM until 18 November 2016, when its listing was cancelled. Movements in the value of the investment in AAI were as follows:

	US$000
At 1 June 2015	376
Decrease in fair value (note 13)	(360)
At 31 May 2016	16
Decrease in fair value (note 13)	(16)
At 31 March 2017	–

The fair value as at 31 May 2016 was determined based on quoted market prices in an active market and comprised a level 1 fair value in the IFRS 13 fair value hierarchy. As at 31 March 2017, AAI is no longer quoted and the fair value has been determined at the Directors best estimate and comprised a level 3 fair value in the IFRS 13 fair value hierarchy.

21. Biological assets

	US$000
Fair value	
At 1 June 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
Purchase of biological assets	1,667
Sale, slaughter or other disposal of biological assets	(3,121)
Change in fair value	487
Foreign exchange adjustment	(281)
At 31 March 2017	746

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:

	31 March 2017 Head	31 May 2016 Head	31 March 2017 US$000	31 May 2016 US$000
Non-current asset	–	3,564	–	888
Current asset	3,475	3,216	746	1,106
	3,475	6,780	746	1,994

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For valuation purposes, cattle are grouped into classes of animal (e.g. bulls, cows, steers etc). Up to and including 31 May 2016, a standard animal weight per breed and class was then multiplied by the number of animals in each class to determine the estimated total live weight of all animals in the herd. This approach has continued to be applied for animals that are not in the feedlot. For animals in the feedlot, for the period ended 31 March 2017, the animal's weight has been estimated based on their individual weigh in data at the closest weigh in date to the period end. This change in approach to estimating the live weight of animals in the feedlot has not resulted in a material change in the estimated weight of the feedlot animals.

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 25).

During the period and for the reasons described in the Chair's statement, the Board made the decision to close the breeding farms. Accordingly, all cattle are disclosed as current assets as at 31 March 2017.

22. Inventories

	31 March 2017 US$000	**31 May 2016 US$000**
Consumables and spares	156	139
Raw materials	907	1,028
Work in progress	12	14
Finished goods	178	176
	1,253	1,357

During the period inventories amounting to $10,925,000 (31 May 2016: $14,267,000) were included in cost of sales and $nil (31 May 2016: $127,000) were included within discontinued operations.

Raw materials include a provision against the carrying value of maize inventories amounting to $769,000 (31 May 2016: nil) which was recorded during the period to adjust the carrying value of this class of inventory to its expected recoverable amount, being the higher of net realisable value and resale value.

Inventories with a carrying amount of $917,000 (31 May 2016: $1,022,000) have been pledged to secure the Grain division's bank overdraft and inventories with a carrying value of $126,000 (31 May 2016: $134,000) have been pledged to secure the Beef division bank overdraft and loans (see note 25).

23. Trade and other receivables

	31 March 2017 US$000	**31 May 2016 US$000**
Trade receivables	1,459	678
Other receivables	72	580
Prepayments	26	32
	1,557	1,290

'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 2015	1,319
Charged to profit and loss	182
Written off in the period	(96)
Foreign exchange gain	(495)
At 31 May 2016	910
Credited to profit and loss	(1)
Written off in the period	(6)
Foreign exchange loss	9
At 31 March 2017	912

As at 31 March 2017, $857,000 (31 May 2016: $837,000) 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 $nil (31 May 2016: $361,000) due from related parties (see note 31).

Trade receivables with a carrying amount of $1,078,000 (31 May 2016: $496,000) have been pledged to secure the Grain division's bank overdraft and trade receivables with a carrying value of $381,000 (31 May 2016: $182,000) have been pledged to secure the Beef division's bank overdraft and loans (see note 25).

The Directors consider that the carrying amount of financial assets approximates their fair value. Included within 'Trade receivables' and 'Other receivables' are receivables which are past due but not impaired as follows:

	31 March 2017 US$000	31 May 2016 US$000
60-90 days	101	–
90-120 days	57	–
Greater than 120 days	38	385
	196	385

Further details on the Group's financial assets are provided in note 27.

