Woodbois Limited (formerly known as Obtala Limited)

FINANCIAL STATEMENTS

for the year ended

31 December 2018

Company number: 52184

Woodbois Limited (formerly known as Obtala Limited)

DIRECTORS

Miles Pelham	*(Non-executive Chairman)*
Paul Dolan	*(Chief Executive Officer)*
Carnel Geddes	*(Chief Financial Officer)*
Martin Collins	*(Deputy Chairman) – resigned 31 October 2018*
Jacob Hansen	*(Chief Operating Officer) – appointed 11 January 2019*
Hadi Ghossein	*(Deputy Chairman) – appointed 11 January 2019*
Zahid Abbas	*(Head of Trading) – appointed 11 January 2019*
Kevin Milne	*(Non-executive Director)*
Jessica Camus-Demarche	*(Non-executive Director) – resigned 11 January 2019*

COMPANY SECRETARY
William Place Secretaries Limited
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Sir William Place,
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COMPANY NUMBER
52184 (Guernsey)

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CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and consolidated financial statements for Woodbois Limited (formerly known as Obtala Limited) (the "Company" and its subsidiaries the "Group") for the year ended 31 December 2018.

Business Performance

The Group continued its transformative path in 2018, registering strong revenue growth in both timber trading and production divisions. Revenues increased by 70% year over year from $7.9m to $13.4m with gross profit for the 2018 year increasing to $2.1m from $0.5m in 2017 and pre-tax loss for the 2018 year of $5.6m, down from a loss of $7.3m in 2017.

The growth plan initiated in 2018 emphasised the requirement to attract trade finance funding to capitalise on the valuable commercial IP, developed over the last three decades, within our trading division. Despite only modest trade finance inflows being secured during 2018, the demonstrable track record generated by the trading team in deploying the Internal Trading Fund (ITF) has led to a total of $10m in additional trade finance funding being committed during the first quarter of 2019. This development signifies a landmark breakthrough for this area of the business.

Strategy

Corporate restructuring

At the half year we announced that a strategic review of the Group's East African operations would be undertaken, following which a decision was made to narrow our focus to timber related businesses only, and to dispose of the Group's agricultural assets in Tanzania for a consideration of US$2,500,000 (the "Tanzanian Disposal").

By the year-end, Woodbois had concluded negotiations with our long-standing partner in Tanzania, Envision, for them to purchase our business interests in Tanzania. The businesses were sold, inclusive of the fixed assets and inventory at a small premium to the net book value of those businesses as at 31st December 2018, generating a profit to the Group of $176,000. The Group's net investment over the past 6 years has been approximately $8m. Further information on the sale can be found in note 10 of the Annual Report.

Woodbois also entered into a share purchase agreement to acquire the 25% of Montara Continental Limited that it did not previously own (the "Montara Continental Consolidation") from Africa Resource Investment Limited ("ARI") for a total consideration of $5m. This buy-out of minorities further simplified the group structure and being at a favourable price to shareholders, resulted in a total gain of $14.4m, which is recorded in other comprehensive income.

The transactions above conclude the reorganisation of the group, and in changing our name in March 2019, from Obtala Ltd ("Obtala") to Woodbois Ltd, we signalled the completion of a transition for the original Obtala, from a diversified, African resources play, to a business focused on the production, processing, manufacture and supply of sustainable African hardwood and hardwood products, and on the supply into Africa (and across the globe) of sustainable softwood, hardwood and related products.

Outlook

The name change is appropriate given the evolution of the group and its future ambitions, the strength of the Woodbois brand globally and the elevation to the main board of the three founding partners and business principals within the original Woodbois International; Zahid Abbas, Jacob Hansen and Hadi Ghossein.

The impact of the Basel 3 accord, due to be implemented this year, and the resulting trend of de-risking by international banks continues to cut Africa off from traditional sources of international finance. In trade finance alone the African Development Bank estimates an annual shortfall of US$120bln. Given the growth backdrop of the continent however, significant opportunities exist for those capable of delivering funding solutions while carefully managing credit risk. Achieving this is fundamental to our strategy and I'm delighted that the time and effort invested by management throughout 2018 has encouraged commitments of $10 million in trade finance loans since the start of 2019.

These commitments represent a major milestone for the Group on its pathway to becoming a leading player in African timber trading. This additional capital will enable the trading team to add significant scale to their business during 2019. In line with the rapid growth of urban populations across Sub-Saharan Africa, we will seek to develop our intra-African trading and supply chains, as well as expanding the established Woodbois business of supplying sustainable African hardwood and hardwood products to clients around the globe. The additional funding will allow us to service the needs of our end buyers through the securing of valuable supplier agreements. We are excited to embrace this immediate opportunity for growth and see it as another key milestone towards building a position of leadership within the marketplace.

Perhaps due to the rapid growth of the business, several approaches were received during 2018 regarding potential joint ventures and acquisition possibilities. For the time being we are focussed on organic growth and maximising returns from existing assets, but we remain open to all avenues leading to profitable, sustainable, growth.

During the period, I increased my holding of Obtala's ordinary shares from 18,457,754 to 30,000,000, and my holding in Argento Preference shares from 7,072 to 54,358 (72.5% of outstanding), demonstrating my confidence in management's ability to deliver on our long-term vision of achieving a position of leadership in the sector.

Africa is widely forecasted to exhibit the highest rates of population and economic growth on the planet for at least the next two decades. Identifying, hiring, training, empowering and providing financial capital for African talent is therefore likely to yield above average returns on investment. In my experience, attracting capital is the most difficult of these objectives, so having started to crack this very hard nut, we find ourselves incrementally well positioned to significantly increase shareholder value.

I wish to thank all of you, our shareholders, for your continued support.

Miles Pelham
Chairman
7 May 2019

CHIEF EXECUTIVE OFFICER'S REVIEW

The high-level objective for 2018 was to maintain the rapid growth of the business by increasing production from existing facilities, commissioning a new veneer factory and improving margins. Further objectives included increasing sales, sourcing trade finance funding, reducing administration costs and generating improved performance at an operating level.

2018 financial performance overview

Year-on-year revenue grew by 70% in 2018, driven by 93% growth in Forestry division revenues from our own production assets, and 57% growth in trading revenues. 2018 gross profit margin improved dramatically to 15.8%, from 5.7% in 2017.

As expected, and in line with the Group's growth, current assets and current liabilities also increased.

- Trade and other receivables increased year-on-year by 72%, with much of the growth attributable to revenue expansion. However, one-off items such as the current portion of the consideration due for the sale of the Tanzanian businesses, also had an impact
- Inventory increased by 23% year-on-year. This was largely attributable to the increase in timber production in Gabon
- Payables increased by 43% year over year, slightly below the growth in cost of goods sold.

