Agriterra

AGRITERRA LIMITED

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 30 NOVEMBER 2016

CHAIR'S STATEMENT

Following my report on the Group's progress and plans for the future, as outlined in my statement in the financial statements for the 2016 financial year ('FY-2016'), issued in November 2016, I am pleased to provide an update on our performance in the first half of the 2017 financial year ('FY-2017').

Overview

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

In the shorter term however, it must be acknowledged that the first six months of FY-2017 ('H1-FY2017') have been very challenging in our primary grain and beef markets in Mozambique. In the immediate future there is also a potentially significant agricultural risk arising from an outbreak of fall armyworm (in combination with the African armyworm) in the Sub-Saharan Africa region, which poses a risk to various staple food crops, including maize. The outbreak is moving in a general North to South trajectory, and to date the most affected countries have been Zimbabwe and Zambia; there have been no confirmed outbreaks in Mozambique. Regional Governments are implementing measures to control the infestation, and the UN Food and Agriculture Organisation is assisting in a region wide response to this risk. We are therefore optimistic that the effect of this outbreak will be mitigated to the maximum extent possible.

As we confront market, economic and security issues, we continue to focus on identifying further cost savings wherever possible, improving the efficiency of our operations, implementing new products such as pelletized animal feed, and reducing the effect of the high interest rates by the early repayment of debt facilities in our Beef division through the disposal of non-core assets.

Taking account of the inherent operational, economic and political risks which our business has to address on an ongoing basis, we remain committed to developing our business so as to increase value for all stakeholders.

Review

As noted above, the period under review has seen us face significant challenges, which is a reflection of the recent macro-economic conditions in Mozambique. The local economic environment altered substantially during the 2016 calendar year, most notably due to the combination of a decline in commodity prices, a prolonged and severe drought and the significant weakening of the Mozambique Metical against the United States $ (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 25.3% for the 12 months ended 31 December 2016), accompanied by a rapid increase in interest rates (prime lending rates are now at 28.0% compared to 16.0% at 31 May 2015 and 19.5% at 31 May 2016). In addition to these economic complexities, Mozambique experienced military tension during the period, particularly in the centre of the country.

Subsequent to the period end, the economic and political environment has improved as a result of a cease-fire agreement having been reached (provisionally in place until the end of March 2017), combined with relative stability in the Metical (the exchange rate for the 2017 calendar year to date has remained stable at approximately 70 Metical per US$). 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. While there is some risk of excessive rainfall waterlogging early plantings, on balance the climatic conditions bode well for a more stable agricultural business environment in Mozambique and the wider region.

In this context, our Grain division has shown an encouraging improvement in Metical EBITDA, demonstrating the effect of the efficiency and cost reduction programmes that we implemented during FY-2016. This continued positive performance is reflected in an EBITDA of $495,000 (H1-FY2016: $676,000) on sales (before elimination of sales to our Beef division) of $5,757,000 (H1-FY2016: $6,365,000), representing c. 12,600 tonnes of maize flour (H1-FY2016: c. 14,800) and c 16,500 tonnes of all maize products (H1-FY2016: c. 21,300). The fall in the US$ value of sales and EBITDA reflects the devaluation in the Metical, which depreciated by over 78% from an average rate of 41 Metical / US$ in H1-FY2016 to 73 Metical / US$ in H1-FY2017. In Metical terms, sales increased by 60% from Metical 262,833,000 in H1-FY2016 to Metical 421,415,000 in H1-FY2017 and EBITDA increased by 38% from Metical 28,549,000 to Metical 37,807,000 over the same period.

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 between December and March. During H1-FY2017 we purchased c 24,700 tonnes of maize (H1-FY2016: c 25,500 tonnes), with a further 2,300 tonnes purchased subsequent to the period end (H1-FY2016: c 1,900 tonnes) substantially completing our maize purchasing requirements for the season. 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 erode the overall profitability of the division. After an interest charge of $409,000 in H1-FY2017 (H1-FY2016: $303,000), profit before tax for the Grain division was $85,000 compared to $302,000 in H1-FY2016. Despite this high interest rate, the fact that the Grain division continues to deliver a net profit is testament to the underlying sustainability of the division following the cost reduction programme implemented. As the economic situation improves in Mozambique and interest rates return to more normal levels, we hope to see improvements in the overall net profit generated by this division. Further improvements to the profitability of this division may follow when we commence commercial sales of animal feed products produced by our animal feed pelletizer (using maize bran, a by-product of the maize milling process). We are currently developing appropriate feed products and undertaking market research and hope to start commercial supplies of animal feed later this year.