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24. Disposal groups held for sale

The major classes of assets and liabilities comprising the operations classified as held for sale as at 31 March 2017 are as follows:

	Cocoa disposal group US$000	Other assets disposal group US$000	Total US$000
Assets classified as held for sale:			
Property, plant and equipment	363	120	483
Trade and other receivables	88	–	88
Cash and cash equivalents	2	–	2
Total assets classified as held for sale	453	120	573
Liabilities associated with assets classified as held for sale:			
Trade and other payables	(128)	–	(128)
Total liabilities associated with assets classified as held for sale	(128)	–	(128)
Net assets of the disposal group	325	120	445
Losses recognised on assets classified as held for sale	–	(21)	(21)

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

Assets and associated liabilities within the 'Cocoa disposal group' represent the net assets of the Group's Cocoa division. This division was sold subsequent to the period end realising gross proceeds of $500,000 (refer to notes 4.5 and 33.2). 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 'Other assets disposal group' comprise various assets identified for disposal as part of the Group's rationalisation programme, being primarily vehicles, heavy plant and machinery, and butchery equipment and fixtures and fittings. Subsequent to the period end, $81,000 of the carrying value of these has been sold for proceeds of $112,000.

During the 12 month period ended 31 May 2016, assets classified as held for sale within the 'Aircraft disposal group' comprised all of the Group's aircraft assets which were identified as being surplus to requirements. The aircraft were sold during the period, realising gross proceeds of $570,000. No adjustments were made to the carrying value of the Aircraft disposal group during the current reporting period.

25. Borrowings

	31 March 2017 US$000	31 May 2016 US$000
Non-current liabilities		
Bank loans	734	1,105
		–
Current liabilities		
Bank loans	264	137
Overdraft	2,466	1,675
	2,730	1,812
	3,464	2,917

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 comprised 75,000,000 Metical ($1,128,000 at the 31 March 2017 US$ to Metical 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 ($451,000 at the 31 March 2017 US$ to Metical exchange rate) overdraft. The term loans carry interest at the bank's prime lending rate plus 0.25% (being a rate of 28.25% as at 31 March 2017), and have a five year term from draw down with a moratorium on capital repayments of 15 months. Capital repayments on these loans commenced in October 2016. The overdraft renewed annually on 29 September, and carried interest at the bank's prime lending rate. By mutual agreement between the Company and Standard Bank, the overdraft was not renewed during the period. The lending facilities are secured with a fixed charge against certain of the Group's property, plant and equipment with a carrying value of $1,848,000 (31 May 2016: $2,137,000) (refer to note 18), and with floating charges against all cattle and meat inventories with a carrying value of respectively $746,000 (31 May 2016: $1,994,000) (refer to note 21) and $126,000 (31 May 2016: $134,000) (refer to note 22), and trade receivables with a carrying value of $381,000 (31 May 2016: $182,000) (refer to note 23).

As at 31 March 2017, $998,000 (31 May 2016: $1,242,000) was drawn against the term loans and $nil (31 May 2016: $445,000) was drawn against the overdraft. As at 31 March 2017, the Beef division had no undrawn borrowing facilities (31 May 2016: had undrawn and available borrowing facilities of 4,477,000 Metical).

Subsequent to the period end the Company restructured its lending facilities with Standard Bank as more fully described in note 33.1.

Grain division

On 19 May 2016, the Group entered into a 300,000,000 Metical ($4,511,000 at the 31 March 2017 US$ to Metical exchange rate) overdraft facility with Standard Bank S.A (the 'Facility') to provide working capital funding, principally for the purchase of maize and related operating expenditure. The balance outstanding on the Grain division's overdraft as at 31 March 2017 was $2,466,000 (31 May 2016: $1,263,000 before overdraft arrangement fees and $1,230,000 net of arrangement fees). It is secured by a fixed charge against $2,631,000 (31 May 2016: $3,174,000) of the Group's property, plant and equipment (refer to note 18) and by a floating charge over all maize inventory and finished maize products totalling $917,000 (31 May 2016: $1,022,000) (refer to note 22) and trade receivables totalling $1,078,000 (31 May 2016: $496,000) (refer to note 23). Interest is charged at the counterparty bank's prime lending rate less 1.75%, being a rate as at 31 March 2017 of 26.25% (31 May 2016 of 17.75%). Unless it is cancelled by either party, the Facility renews annually on 25 March. On 30 March 2017, the Facility was renewed on a short term basis until 5 May 2017 in order for the formal renewal process to be completed. This process was completed on 27 April 2017 and the Facility was renewed on substantially the same terms as described above (refer to note 33.1).

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As at 31 March 2017, the Grain division had available, undrawn borrowing facilities of approximately 136,006,000 Metical (31 May 2016: 224,756,000 Metical) ($2,045,000 at the 31 March 2017 US$ to Metical exchange rate).

26. Trade and other payables

	31 March 2017 US$000	31 May 2016 US$000
Trade payables	156	266
Other payables	189	125
Accrued liabilities	289	317
	634	708

'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.