Working capital requirements increased by $2.0m year-over-year, also in line with management's expectations given the growth rate of the overall business. Working capital requirements will continue to grow as the business expands, hence the emphasis on attracting trade finance funding.

Forestry & related capex

The forestry division contributed significantly to overall margin expansion, recording a 21% gross profit for the year versus 12% in 2017. The sawmill in Gabon achieved an average recovery rate of lumber from logs of 34%. New machinery to be purchased in 2019 should improve this recovery rate, and alongside the installation of new kilns is expected to drive further margin expansion. The new sawmilling equipment will also improve the finished quality of our sawn lumber which will in turn open new export markets for our own production, enhancing our status with clients as we move towards our objective of becoming industry leaders.

Thorough research and rigorous cost benefit analysis was conducted during 2018 prior to making capex commitments. As a result of this analysis, we are confident that the additional equipment scheduled for installation during 2019 will lead to further margin improvement.

Capex during 2018 was committed to strengthening core infrastructure to underpin increased, consistent future profit margins via:

- increased harvesting capacity - 2 new Komatsu bulldozers, 3 new MAN trucks
- terminating outsourcing of kiln drying for sawn timber in Gabon - New kilns are being installed in 2019 from Chinese company Techdry with 2000m^3 monthly capacity for drying Okoume
- repair and upgrade to kilns at rented facility in Abidjan, Ivory Coast with monthly capacity of 1400m^3, species dependent.
- reconditioning of container crane at the same facility to allow quicker and more efficient movement of containers, a key development as trading volumes grow
- full commissioning of veneer factory including additional machinery to reduce some manually intensive production and post-production processes.

Veneer factory

The highest production-related priority for 2018 was to fully commission the veneer factory in Gabon. The emptying of 10 containers full of second-hand industrial equipment and its assembly and integration with new custom-built boilers and generators into a functioning factory was a remarkable feat to witness. Hats off to the Moroccan engineering team for delivering a state of the art, Cremona equipped factory within the forecast budget.

As the factory became fully functional towards the end of 2018, Mr Driss Farissi joined to take overall charge of the facility with the objective of scaling up production of high-quality product. Mr Farissi is a Moroccan national with more than 25 years of experience in veneer production and factory management and is familiar with Gabon having spent 9 years there previously.

As with the equipment upgrades planned for the sawmill, output from our impressive veneer facility will enhance our product mix and reputation with clients around the world as we move up the value chain.

Upgrade of logistics team

Monetising the forestry division's scaled up levels of production is dependent on close communication with the logistics team, and the performance of this critical hub. Anne Laure Boichot, a French national who joined us in April 2018, has proved an invaluable addition to the leadership team in Libreville and merits a special mention in this report. Anne Laure's team dovetailed and kept pace as production increased during 2018, shipping a total of 299 containers from Libreville, creating a step change for the business and for our cashflow.

Trading

The trading division delivered a gross profit margin of 12%, consistent with management observations throughout the year. The division had to exercise patience during 2018 with financial capacity to trade being tightly restricted since investment was focused on the production units, where higher levels of operating expenditure were required as production increased. The $10m of funding committed after the year end in early 2019 will be drawn down as the trading team activates relationships with suppliers with whom they have multi-year track-records as well as with new suppliers. Our trading team, while ramping up activity, will remain mindful of the global economic outlook, including any signs of continued slowdown in China, a large player in the tropical timber market. Having sold into more than 40 different countries in the last two years, we have the luxury of a diversified customer mix, with no dependence on any single geography. China remains an opportunity for the group since it was the destination for only 4% of our total sales during 2018.

Cost management and internal controls

Internal control and financial monitoring capabilities have continued to evolve and improve throughout 2018 under the guidance of CFO Carnel Geddes.

We migrated to new web-based accounting software allowing for round the clock access by group management and minimising risk of loss of data. Some subsidiary accounting functions were also centralised. A system of monitoring controls for the ITF was designed and implemented and is checked daily at board level. New weekly reports for group sales and profit margins were also initiated, as well as stock levels in Gabon and Ivory Coast which are reviewed at executive board level together with Group cash flow. In 2019 this has been further extended to also track harvesting and shipping data against budgets.

During 2018, turnover increased by 70% while combined operating and administration costs increased by only 26%.

Operationally, the Libreville office houses our management and logistics teams handling the day-to-day aspects of the production business as well as timber exports from Gabon. The offices in Ivory Coast and Denmark are trading and back-office hubs. All three are scalable platforms and can support a significant increase in levels of business.

At the half-year, I had noted that administration and operational costs appeared high in the context of current levels of profitability and targeted a 10% cost reduction for administration expenses during the second half of 2018. The administration cost reduction target was exceeded with administrative expenses falling from a total of $3.9m in 2017 to $2.11m in 2018**.**

Operating costs increased by $3.4m over the same period as the Woodbois business was only consolidated for six months of 2017 following its acquisition in the latter half of 2017. The disposal of the Tanzanian business will remove $1.5m in operating costs in the current year. Mozambique was responsible for 20% of the total operating cost base of the Company but provided less than 2% of revenues. Reflecting the prevailing business climate, the cost reduction measures carried out in the second-half of 2018 will ensure that the operational cost base for Mozambique in 2019 falls much more closely into line with its contribution.

Mozambique

Due to issues documented in quarterly updates throughout the year, largely related to export restrictions, we elected to perform a very limited harvest in Mozambique during 2018, which was sold mainly into the domestic market.

Given the high value of Mozambican hardwood species, research is underway into broadening the 'finished product' mix from air dried sawn timber, including the cost and availability of the additional machinery and skills required.

We have first class facilities, equipment and people in Mozambique and look forward to increasing activity in the future when, but not before, the clarity required for us to re-allocate meaningful levels of operating capital, has been provided by the relevant government ministries.

I must make a special mention of Adriano Rafael, a Mozambican national, who with the support of the local leadership team, and in particular the vastly experienced Ivan Muir, has stepped seamlessly into the important role of company administrator in Mozambique. Adriano's elevation to this role from data administrator at our bush mill in 2016, speaks volumes of his drive and application, and demonstrates the ability for smart dedicated people to thrive within the Woodbois working environment.

Social impact and sustainability

In pursuit of our social impact objectives, in 2018 we have continued to engage with high-level representatives from international organisations, such as the African Development Bank, the World Bank, local governments, heads of local communities, certification bodies and academic institutions. We also solicited the views of and initiated discussions with local and international platforms, the New Partnership for Africa's Development (NEPAD) and the World Economic Forum as well as multiple African banks and investment specialists.

We continue to align our sustainability strategy with the United Nations Sustainable Development Goals (SDGs) which sets out a vision for ending poverty, hunger, inequality and protecting the Earth's natural resources. Through our operations we aim to contribute to Africa's economic transformation with positive impact, social development and strong environmental management.