The reduced price competitiveness of imported products arising from the devaluation of the Metical provides certain opportunities for us to grow our markets. This is particularly the case within our Beef division where we now supply 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 meat sold and Metical revenues, which have both grown by 38% compared to H1-FY2016. Despite this strong underlying performance, this translates to a fall in dollar denominated revenues to $2,636,000 from $3,345,000 in H1-FY2016, due to the depreciation in the Metical.

In line with our overall Group strategy, we have continued to implement significant cost savings in the Beef division. Despite the positive effect of cost savings, the Beef division returned a loss before tax during H1-FY2017 of $923,000 (H1-FY2016: loss of $1,490,000) and an EBITDA loss of $584,000 (H1-FY2016: $808,000). In part this loss reflects the ongoing farming costs incurred during the de-stocking process of the cattle farms – as previously announced, and in 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 H1-FY2017 to de-stock the cattle farms and place them in “care and maintenance”. This programme is well under way, and the Inhazonia and Mavonde ranches are now de-stocked, with c 1,500 animals remaining on our Dombe ranch. Due to the de-stocking of the cattle farms, we expect to realise our cattle assets within less than 12 months, and accordingly all cattle are presented as current assets in the statement of financial position as at 30 November 2016.

Although placing the farms into “care and maintenance” is a significant shift in our strategy for the Beef division, it will reduce the cash requirements of continuing the ongoing development of these assets and provides cash inflow through the increased slaughter and sale of our own herd. This cash inflow, along with the income from the disposal of surplus, non-revenue generating assets is being applied to reducing 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).

With regards to our cocoa operations in Sierra Leone and as previously reported, the Board decided during H1-FY2017 that it was in the best interests of the Group to dispose of the Cocoa division to bolster the Group’s cash reserves, and a sale of the division to the existing management team was agreed via a Management Buy-Out (‘MBO’). Unfortunately, the MBO team was unable to secure the finance required to complete the MBO and accordingly the transaction has not completed subsequent to the period end. The Group is now working towards achieving maximum shareholder value from the Cocoa division and will consider all avenues to achieve this, including (without limitation) disposal and further development. The results of the Cocoa division continue to be presented within discontinued operations in the consolidated income statement and no profit or loss has been recorded on the MBO.

Conclusion

As we move forwards towards achieving our objectives for the Group during these testing times I wish to thank our entire team for their continued commitment and thank our shareholders for their ongoing support and engagement.

CSO Havers
Chair
17 February 2017

FOR FURTHER INFORMATION PLEASE VISIT WWW.AGRITERRA-LTD.COM OR CONTACT:

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CONSOLIDATED INCOME STATEMENT

	Note	6 months ended 30 November 2016 Unaudited	6 months ended 30 November 2015 Unaudited (re-presented – note 6.2)	12 months ended 31 May 2016 Audited
		$000	$000	$000
CONTINUING OPERATIONS				
Revenue		**8,106**	9,377	18,511
Cost of sales		**(7,290)**	(7,908)	(16,779)
Gross profit		**816**	1,469	1,732
Increase in value of biological assets		**417**	624	1,637
Operating expenses		**(2,315)**	(3,743)	(6,863)
Impairment of current and non-current assets		**-**	-	(3,069)
Other income		**26**	83	57
Profit / (loss) on disposal of property, plant and equipment and adjustments to the carrying value of assets classified as held for sale		**288**	17	(110)
Operating loss		**(768)**	(1,550)	(6,616)
Investment revenues		**7**	6	11
Other gains and losses	4	**(16)**	(311)	(360)
Finance costs	5	**(548)**	(366)	(678)
Loss before taxation		**(1,325)**	(2,221)	(7,643)
Taxation		**(22)**	(23)	(34)
Loss for the period from continuing operations	3	**(1,347)**	(2,244)	(7,677)
DISCONTINUED OPERATIONS				
Loss for the period from discontinued operations	6	**(20)**	(558)	(778)
Loss the period attributable to owners of the Company		**(1,367)**	(2,802)	(8,455)
LOSS PER SHARE				
Basic and diluted loss per share from continuing operations		**(0.13)**	(0.21)	(0.72)
Basic and diluted loss per share from continuing and discontinued operations		**(0.00)**	(0.26)	(0.80)
		No.	No.	No.
Weighted average number of shares outstanding for the purposes of calculating basic and diluted loss per share from continuing operations, and basic and diluted loss from continuing and discontinued operations		**1,061,818,478**	1,061,818,478	1,061,818,478