27. Financial instruments

27.1. 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 25 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.

Current interest rates on borrowings in Mozambique are very high, with the prime lending rate at 28%. In light of this, the Group has been rationalising its operations, with particular focus on disposing of surplus assets to reduce external debt levels in the Beef division. This has culminated in the revision to the terms of the Beef division's borrowing facilities (refer to note 33.1). The Group has continued to maintain its overdraft facility in Mozambique to finance its Grain operations (note 25 and 33.1).

27.2. Categories of financial instruments

The following are the Group financial instruments as at the period end:

	31 March 2017 US$000	31 May 2016 US$000
Financial assets		
Cash and bank balances	2,425	4,055
Fair value through profit and loss:		
Held for trading	–	16
Other loans and receivables	1,531	1,257
	3,956	5,328
Financial liabilities		
Amortised cost	4,033	3,560
	4,033	3,560
	(77)	1,768

27.3. 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'). The Group is also exposed to credit risk and liquidity risk. The principal risks that the Group faces as at 31 March 2017 with an impact on financial instruments are summarised below.

27.4. Market Risk

The Group is exposed to currency risk and interest risk. These are discussed further below.

27.4.1. 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	
	31 March 2017 US$000	**31 May 2016 US$000**	**31 March 2017 US$000**	**31 May 2016 US$000**
United States Dollar ('US$')	2,013	3,877	103	222
Mozambique Metical ('MZN')	1,942	1,450	3,930	3,336
Other	1	1	–	2
	3,956	5,328	4,033	3,560

The Group transacts with suppliers and/or customers in currencies other than the functional currency of the relevant group company (foreign currencies). The Group does not hedge against this transactional risk. As at 31 March 2017 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 the Metical. 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.

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	31 March 2017 US$000	31 May 2016 US$000
GBP Impact		
Profit or loss		
5% Increase in US$	6	(4)
10% Increase in US$	12	(7)
15% Increase in US$	18	(11)
Other equity		
5% Increase in US$	(59)	(69)
10% Increase in US$	(118)	(138)
15% Increase in US$	(177)	(208)
MZN Impact		
Profit or loss		
10% Increase in US$	39	23
20% Increase in US$	77	46
30% Increase in US$	116	69
Other equity[1]		
10% Increase in US$	(3,069)	(6,039)
20% Increase in US$	(6,138)	(12,078)
30% Increase in US$	(9,207)	(18,117)

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

27.4.2. 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 March 2017 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 Grain and Beef operations in Mozambique are also financed through bank facilities. 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 0.50% (12 month period ending 31 May 2016: 0.23%). The weighted average interest on drawings under the overdraft facilities and bank loans was 25.23% (12 month period ending 31 May 2016: 16.42%). 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 period. 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 March 2017 and 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 recent macroeconomic circumstances in Mozambique, particularly due to the significant weakening of the Metical, led to a rapid increase in interest rates a prime rate of 28.0% which was 850bp increase compared to 31 May 2016. The macroeconomic scenario in Mozambique is now improving and it is expected that interest rates will start to reduce and in all likelihood will, in the medium term, reverse the recent increases.

	31 March 2017[(1)] US$000	31 May 2016[(1)] US$000
+ 20 bp increase in interest rates	(7)	(6)
+ 50 bp increase in interest rates	(17)	(15)
+ 100 bp increase in interest rates	(35)	(29)
+ 200 bp increase in interest rates	(69)	(58)
+ 500 bp increase in interest rates	(173)	(146)
+ 800 bp increase in interest rates	(277)	(233)
+ 1000 bp increase in interest rates	(346)	(291)

(1) The table above is prepared on the basis of an increase in rates. A decrease in rates would have the opposite effect.

27.5. 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 27.2. Details of provisions against financial assets are provided in note 23.

27.6. Liquidity risk

The Group policy throughout the period 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 March 2017 the Group held cash deposits of $2,425,000 (31 May 2016: $4,055,000). At 31 March 2017 the Group had overdraft and bank loans facilities of approximately $5,638,000 (31 May 2016: $6,800,000) of which $3,464,000 (31 May 2016: $2,950,000) was drawn. Certain of these facilities have been restructured subsequent to the period end as more fully described in note 33.1. 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.

	31 March 2017 US$000	31 May 2016 US$000
1 month	653	689
2 to 3 months	193	100
4 to 12 months	3,215	2,224
1 to 2 years	433	501
3 to 5 years	485	892
	4,979	4,406

27.7. 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 March 2017 and 31 May 2016.