Sustainably commercial considerations and alignment with these goals will continue to shape decision making internally, in alignment with our mission statement, which equally sets out our growth ambitions while acknowledging the responsibility we carry for the communities in which we operate. With the ambition to become a market leader, the Company has continued to recruit high quality personnel and to train its staff to the highest standards.

A full sustainability report for 2018, detailing the various initiatives carried out by the Company is currently in production and is scheduled to be released shortly.

Sector Leadership

Last year's annual report reflected upon the fact that the integration period in the latter half of 2017 for two businesses (Obtala and Woodbois) with operations and management teams in 9 different countries had been relatively smooth. Combining businesses with different histories, cultures and working practices is a process rather than an event, and it was of course necessary to continue to manage this process closely throughout 2018. The common bond of partnership which is reinforced by the shareholdings of board members, has continued to strengthen, most noticeably as team objectives have been achieved. As the teams in different geographies have deepened their respective relationships, committed leadership is fostering a competitive spirit and a collaborative culture. The diverse combination of skillsets within our leadership team is a genuine differentiator for us in this industry, and supports our ambition to become the leading producer and global supplier of sustainable African hardwood and hardwood products to the rest of the world.

It only remains for me to thank the board and all of our staff for demonstrating their care for each other and for the Company as well as their incredible commitment in 2018; it is a privilege to lead this team.

For and on behalf of the Board.

Paul Dolan
Chief Executive Officer
7 May 2019

The Directors submit their report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND CORPORATE DEVELOPMENT

The principal activities of Woodbois Limited ("Woodbois") (formerly known as Obtala Limited) during 2018, together with its subsidiaries (the "Group") were forestry, timber projects and timber trading. These activities were undertaken through both the Company and its subsidiaries. The Company is quoted on AIM and is incorporated and domiciled in Guernsey.

BUSINESS REVIEW

A review of the Group's performance and prospects is included in the Chairman's statement on pages 1 to 2 and in the CEO's Review on pages 3 to 6.

RESULTS AND DIVIDENDS

The consolidated loss for the year after taxation from continuing operations attributable to shareholders was $6.7m (2017: profit $4.9m).

The Directors do not recommend payment of an ordinary dividend (2017: $Nil).

SHARE CAPITAL AND FUNDING

Full details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 20. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

The Company has unlimited authorised share capital divided into ordinary shares of 1p each, of which 377,451,931 had been issued as at the reporting date.

POST BALANCE SHEET EVENTS

Please refer to note 28 for details.

DIRECTORS

The Directors, who served during the year and to the date of this report were as follows:

Miles Pelham		*(Non-executive Chairman)*
Paul Dolan		*(Chief Executive Officer)*
Carnel Geddes		*(Chief Financial Officer)*
Kevin Milne		*(Non-executive Director)*
Jacob Hansen	*(appointed 11 January 2019)*	*(Executive Director)*
Hadi Ghossein	*(appointed 11 January 2019)*	*(Executive Director)*
Zahid Abbas	*(appointed 11 January 2019)*	*(Executive Director)*
Martin Collins	*(resigned 31 October 2018)*	*(Deputy Chairman)*
Jessica Camus-Demarche	*(resigned 11 January 2019)*	*(Non-executive Director)*

DIRECTORS' INDEMNITY INSURANCE

The Group has maintained insurance throughout the year for its Directors and Officers against the consequences of actions brought against them in relation to their duties for the Group.

DIRECTORS' INTERESTS

Directors' interests in the shares of the Company, including family interests at 31 December were:

Shareholdings

	Argento 5% Preference shares* 2018	Argento 5% Preference shares* 2017	Ordinary shares of 1p each 2018	Ordinary shares of 1p each 2017
Miles Pelham[1]	54,358	54,358	30,000,000	18,457,754
Paul Dolan[2]	1,001	1,001	16,128,571	14,728,571
Martin Collins	-	-	-	3,178,571
Kevin Milne[3]	-	-	199,793	122,252
Hadi Ghossein[4]	-	-	5,213,883	-
Jacob Hansen[4]	-	-	5,213,883	-
Zahid Abbas[4]	-	-	5,213,883	-

*The Argento preference shares can be converted into Obtala Limited ordinary shares on a 1 Argento Preferred Share for 2,057 Obtala Limited Shares ratio

1 Miles Pelham, Chairman of Woodbois Limited, holds 30,000,000 shares (7.95%) of which 29,056,530 shares in the Company are held through HSBC Global Custody Nominee (UK) Limited with the remainder being held through other nominee companies.

2 Paul Dolan, Chief Executive Officer of Woodbois Limited, held 16,128,571 shares (4.47%) of which 13,300,000 shares in the Company are held through HSBC Client Holdings Nominee (UK) Limited with the remainder being held through other nominee companies as of 31st December 2018.

3 Kevin Milne, Non-executive Director of Woodbois Limited, together with his wife hold 199,793 shares in the Company.

4 Hadi Ghossein, Jacob Hansen and Zahid Abbas were issued 5,213,883 shares each on 4th July 2017 as part of the WBI purchase agreement.

Options
On 5 July and 3 October 2017, the Board proposed and approved the issue of long-dated, highly out-of-the-money share option awards to current and proposed management.

Share option awards were made on the following structure within the Company's existing share scheme, the terms of which are detailed in Note 25:

Vesting Date	**Award Amounts**
June 2018	6.375m options
June 2019	6.375m options
June 2020	6.375m options
June 2021	6.375m options

The awards will be distributed to the Board as follows and the awardee must accept the option granted for it to be valid:

		Number of options
Miles Pelham	Chairman	1m per tranche (4m total)
Paul Dolan	CEO	1m per tranche (4m total)
Martin Collins*	Deputy Chairman (resigned *)	1m per tranche (4m total)
Jessica Camus-Demarche*	Non-executive Director	250k per tranche (1m total)
Carnel Geddes	CFO	250k per tranche (1m total)
Jacob Hansen	Chief Operating Officer	625k per tranche (2.5m total)
Hadi Ghossein	Deputy Chairman	625k per tranche (2.5m total)
Zahid Abbas	Head of Trading	625k per tranche (2.5m total)

*Martin Collins forfeited his share options upon resignation as a director on 31 October 2018. Jessica Camus-Demarche forfeited her share options upon resignation as a director on 11 January 2019.