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 November 2016 Unaudited	6 months ended 30 November 2015 Unaudited	12 months ended 31 May 2016 Audited
	$000	$000	$000
Loss for the period	**(1,367)**	(2,802)	(8,455)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences	**(1,778)**	(5,967)	(8,139)
Other comprehensive income for the period	**(1,778)**	(5,967)	(8,139)
Total comprehensive income for the period attributable to owners of the Company	**(3,145)**	(8,769)	(16,594)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 November 2016 Unaudited $000	30 November 2015 Unaudited $000	31 May 2016 Audited $000
Non-current assets				
Property, plant and equipment		**6,009**	13,854	7,505
Interests in associates		**4**	4	4
Investments in quoted companies		**-**	65	16
Biological assets		**-**	1,724	888
		6,013	15,647	8,413
Current assets				
Biological assets		**1,066**	1,106	1,106
Inventories		**3,381**	3,836	1,357
Trade and other receivables		**1,319**	1,392	1,290
Assets classified as held for sale		**477**	-	860
Cash and cash equivalents		**3,371**	5,387	4,055
		9,614	11,721	8,668
Total assets		**15,627**	27,368	17,081
Current liabilities				
Borrowings	**7**	**3,754**	4,228	1,812
Trade and other payables		**774**	1,018	708
Liabilities directly associated with assets classified as held for sale		**127**	-	142
		4,655	5,246	2,662
Net current assets		**4,959**	6,475	6,006
Non-current liabilities				
Borrowings	**7**	**798**	1,091	1,105
Total liabilities		**5,453**	6,337	3,767
Net assets		**10,174**	21,031	13,314
Share capital	**8**	**1,960**	1,960	1,960
Share premium		**148,622**	148,622	148,622
Share based payments reserve		**1,985**	1,872	1,980
Translation reserve		**(18,160)**	(14,210)	(16,382)
Accumulated losses		**(124,233)**	(117,213)	(122,866)
Equity attributable to equity holders of the parent		**10,174**	21,031	13,314

The unaudited condensed consolidated financial statements of Agriterra Limited for the 6 months ended 30 November 2016 were approved by the Board of Directors and authorised for issue on 17 February 2017. Signed on behalf of the Board of Directors:

CSO Havers
Chair

CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 30 November 2016 Unaudited	6 months ended 30 November 2015 Unaudited (re-presented – note 6.2)	12 months ended 31 May 2016 Audited
	$000	$000	$000
Loss before tax for the period from continuing operations	(1,325)	(2,221)	(7,643)
Adjustments for:			
Depreciation	265	642	1,160
Profit on disposal of property, plant and equipment	(288)	(17)	(15)
Adjustments to the carrying value of assets classified as held for sale	-	-	125
Share based payment expense / (credit)	5	(42)	66
Foreign exchange loss / (gain)	54	(8)	(37)
Increase in value of biological assets	(417)	(624)	(1,637)
Finance costs	548	366	678
Investment revenues	(7)	(6)	(11)
Decrease in fair value of quoted investments	16	311	360
Impairment of current and non-current assets	-	-	3,069
Operating cash flows before movements in working capital	(1,149)	(1,599)	(3,885)
(Increase) / decrease in inventories	(2,526)	(2,187)	122
Increase in trade and other receivables	(175)	(259)	(291)
Increase / (decrease) in trade and other payables	143	(164)	(325)
Net decrease in biological assets held for slaughter purposes	982	55	1,592
Net cash used in operating activities by continuing operations	(2,725)	(4,154)	(2,787)
Corporation tax paid	(22)	(23)	(34)
Finance costs	(548)	(366)	(678)
Interest received	7	6	11
Net cash used in operating activities by continuing operations	(3,288)	(4,537)	(3,488)
Net cash used in operating activities by discontinued operations	-	(154)	(133)
Net cash used by operating activities	(3,288)	(4,691)	(3,621)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment, net of expenses incurred	538	164	105
Acquisition of property, plant and equipment	(182)	(312)	(465)
Net cash from / (used in) investing activities by continuing operations	356	(148)	(360)
Net cash from investing activities in discontinued operations	-	84	106
Net cash from / (used in) investing activities	356	(64)	(254)
Cash flow from financing activities			
Net draw down of overdraft	2,513	2,463	53
Net (repayment) / drawdown of loans	(1)	1,335	1,721
Net cash from financing activities from continuing operations	2,512	3,798	1,774
Net cash from financing activities from discontinued operations	-	145	-
Net cash from financing activities	2,512	3,943	1,774
Net decrease in cash and cash equivalents	(420)	(812)	(2,101)
Effect of exchange rates on cash and cash equivalents including discontinued operations	(264)	(222)	(265)
Cash and cash equivalents at beginning of period	4,055	6,421	6,421
Cash and cash equivalents at end of period	3,371	5,387	4,055