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28. Share capital

	Authorised Number	Allotted and fully paid Number	US$000
At 31 March 2017 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.

29. Reserves

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

29.1. 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.

30. Share based payments

30.1. Charge in the period

The Group recorded a charge within Operating expenses for share based payments of $5,000 (12 months ended 31 May 2016: $66,000).

30.2. 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 are in issue.

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

	10 months ended 31 March 2017 Number	Weighted average exercise price	12 months ended 31 May 2016 Number	Weighted average exercise price
At beginning of period	51,003,998	2.0	36,499,998	3.4
Granted in the period	–	–	22,500,000	0.7
Terminated in the period	(5,166,000)	3.1	(5,166,000)	4.5
Lapsed in the period	(12,253,000)	2.5	(2,830,000)	4.5
At end of period	33,584,998	1.6	51,003,998	2.0
Exercisable at period end	30,251,006	1.5	47,504,006	1.9

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 had 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 March 2017, 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
29 July 2012	2,499,999	1,500,003	3.5p	29 July 2023
29 July 2012	2,084,999	1,251,003	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
	33,584,998	30,251,006		

Notes to the consolidated financial statements

31. Related party disclosures

AS Groves, a director of the Company, is also a director of Liberian Cocoa Corporation ('LCC'), African Management Services Limited ('AMS'), Consolidated Growth Holdings Limited (formerly Sable Mining Africa Limited, 'CGH'), Atlas African Industries Limited ('AAI') and East Africa Packaging Limited ('EAPC'). The Group has transacted with these companies during the period. Related party transactions are entered into on an arm's length basis.

During the 10 month period ending 31 March 2017, AMS provided accounting, office, treasury and administrative services to the Group for fees of $305,000 (12 month period ending 31 May 2016: $510,000). As at 31 March 2017 the Group owed $8,000 to AMS (31 May 2016: $116,000 owed to Agriterra). During the period ending 31 March 2017 the Group provided against $129,000 of amounts due from AMS which are no longer deemed recoverable.

As at 31 March 2017 the Group was owed $89,000 from LCC (31 May 2016: $89,000), which is included within the Cocoa disposal group (note 24) (31 May 2016: included within 'Other receivables').

During the period the Group and CGH incurred certain expenses on each other's behalf, which were refunded in full during the period. At 31 March 2017, the amount due to CGH was $nil (31 May 2016: $nil).

During the year ended 31 May 2016, 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. During the 10 month period ended 31 March 2017, the Group provided against $150,000 of the amounts receivable from AAI, reducing the carrying value of the amounts due from AAI to $nil (31 May 2016: $156,000).

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

32. Operating leases

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

	31 March 2017 US$000	31 May 2016 US$000
Within one year	89	152
In the second to fifth years inclusive	–	190
	89	342
Operating lease rentals recognised as an expense in the consolidated income statement were as follows:		
Land and buildings	140	187

33. Events subsequent to the balance sheet date

33.1. Re-structuring of the Group's borrowing facilities with Standard Bank

On 27 April 2017, the Group and Standard Bank agreed to modify the terms of the Group's borrowing facilities for the Beef division as follows:

1. a new overdraft facility was provided on the same terms as the previous overdraft facility (described more fully in note 25), other than for its renewal date, which was revised to 25 March 2018; and
2. the term loans disclosed in note 25 were replaced by a single loan, with a twelve month term, repayable in equal monthly instalments commencing in May 2017. The balance outstanding on the term loans at that date was 39,133,000 Metical.

All other terms remained unchanged. The restructuring was required due to the change in the nature of the Company's business following the decision to close and de-stock the cattle farms.

In addition and on 27 April 2017, Standard Bank and the Group formally completed the renewal of the Grain division's 300,000,000 Metical overdraft facility (refer to note 25); the overdraft had been extended on a temporary basis until that date to complete certain procedural matters relating to the renewal.

33.2. Disposal of the Cocoa division

On 1 June 2017, the Group completed the sale of its Sierra Leone cocoa assets for a cash consideration of $500,000 (the 'Disposal').

Under the terms of the Disposal, the Group disposed of its interests in Tropical Farms Limited and Tropical Farms Plantations (SL) Limited (the local companies which hold the assets comprising the Group's cocoa business in Sierra Leone) with immediate effect against payment in full. These assets have been sold in excess of their collective book value at 31 March 2017 of $325,000. Further details are included in notes 4.5 and 24.

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
Transfer agent	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen, B63 3DA

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