DIRECTORS' REMUNERATION

The audited remuneration of the individual Directors who served in the year to 31 December 2018 was:

	Salary & fees $000	Benefits $000	Deferred acquisition payment	Share based payments $000	Total 2018 $000	Total 2017 $000
Miles Pelham	200	-	-	57	257	467
Paul Dolan	200	-	-	57	257	467
Warren Deats	18	-	-	-	18	201
Kevin Milne	30	-	-	-	30	30
Martin Collins	125	48	-	110	283	104
Jessica Camus-Demarche	50	-	-	40	90	65
Hadi Ghossein	215	-	-	103	318	-
Zahid Abbas *	233	9	430	103	775	-
Jacob Hansen *	245	7	430	103	785	-
Carnel Geddes **	150	-	-	40	190	56
Total	1,466	64	860	613	3,003	1,390

It is the Company's policy that executive Directors should have contracts with an indefinite term providing for a maximum of 3-6 months' notice. In the event of a take-over, the Directors' contracts provide for compensation of 2 years salary as a bonus on the take-over in the event that the Executive loses his position.

*Zahid Abbas and Jacob Hansen were paid $21,442 of their fees through services companies.

**Carnel Geddes is paid in full through a services company.

Non-executive Directors are employed on letters of appointment which may be terminated on not less than 3 months' notice. The current basic fees payable to Jessica Camus-Demarche and Kevin Milne were $50,000 and $30,000 per annum respectively.

PROFILES OF THE CURRENT DIRECTORS

MILES PELHAM, AGED 40, NON-EXECUTIVE CHAIRMAN
Based in Hong Kong, Miles enjoyed an illustrious proprietary trading career in Asia with investment banks Nomura, Barclays and Mizuho where he was Global Head of Convertible Bonds, before founding Diginex, an institutional-grade blockchain solutions business with ambitions to shape the future of financial services and technology in 2017. Miles has served as non-executive Chairman since April 2016.

PAUL DOLAN, AGED 54, CHIEF EXECUTIVE OFFICER
Based in the UK, Paul held senior management positions within banking and hedge funds prior to joining Woodbois. Paul has consistently built award winning, world-class teams employing custom-built technology to manage substantial pools of human and financial capital across a diversified group of asset classes ranging from fixed income and equity derivatives to soft commodities and forestry.

HADI GHOSSEIN, AGED 58, DEPUTY CHARIMAN
Based in Gabon, Hadi has 25 years of experience managing forestry operations, including full ownership of a forestry business. Hadi previously served as a diplomat, travelling extensively across Africa, as well as owning various trading and real estate companies. Hadi is fluent in Arabic, French, Portuguese and English and holds Gabonese citizenship.

CARNEL GEDDES, AGED 40, CHIEF FINANCIAL OFFICER
Based in South Africa, Carnel is a chartered accountant and certified fraud examiner, dually qualified in the UK and South Africa. During a 15-year career at BDO, the global audit, tax and advisory group, Carnel served as director, forensic services, of BDO London and partner of BDO Cape Town. She has been a director and Board member of the largest South African pomegranate farm company, Pomona, since 2008. She is also the Chair of POMASA, the Pomegranate Growers Association of South Africa.

JACOB HANSEN, AGED 51, CHIEF OPERATING OFFICER
Based between Denmark and Africa, Jacob co-founded Woodbois in 2005 and has spent more than 30 years in the timber business. Jacob's early career involved managing sawmills in Sweden, Canada, and the UK before moving to hardwood procurement in the Philippines. Subsequently, Jacob held various international sales and procurement roles for DLH Group based in France, the Middle East and the Congo basin.

ZAHID ABBAS, AGED 45, HEAD OF TRADING
Based between Demark and Africa, Zahid co-founded Woodbois in 2005. He started his career at DLH Group and his roles have included procurement in Africa and Brazil for European manufacturers as well as implementing the Group's environmental policy. Fluent in seven languages, Zahid is well known and highly respected within the timber industry globally.

KEVIN MILNE, AGED 56, NON-EXECUTIVE DIRECTOR
Kevin is a Chartered Fellow of the CISI, with over 30 years' experience in Global Financial Services including leadership and senior management positions in the financial sector in the UK, Europe, Asia and Australia. Kevin has extensive experience operating in highly regulated environments including being a member of the Executive Committee of the London Stock Exchange Group.

SUBSTANTIAL SHAREHOLDERS

The Company is aware that the following have, at 7 May 2019, an interest in three percent or more of the issued ordinary share capital of the Company:

Name	Number of 1p ordinary shares	Percentage of the issued share capital
Lombard Odier Asset Mgmt	100,400,000	22.34%
Grandinex International Corp*	70,000,000	15.58%
Spreadex Limited	31,050,000	6.91%
HSBC Global Custody Nominee (UK) Limited**	21,111,132	4.70%
Revilo Holding Limited	20,000,000	4.45%
Richard Byworth	16,033,803	3.57%
HSBC Client Holdings Nominee (UK) Limited**	15,295,657	3.40%
Kenneth Michael Howlin	14,000,000	3.12%

* Francesco Scolaro is the controlling shareholder of Grandinex International Corp. He holds a further 2,150,000 shares in the Company through nominee companies, bringing his total interest to 72,150,000 (17.29%).

** Paul Dolan, Chief Executive Officer of Woodbois Limited, holds 46,128,571 shares (9.91%) of which 13,300,000 shares in the Company are held through HSBC Client Holdings Nominee (UK) Limited and 21,111,132 are held through HSBC Global Custody Nominee (UK) Limited with the remainder being held through other nominee companies. Miles Pelham, Chairman, has a non-beneficial interest in 30,000,000 of the shares in which Paul Dolan has a beneficial interest, as Miles Pelham holds these shares in trust for Paul Dolan under the terms of the Long-Term Incentive Plan as announced on the 21st January 2019.

CORPORATE GOVERNANCE

The Board is committed to achieving the highest standards of corporate governance, integrity and business ethics and as Chairman, I am responsible for oversight of this. The Board has adopted the Corporate Governance Code produced by the Quoted Companies Alliance and has taken steps to apply the principles of the QCA Code in so far as they can be applied practically, given the size of the Group and the nature of its operations. We set out below how the Group complies with the QCA Code.

1. Establish a strategy and business model which promotes long-term value for shareholders

The strategy and business operations of the Group are set out in the Strategic Report on pages 1 to 6 of the Financial Statements for the year ended 31 December 2018.

Three distinct divisions were formed within the Group during 2017: Trading, Forestry and Agriculture, and a clear strategy had been devised for each. The Board continually impresses upon the leadership teams of each division that capital allocation must be both performance and potential driven. Investment, either opex or capex, will only be forthcoming for strategies that can demonstrate significant return to shareholders over time. Running loss-making business lines is not a sustainable business strategy and simply not an option. We will leave no stone unturned in our quest to support and fund businesses where our combination of skills and experience give us an edge. Conversely, if we cannot source the requisite expertise to participate profitably in particular business lines or geographies, we will not waste shareholder money by trying. Consequently, during the year, the agriculture business was put under an extensive review and by year end it was decided to divest the farming operations and focus exclusively on timber and timber related products.