1. GENERAL INFORMATION

Agriterra Limited ('Agriterra' or the 'Company') and its subsidiaries (together the 'Group') is focussed on the agricultural sector in Africa. Agriterra is a non-cellular company limited by shares incorporated and domiciled in Guernsey, Channel Islands. The address of its registered office is Richmond House, St Julians Avenue, St Peter Port, Guernsey GY1 1GZ.

The Company's Ordinary Shares are quoted on the AIM Market of the London Stock Exchange ('AIM').

The unaudited condensed consolidated financial statements have been prepared in US Dollars ('US$' or '$') as this is the currency of the primary economic environment in which the Group operates.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the 6 months ended 30 November 2016 (the 'H1-FY2017 financial statements'), which are unaudited and have not been reviewed by the Company's auditor, have been prepared in accordance with the International Financial Reporting Standards ('IFRS'), as adopted by the European Union, accounting policies adopted by the Group and set out in the annual report for the year ended 31 May 2016 (available at www.agriterra-ltd.com). The Group does not anticipate any significant change in these accounting policies for the year ended 31 May 2017. References to 'IFRS' hereafter should be construed as references to IFRSs as adopted by the EU.

This interim report has been prepared to comply with the requirements of the AIM Rules of the London Stock Exchange (the 'AIM Rules'). In preparing this report, the Group has adopted the guidance in the AIM Rules for interim accounts which do not require that the interim condensed consolidated financial statements are prepared in accordance with IAS 34, *'Interim financial reporting'*. While the financial figures included in this report have been computed in accordance with IFRSs applicable to interim periods, this report does not contain sufficient information to constitute an interim financial report as that term is defined in IFRSs.

The financial information contained in this report also does not constitute statutory accounts under the Companies (Guernsey) Law 2008, as amended. The financial information for the year ended 31 May 2016 is based on the statutory accounts for the period then ended. The auditors reported on those accounts. Their report was unqualified and did not include any statements of emphasis of matter.

The H1-FY2017 financial statements have been prepared in accordance with the IFRS principles applicable to a going concern, which contemplate the realisation of assets and liquidation of liabilities during the normal course of operations. Having carried out a going concern review in preparing the H1-FY2017 financial statements, the Directors have concluded that there is a reasonable basis to adopt the going concern principle.

3. SEGMENT INFORMATION

The Executive Committee of the Group 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.

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

6 months ended 30 November 2016 – Unaudited	**Grain**	**Beef**	**Cocoa**	**Unallo-cated**	**Discon-tinued[3]**	**Elimina-tions**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Revenue							
External sales[2]	**5,470**	**2,636**	**21**	**-**	**(21)**	**-**	**8,106**
Inter-segment sales[1]	**287**	**-**	**-**	**-**	**-**	**(287)**	**-**
	5,757	**2,636**	**21**	**-**	**(21)**	**(287)**	**8,106**
Segment results							
- Operating profit / (loss)	**494**	**(784)**	**(20)**	**(478)**	**20**	**-**	**(768)**
- Interest (expense) / income	**(409)**	**(139)**	**-**	**7**	**-**	**-**	**(541)**
- Other gains and losses	**-**	**-**	**-**	**(16)**	**-**	**-**	**(16)**
Profit / (loss) before tax	**85**	**(923)**	**(20)**	**(487)**	**20**	**-**	**(1,325)**
Income tax	**(6)**	**(1)**	**-**	**(15)**	**-**	**-**	**(22)**
Profit / (loss) for the period from continuing operations	**79**	**(924)**	**(20)**	**(502)**	**20**	**-**	**(1,347)**