2. Seek to understand and meet shareholder needs and expectations

Shareholders play a key role in corporate governance, with our Annual General Meeting for shareholders offering an opportunity to exercise their decision-making power in the Company. Shareholders are encouraged to attend the AGM and any other General Meetings which are convened throughout the year. Our Company Secretary, William Place Secretaries Limited, is the contact point for shareholder liaison and their contact details are set out in these financial statements.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that the long-term success of the Group is reliant upon the efforts of the employees of the Group and its contractors and suppliers. We continuously engage with our stakeholders ranging from customers, investors, international development banks, governments, not for profit organisations and academia, to identify and address issues of materiality and to gather feedback from each of them. The Board ensures that all key relationships are the responsibility of, or are closely supervised by, one of the Directors.

Woodbois is in a unique position to bring vital positive impact to Africa's economic transformation, social development and environmental management through our operations. In this regard we have set out to align our sustainability strategy with the United Nations Sustainable Development Goals (SDGs) which provide a vision for ending poverty, hunger, inequality and protecting the earth's natural resources.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The business of agriculture, forestry and timber trading involves a high degree of risk, in addition to technical, political and regulatory risk; the Group is exposed to weather, nutrient and pest risks. Furthermore, the Group is exposed to a number of financial risks which the Board seeks to minimise by adopting a prudent approach which is consistent with the corporate objectives of the Group. Our approach to these risk factors is set out on pages 15 to 16 of the Financial Statements for the year ended 31 December 2018.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. Budgets are subsequently updated when there is a significant change in any of the key assumptions to the budget. The Group's actual results, compared with the budget, are reported to the Executive Board and the Chairman on a weekly basis. Any material deviations from budget are followed up by a member of the Executive Board.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board is responsible for establishing the strategic direction of the Group, monitoring the Group's trading performance and appraising and executing development and acquisition opportunities. The Company holds a minimum of four Board meetings per year at which financial and other reports are considered and, where appropriate, voted on. It also holds ad hoc meetings as required to deal with specific issues. Board and Committee meetings are convened at times convenient to eligible members to ensure 100% attendance.

Details of the Directors' beneficial interests in Ordinary Shares and Argento Preference Shares are available on our website and will be set out in the Directors' Report. The Directors comply with Rule 21 of the AIM Rules and the Market Abuse Regulations 2014 relating to directors' dealings and will take all reasonable steps to ensure compliance by any employees of the Company to whom regulations apply. The Company has, in addition, adopted the Share Dealing Code for dealings in its Ordinary Shares and Argento Preference Shares by directors and senior employees.

As of the May 2019, the Board comprised of five Executive Directors, one Independent Non-Executive Director, and one Non-Independent Non-Executive Chairman, Miles Pelham. The Non-Executive Chairman and Chief Executive Officer have separate and clearly defined roles. The Chairman is responsible for running the Board and the Chief Executive Officer is responsible for the day to day management of the Group and for delivering the key objectives of the business. Executive Board members are considered full time employees, while Non-Executives are required to commit between 20 and 40 days per annum to their roles.

The Board is supported by the Audit, Remuneration and Nominations Committee.

6. Ensure that between them, the Directors have the necessary up-to-date experience, skills and capabilities

The Directors' biographies can be found on page 10 and on the Company's website. The Board believes that their mix of significant senior financial and commercial experience gives a strong and appropriate background to formulate and deliver long term shareholder value.

The Nominations Committee has been recently formed to oversee the requirements for and recommendations of any new Board appointments to ensure that it has the necessary mix of skills and experience to support the ongoing development of the Company. Any appointments made will be on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Nomination Committee will also be responsible for succession planning.

In addition to bringing considerable skills to the table, appointments to the Board aim to provide a healthy balance of both experience and gender.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Internal evaluation of the Board, the Committees and individual Directors is seen as an important next step in the development of the Board and one that is addressed. An annual operational review of all members of the Board is undertaken, in which their performance is evaluated, and development needs identified and actions to be taken agreed. Executive and non-executive Directors are subject to re-election intervals as prescribed in the Company's Articles of Incorporation. At each Annual General Meeting one-third of the Directors who are subject to retirement by rotation shall retire from office. They can then offer themselves for re-election.

8. Promote a corporate culture that is based on ethical values and behaviours

The Company is committed to complying with all applicable laws and best corporate governance practices, wherever we operate. It is a core aspect of our mission to act with integrity in all of our operations. The Board expects all employees to comply with both the letter and spirit of the law and governance codes.

The Company fosters a culture where our businesses directly and indirectly promote a range of benefits for the host community and host country on social and environmental levels. One of the most fundamental and positive social impacts associated with our Company's strategic growth objective is the skills development and employment opportunity we bring to the region. The Group also commits to providing a safe environment for its staff and all other parties for which the Company has responsibility. The Company is committed to protecting the environment, contributing to sustainable management of natural resources by strictly following guidelines set out by host Governments and actively engaging with local communities. The Company clearly articulates objectives and has put in place an internal accountability mechanism to effectively implement commitments, as well as ensuring that outcomes are measured and communicated transparently.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The following matters are reserved for the Board:

- Overall Group strategy
- Approval of major capital expenditure projects
- Approval of the annual and interim results
- Annual budgets

The Company is committed to high standards of corporate governance. Both Management and the Board are dedicated to implementing best practice as the Company grows.

A clear organisation structure exists detailing lines of authority and control responsibilities.

The Board monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure.

The agenda of the overall business is determined by a Management Committee setting out agreed targets that will maximise financial return. Opportunities and improvements are identified and prioritised depending on analysis carried out by Management. These projects are supported by detailed financial planning.

Internal controls and systems have been introduced to manage business objectives. As well as Board discussions, regular meetings are held by Management to discuss performance. Detailed information packs are prepared bi-weekly to cover each major area of the business. Variances from the budget and previous forecasts are analysed, explained and acted on. Important capital investments are regularly discussed both at a Board and at a Management level where analysis of budget versus actual spend is carried out.

Effective corporate governance remains key to the business as it grows rapidly. The Company has a structure and process in place to help identify areas in which corporate governance can be improved. The Company is currently implementing technology that will allow both the Board and Management to oversee key performance indicators across the business in real time.

Within the Trading division, the Company has mandated a technology firm to create a custom-built tool to allow for real-time tracking of all trades.

The Company is in discussion with several organisations to implement innovative blockchain based technology to manage both the traceability of the timber that the Company produces as well as providing real-time oversight of the business's supply chain.

The Board has established an Audit Committee, Remuneration Committee and Nominations Committee with formally delegated duties and responsibilities.

Audit Committee:

The Board has established an Audit Committee with formally delegated duties and responsibilities. During the year the Audit Committee comprised of Non-executive Directors Kevin Milne as the Chairman and Jessica Camus (resigned from the Board in January 2019 and is yet to be replaced) and met at least twice in the financial year.

The terms of reference for the Audit Committee include requirements:

- To monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- To review the Group's internal financial controls together with the Group's internal control and risk management systems.
- To monitor and review the external auditor's independence and objectivity and to make recommendations in relation to the appointment, re-appointment and removal of the external auditor.

Remuneration Committee:

The Remuneration Committee meets as and when required. During the year the Remuneration Committee comprised of Non-executive Directors Kevin Milne as the Chairman and Jessica Camus (resigned from the Board in January 2019 and is yet to be replaced).

The policy of the committee is to reward executive Directors in line with the current remuneration of Directors in comparable businesses in order to recruit, motivate and retain high quality executives within a competitive market place.

There are three main elements of the remuneration packages for executive Directors and senior management:

- Basic annual salary (including directors' fees) and benefits;
- Discretionary annual bonus to be paid in accordance with a bonus scheme developed by the Remuneration Committee. This takes into account individual contribution, business performance and commercial progress; and
- Equity Option incentive scheme which takes into account the need to motivate and retain key individuals.

Nominations Committee:

The Nomination Committee which comprises of Paul Dolan and Kevin Milne will meet at least once a year and is responsible for the process of reviewing replacement or additional Directors, the monitoring of compliance with applicable laws, regulations and corporate governance guidance and making appropriate recommendations to the Board.

10. Communicate how the Company is governed and is performing, by maintaining a dialogue with shareholders and other relevant stakeholders

The Company encourages regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. Quarterly updates are announced via RNS and are available on our website and users can register to be alerted when announcements or details of presentations and events are posted onto the website.

We aim to release our half and full year results to the market well in advance of reporting deadlines and offer visibility for shareholders by including segmental reporting. The Company's financial statements and Notices of General Meetings of the Company can be found on the website.

The results of voting on all resolutions are announced via RNS immediately following completion of General Meetings and are available on the website. Any actions that are required to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent shareholders will be detailed on the RNS.

RISK MANAGEMENT

The business of agriculture, forestry and timber trading involves a high degree of risk, in addition to technical, political and regulatory risk; the Group is exposed to weather, nutrient and pest risks. Furthermore, the Group is exposed to a number of financial risks which the Board seeks to minimise by adopting a prudent approach which is consistent with the corporate objectives of the Group.

TECHNICAL RISK

The Company had sought expert analysis of soil and hydro conditions to assess feasibility of planting agriculture species within our farms. Plans had been adjusted as a result of this analysis and the Company felt confident that sufficient attention had been given to this issue. Since the disposal of the agriculture division, any technical risks attributed to the farms are no longer valid in the day to day running of the Group.

The Company operates large scale machinery in the forms of harvesting, sawmill and veneer equipment. All three are key revenue contributors and as such, any significant interruption to these assets could have an adverse effect on our financial performance. A number of procedures and programmes have been implemented to mitigate these technical risks. Capital investment programmes have replaced older equipment to improve both reliability and overall efficiency of our machinery, also reducing overall breakdown risk. The Group has actively sought best-in-class hires that have significant experience with the machinery that is currently being utilised, this has also allowed the Group to adopt best practice. Additionally, performance metrics for operating assets are monitored by Management on a weekly basis to quickly identify and resolve any issues.

POLITICAL AND REGULATORY RISK

The Board observes any political developments across the geographies that Woodbois operates in closely. Gabon, Ivory Coast and Mozambique had local and regional election programs in 2018 that were successfully completed with minor instances of unrest. On 7th January 2019, Gabon witnessed a failed coup d'état by a small contingent of the Gabonese Armed Forces. Besides brief internet outage, there were no other disruptions to daily activities across Gabon and the government reasserted control within a few hours. The political environment across all the countries that Woodbois operates in will remain an evolving discussion point for the Board, however the risk of political unrest disruptive to the Group's operations remains low.

The regulatory frameworks in place across the countries that Woodbois operates in support the development of forestry. However, the forestry sector in Mozambique has been subject to frequent policy changes with regard to exports and delays in issuing of annual licenses, which has created uncertainty. Furthermore, there is no assurance that future political and economic conditions in these countries will not result in the Governments changing their political attitude towards forestry. Any changes in policy may result in changes in laws affecting ownership of assets, land tenure, ability to export, taxation, environmental protection and repatriation of income and capital, which may adversely impact the Group's ability to carry out its activities.

OTHER RISKS

The Company carefully monitors the UK governments progress in respect of its Brexit discussions with the European Union. Given the location of the Company's trading operations and key assets it considers the key areas of Brexit risk to focus on any potential changes to the Company's UK listing requirements and its ability to raise funds on a UK listed market. The Board maintains close dialogue with its advisors to ensure that any proposed regulatory changes are identified and actioned accordingly. The Board is in discussion with its investors to identify any known issues with regards to the raising of finance however the Board currently consider themselves to be fully financed to meet their near-term objectives and therefore consider themselves to have mitigated this Brexit risk.

ENVIRONMENTAL RISK

The Group is exposed to climate, weather and the risk of pests affecting its agriculture and forestry operations. The availability of water for its irrigation as well as the abundance of too much water also pose a risk to the biological assets. These risks are managed by ongoing assessment of local pests and the adoption of irrigation methods. Adverse weather conditions may impact transport routes both within the Group's countries of operation and when exporting finished product.

FINANCIAL RISK

This comprises of a number of risks explained below.

MARKET RISK

Price risk
The Group is exposed to market risk in respect of its equity investments as well as any potential market price fluctuations that may affect the revenues of the agriculture, forestry and timber trading operations. The Group mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board.

LIQUIDITY RISK

The Group seeks to manage liquidity by regularly reviewing cash levels and expenditure budgets to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group had net cash balances of $1.910 million as at 31 December 2018 (2017: $2.089m).

INTEREST RATE RISK

The Group has limited its exposure to the risk of being negatively affected by variable interest rates by predominantly borrowing using fixed interest instruments. Refer to note 16 for a detailed assessment

CREDIT RISK

The Group's principal financial asset is cash. The credit risk associated with cash is considered to be limited. The Group receives payment immediately upon delivery of its agriculture and forestry products. The credit risk is considered to be minimal as no credit terms are offered and funds are received prior to the risk of ownership being transferred to the purchaser. From time to time cash is placed with certain institutions in support of trading positions. The credit risk is considered minimal as the Group only undertakes this with large reputable institutions.

DONATIONS

No political donations were made during the year (2017: $ nil). Charitable donations amounting to $2,400 (2017: $ nil) to a Danish cycling charity were made in the year.