6 months ended 30 November 2015 – Unaudited (re-presented – note 6.2)	Grain $000	Beef $000	Cocoa $000	Unallo-cated $000	Discon-tinued[3] $000	Elimina-tions $000	Total $000
Revenue							
External sales[2]	6,032	3,345	171	-	(171)	-	9,377
Inter-segment sales[1]	333	-	-	-	-	(333)	-
	6,365	3,345	171	-	(171)	(333)	9,377
Segment results							
- Operating profit / (loss)	605	(1,427)	(558)	(728)	558	-	(1,550)
- Interest (expense) / income	(303)	(63)	-	6	-	-	(360)
- Other gains and losses	-	-	-	(311)	-	-	(311)
Profit / (loss) before tax	302	(1,490)	(558)	(1,033)	558	-	(2,221)
Income tax	(4)	(19)	-	-	-	-	(23)
Profit / (loss) for the period from continuing operations	298	(1,509)	(558)	(1,033)	558	-	(2,244)

12 months ended 31 May 2016 - Audited	Grain $000	Beef $000	Cocoa $000	Unallo-cated $000	Discon-tinued[3] $000	Elimina-tions $000	Total $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 Mozambican market. US$ nil (12 months ended 31 May 2016: $161,000; 6 months ended 30 November 2015: $nil) of sales from the Cocoa division were supplied to the world market, with the remainder supplied within Sierra Leone (12 months ended 31 May 2016 and 6 months ended 30 November 2015: supplied in full within Sierra Leone).

(3) Amounts reclassified to discontinued operations in all periods presented relate to the 'Other Cocoa activities' – refer to note 6.2.

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

6 months ended 30 November 2016 - Unaudited	**Grain $000**	**Beef $000**	**Cocoa $000**	**Unallo-cated $000**	**Discon-tinued $000**	**Elimina-tions $000**	**Total $000**
Depreciation	**70**	**195**	**-**	**-**	**-**	**-**	**265**

6 months ended 30 November 2015 - Unaudited (re-presented – note 6.2)	Grain	Beef	Cocoa	Unallo-cated	Discon-tinued	Elimina-tions	Total
	$000	$000	$000	$000	$000	$000	$000
Depreciation	128	491	229	23	(229)	-	642

12 months ended 31 May 2016 - Audited	Grain	Beef	Cocoa	Unallo-cated	Discon-tinued	Elimina-tions	Total
	$000	$000	$000	$000	$000	$000	$000
Depreciation	239	889	391	32	(391)	-	1,160
Impairment of assets	-	3,069	-	-	-	-	3,069

4. OTHER GAINS AND LOSSES

	6 months ended 30 November 2016 Unaudited $000	6 months ended 30 November 2015 Unaudited $000	12 months ended 31 May 2016 Audited $000
Decrease in fair value of quoted investments	**16**	311	360

5. FINANCE COSTS

	6 months ended 30 November 2016 Unaudited $000	6 months ended 30 November 2015 Unaudited $000	12 months ended 31 May 2016 Audited $000
Interest expense:			
Bank borrowings	**548**	366	678

6. DISCONTINUED OPERATIONS

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

	6 months ended 30 November 2016 Unaudited $000	6 months ended 30 November 2015 Unaudited (re-presented – note 6.2) $000	12 months ended 31 May 2016 Audited $000
Oil and gas activities	**-**	-	187
Other Cocoa activities	**(20)**	(558)	(965)
Net loss after tax attributable to discontinued operations	**(20)**	(558)	(778)

(1) The corresponding amounts for 'Other Cocoa activities' for the 6 months ended 30 November 2015 were previously reported within continuing operations for the period then ended. For the reasons described in note 6.2, these activities are were classified as discontinued operations in the year ended 31 May 2016 and continue to be classified as such in the 6 month period ended 30 November 2016. As required by IFRS 5, '*Non-current Assets Held for Sale and Discontinued Operations*', the comparative amounts have been reclassified.

6.1. 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 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. No amounts were recorded in respect of the discontinued Oil and gas operations in the current period.

6.2. Other Cocoa activities

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

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

The Other Cocoa activities represented a business segment of the Group and accordingly the results of the Other Cocoa activities are presented as discontinued operations within the consolidated income statement. Comparative amounts have been represented as required by IFRS 5. Cash flows pertaining to the Other Cocoa activities are presented in the consolidated cash flow statement along with all cash flows relating to discontinued operations.