POLICY ON PAYMENT OF SUPPLIERS

It is Group and Company policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based on the timely receipt of an accurate invoice.

EMPLOYMENT POLICIES

The Group supports employment of disabled people wherever possible through recruitment, by retention of those who become disabled and generally through training, career development and promotion.

The Group is committed to keeping employees as fully-informed as possible with regard to the Group's performance and prospects and seeks their views, wherever possible, on matters which affect them as employees.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) as adopted by the European Union (EU). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with IFRS adopted by the EU; and
d. 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's 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 and the Directors' Remuneration Report comply with the Companies (Guernsey) Law 2008. The Directors 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 Woodbois Limited website. The Company is compliant with AIM Rule 26 regarding the Woodbois Limited website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GOING CONCERN

An assessment of going concern is made by the Directors at the date the Directors approve the annual financial statements, taking into account the relevant facts and circumstances at that date including:

- Review of profit and cashflow forecasts;
- Review of actual results against forecast;
- Timing of cashflows; and
- Financial or operational risks.

Having made reasonable enquiries, the Directors are satisfied that the cash balance and resources and facilities of the Group are sufficient to cover all known financial liabilities for the next 12 months from the date of approval of the financial statements. As at 31 December 2018 the Group has a cash balance of circa $1.91 million (GBP1.5 million). After the year end, the Group successfully raised an additional $6.27 million (GBP4.96 million) in equity and has a sound capital expenditure plan over the 12 months. As a result, the Directors have satisfied themselves that the Group is in a sound financial position and will be able to meet the Group's foreseeable cash requirements and that it remains appropriate to adopt the going concern basis in preparing the financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

PKF Littlejohn LLP were appointed as auditors for 2018. A resolution for their re-appointment will be put to the members at the forthcoming Annual General Meeting.

On behalf of the Board

Paul Dolan
Chief Executive Officer
7 May 2019

Opinion

We have audited the financial statements of Woodbois Limited (previously Obtala Limited) (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is Companies (Guernsey) Law, 2008 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 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our application of materiality

Materiality is a key concept in the context of an audit. In providing an opinion on whether the financial statements provide a 'true and fair' view, we are providing an opinion on whether the financial statements as a whole are free from material misstatement whether due to fraud or error.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item, either individually or in aggregate, is considered material if omitting it or misstating it could reasonably be expected to influence decisions that users make on the basis of an entity's financial statements. Materiality has both quantitative and qualitative characteristics. It depends on the size or nature of the item or error judged in the particular circumstances of its omission or misstatement.

We used 5% adjusted loss before tax, 1% turnover and 3% adjusted gross assets as a basis for determining planning materiality. We have determined our Overall Financial Statement Materiality to be US$560,000. The adjusted loss before tax is calculated by removing all items deemed to be outside the normal course of business from profit before tax, such as the contingent acquisition expense. Similarly, the gross asset benchmark was calculated by removing the fair value of the biological assets from gross assets, as this is an area of significant judgement.

We consider turnover and adjusted profit before tax as significant determinants of the Group's performance used by shareholders as the Group as Woodbois Limited is a trading entity, generating significant revenues and its profit-making ability is a significant point of interest for investors. Equally, gross assets are a significant determinant of the Group's financial ability to continue as a going concern used by shareholder's, and by stripping out biological asset we have ensured this benchmark does not skew the Overall Financial Statement Materiality.

We set performance materiality at 50% of Overall Financial Statement Materiality to reflect the audit risk associated with it being our first year as Group auditor and the risk associated with the judgemental and key areas of management estimation within the financial statements. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage, materiality is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes during the audit. No significant changes have come to light through the audit fieldwork which has caused us to revise our materiality figure.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular we looked at areas involving significant accounting estimates and judgements by the Directors and considered future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our Group audit scope focused on the principal area of operation, being Africa. The head office in South Africa oversees the accounting function of the Group and its subsidiaries, however, regional offices maintain the accounting records for many of the components. The components are based in Mauritius, Gabon, Mozambique, Denmark and London therefore, given the nature of the accounting function, our audit was conducted by local component auditors within Gabon, Mozambique, Denmark and Mauritius.

Each component was assessed as to whether they were significant or not significant to the group by either their size or risk. The parent Company and ten components were considered to be significant due to identified risk and size. These components have been subject to full scope audits by component auditors and reviewed by us. Two components were not subject to full scope audits and we performed specific audit procedures due to the risk identified with the sale of these entities in the year.

The audit was overseen and concluded in London where we acted as Group auditor. As Group auditors we maintained regular contact with the component auditors throughout all stage of the audit and we were responsible for the scope and direction of their work. We ensured that we challenged their findings in order to form an opinion on the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Revenue recognition (note 2 to the financial statements)	
Revenue is a material figure within the financial statements at US$13,557 and the Group has seen an increase in revenues within the timber market since the acquisition of WoodBois International ApS .	Our work included: ▪ Gaining an understanding of the internal control environment in operation for the significant revenue streams and undertaking a walk-through to ensure that the key

Particularly given the increase since the prior year and the expected growth year on year, revenue is considered to be a key balance within the financial statements and a key focus of the shareholders. We therefore consider revenue recognition a key audit matter.	controls within those systems have been operating effectively; ▪ Substantive transactional testing of revenue recognised in the financial statements across the different streams to ensure accuracy of revenue; ▪ Reviewing the key contractual terms and terms of business with customers to identify the material performance obligations; ▪ Reviewing post-year end invoices, credit notes and cash receipts to ensure completeness of income recorded in the accounting period; and ▪ Consideration and assessment of the Group's application of IFRS 15.
Biological assets (note 13 to the financial statements)	
The Group's principal non-current assets relate to standing timber within the forestry concessions. These biological assets represent the most material balance in financial statements at US$194.7m as at 31 December 2018. Management assess at each reporting date the fair value of the standing timber on a discounted cash flow basis which involves significant Management judgement and estimates. There is a risk that the biological assets are misstated due to complex accounting treatment required by IAS 41 Biological assets and a high degree of estimation and judgement required by management in their valuation. We therefore considered the valuation of biological assets and the related disclosures to be a key audit matter.	Our work included: ▪ Reviewing the biological asset valuation models prepared by management for accuracy and challenging the estimates/assumptions made in the inputs; ▪ Reviewing the discount rate used and challenging the key inputs involved in arriving at the rate applied; ▪ Obtaining third party valuations and assessing their competence and independence in order to place reliance on management's expert as well as ensuring accuracy and reasonableness of the inputs used; ▪ Reviewing the sensitivity analysis of the key inputs, together with a combination of sensitivities of such inputs. ▪ Considering if there are any indications of impairment; and Reviewing the disclosures in the financial statements to ensure they are in accordance with IAS 41, particularly the disclosures of key estimates and assumptions which impact the fair values, and the sensitivity analysis.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the Group financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Group's members, as a body, in accordance with our engagement letter dated 12 December 2018. Our audit work has been undertaken so that we might state to the Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer (Engagement Partner)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
8 May 2018