On 5 October 2016, the Group completed the sale of the Cocoa division in a Management Buy-Out transaction (the 'MBO') for cash consideration of $750,000 (the 'Consideration'). Under the terms of the MBO, the Group disposed of its interests in Baranca Tide Limited and West Africa Cocoa Services Limited (the intermediate holdings companies which hold the assets comprising the Group's cocoa business in Sierra Leone, the 'Target Companies') with immediate effect; payment of the Consideration was deferred for a period of 65 business days from completion of the MBO (i.e. until 9 January 2017); in the event that the Consideration was not paid on the due date, the ownership of the Target Companies would revert immediately to the Group. Due to factors outside of their control, the MBO team was unable to secure the finance required to complete the MBO and accordingly the transaction has not completed subsequent to the period end. Ownership in the Target Companies has reverted to the Group. The Group is now working towards achieving maximum shareholder value from the Cocoa division and will consider all avenues to achieve this, including (without limitation) disposal and further development.

The net assets of the Cocoa division, all of which related to the Other cocoa activities, are classified as held for sale as at 30 November 2016 and 31 May 2016.

7. BORROWINGS

	30 November 2016 Unaudited $000	30 November 2015 Unaudited $000	31 May 2016 Audited $000
Non-current			
Bank loans	**798**	1,091	1,105
Current			
Bank loans	**210**	-	137
Bank overdraft	**3,544**	4,086	1,675
Other	**-**	142	-
	3,754	4,228	1,812
	4,552	5,319	2,917

Grain division

The Group has an overdraft facility of 300,000,000 Metical (30 November 2015: 220,000,000 Metical; 31 May 2016: 300,000,000 Metical) (being approximately $4,100,000 at the 30 November 2016 Metical to US$ exchange rate) to provide working capital funding for its grain operations in Mozambique, principally for the purchase of maize and related operating expenditure. It is secured by a fixed charge against certain of the Group's property, plant and equipment, and a floating charge against all of the maize inventory and finished maize products, and trade receivables. Interest is charged at the counterparty bank's Mozambique prime rate less 1.75% (30 November 2015: less 3%; 31 May 2016: less 1.75%). As at the date of this report, the interest rate on these borrowings is 26.25%. Unless it is cancelled by either party, the facility renews annually on 25 March. As at the period end the Group had undrawn overdraft borrowing facilities for the Grain division of $606,000 at the 30 November 2016 Metical to US$ exchange rate.

Beef division

At the end of all periods presented, the Group has lending facilities totalling 105,000,000 Metical ($1,430,000 at the 30 November 2016 Metical to US$ exchange rate) to continue financing its beef operations in Mozambique. The facilities comprise 75,000,000 Metical of term loans and a 30,000,000 Metical overdraft. The term loans, which have been fully drawn as at 30 November 2016, carry interest at the bank's prime lending rate plus 0.25% (currently 28.25%). Capital repayments on these loans commenced during the period in accordance with their terms. The overdraft renews annually and carries interest at the bank's prime lending rate (currently 28.00%); the renewal of the overdraft is in progress at the date of this report. The lending facilities are secured by a fixed charge against the Group's abattoir in Chimoio and, by a floating change over all cattle and meat inventories, and trade receivables. As at the period end the Group had undrawn overdraft borrowing facilities for the Beef division of $350,000 at the 30 November 2016 Metical to US$ exchange rate.

Other borrowings

Other borrowings at 30 November 2015 represent pre-financing by a leading global company focussed on natural, organic and speciality foods for the Group's Cocoa trading operations to source up to 500 tonnes of cocoa on their behalf. It was unsecured, bore no interest and was repaid through the delivery of cocoa beans during H2-FY2016.

8. SHARE CAPITAL

	Authorised	Allotted and fully paid	
	Number	**Number**	**US$000**
Ordinary shares of 0.1p each			
At 30 November 2015, 31 May 2016 and 30 November 2016	2,345,000,000	1,061,818,478	1,722
Deferred shares of 0.1p each			
At 30 November 2015, 31 May 2016 and 30 November 2016	155,000,000	155,000,000	238
Total share capital			
At 30 November 2015, 31 May 2016 and 30 November 2016	**2,500,000,000**	**1,216,818,478**	**1,960**

9. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

9.1. Failure to complete the MBO of the Cocoa division

As more fully described in note 6.2, during H1-FY2017, the Group agreed the sale of the Cocoa division to the existing management team via a MBO. Consideration was payable under this agreement by 9 January 2017. For reasons outside of their control, the MBO team was unable to secure the finance required to complete the MBO and accordingly the transaction has not completed subsequent to the period end.