1 Westferry Circus
Canary Wharf
London E14 4HD

Woodbois Limited (formerly known as Obtala Limited)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018	2017
Continuing operations		$000	$000
Turnover	2	13,448	7,892
Cost of sales	2	(11,334)	(7,439)
Gross profit		2,114	453
Other income	5	160	131
Gain / (loss) on fair value of Biological assets	13	1,611	(35,327)
Operating costs		(5,356)	(2,103)
Administrative expenses		(2,106)	(3,918)
Depreciation		(474)	(515)
Share based payment expense	25	(658)	(809)
Operating loss	3	(4,709)	(42,088)
Contingent acquisition expense	24	(860)	(574)
Gain on bargain purchase	24	-	37,525
Gain on disposal of Tanzanian business	10	176	-
Preference share liability expense	20	-	(1,604)
Foreign exchange gain		263	261
Finance income	6	-	20
Finance costs	7	(444)	(810)
(Loss) / Profit before taxation		(5,574)	(7,270)
Taxation	8	(951)	12,173
(Loss) / Profit for the year from continuing operations		(6,525)	4,903
Discontinued operations			
Loss from discontinued operations, net of tax:			
- Owners of the parent	10	(1,446)	(2,803)
- Non-controlling interests			
(Loss) / Profit for the year		(7,971)	2,100
(Loss) / Profit attributable to:			
- Owners of the parent	9	(6,736)	9,861
- Non-controlling interests	26	(1,235)	(7,761)
		(7,971)	2,100
Other comprehensive income:			
Gain on buy-out of minorities	26	14,373	-
Currency translation differences, net of tax		(798)	(2,299)
Total comprehensive income for the year		5,604	(199)
Total comprehensive income attributable to:			
Owners of the parent		6,839	7,562
Non-controlling interests	26	(1,235)	(7,761)
Total comprehensive loss for the year		5,604	(199)
Total comprehensive (loss) / income attributable to equity shareholders arises from:			
- Continuing operations		8,285	9,640
- Discontinued operations	10	(1,446)	(2,803)
		6,839	7,562
Earnings per share from continuing and discontinued operations attributable to the owners of the parent during the year (cents per share)			
Basic earnings per share			
From continuing operations (cents)	10	(1.44)	1.72
From discontinued operations (cents)		(0.32)	(0.98)
From (loss) / profit for the year		(1.76)	0.74
Diluted earnings per share			
From continuing operations (cents)	10	(1.11)	1.17
From discontinued operations (cents)		(0.25)	(0.67)
From (loss) / profit for the year		(1.36)	0.50

The notes on pages 27 to 59 form an integral part of the consolidated financial statements.

Woodbois Limited (formerly known as Obtala Limited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to the owners of the parent									
	Share capital $000	Share premium $000	Merger reserve (note 22) $000	Preference share capital $000	Foreign exchange reserve * $000	Share based payment reserve (note 25) $000	Retained earnings $000	Total $000	Non-controlling interests $000	Total equity $000
AT 1 JANUARY 2017	4,240	17,968	44,487	-	(1,619)	1,398	20,582	87,056	28,369	115,425
Profit / (Loss) for the year	-	-	-	-		-	9,861	9,861	(7,761)	2,100
Other comprehensive income:										
Currency translation differences	-	-	-	-	(2,299)	-	-	(2,299)	-	(2,299)
Total comprehensive income for the year	-	-	-	-	(2,299)	-	9,861	7,562	(7,761)	(199)
Transactions with owners:										
Issue of preference shares	-	-	-	14,318	-	-	-	14,318	-	14,318
Issue of ordinary shares	260	4,372	-	-	-	-	-	4,632	-	4,632
Share based payment expense	-	-	-	-	-	979	-	979	-	979
Reserve transfer	-	-	-	-	-	(1,398)	1,398	-	-	-
AT 31 DECEMBER 2017	4,500	22,340	44,487	14,318	(3,918)	979	31,841	114,547	20,608	135,155
Profit / (Loss) for the year	-	-	-	-	-	-	(6,736)	(6,736)	(1,235)	(7,971)
Other comprehensive income:										
Gain on minority buy-out (note 24)							14,373	14,373	(19,373)	(5,000)
Currency translation differences	-	-	-	-	(798)	-	-	(798)	-	(798)
Total comprehensive income for the year	-	-	-	-	(798)	-	7,637	6,839	(20,608)	(13,769)
Transactions with owners:										
Issue of ordinary shares	1,117	7,614	-	-	-	-	-	8,731	-	8,731
Share options forfeited	-	-	-	-	-	(679)	679	-	-	-
Share based payment expense	-	-	-	-	-	712	-	712	-	712
Preference share dividend	-	-	-	-	-	-	(1,313)	(1,313)		(1,313)
AT 31 DECEMBER 2018	5,617	29,954	44,487	14,318	(4,716)	1,012	38,844	129,516	-	129,516

* Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity.

The notes on pages 27 to 59 form an integral part of the consolidated financial statements.

Woodbois Limited (formerly known as Obtala Limited)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 $000	2017 $000
ASSETS			
NON-CURRENT ASSETS			
Assets under construction	12	-	883
Consideration receivable	10	1,841	-
Biological assets	13	194,708	192,501
Property, plant and equipment	11	17,081	17,741
TOTAL NON-CURRENT ASSETS		213,630	211,125
CURRENT ASSETS			
Trade and other receivables	10/14	5,924	3,441
Inventory	15	6,738	5,484
Cash and cash equivalents	16	1,910	2,089
TOTAL CURRENT ASSETS		14,572	11,014
TOTAL ASSETS		228,202	222,139
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	(5,751)	(4,017)
Borrowings	18	(5,024)	(6,472)
Consideration payable	25	(5,000)	-
Contingent acquisition liability	25	(1,269)	(574)
TOTAL CURRENT LIABILITIES		(17,044)	(11,063)
NON-CURRENT LIABILITIES			
Borrowings	18	(5,086)	(742)
Deferred tax	8	(62,655)	(61,728)
Preference share liability	19	(13,901)	(12,588)
Other related party payables	27	-	(863)
TOTAL NON-CURRENT LIABILITIES		(81,642)	(75,921)
TOTAL LIABILITIES		(98,686)	(86,984)
NET ASSETS		129,516	135,155
EQUITY			
Share capital	20	5,617	4,500
Share premium	21	29,954	22,340
Merger reserve	22	44,487	44,487
Preference share capital	19	14,318	14,318
Foreign exchange reserve		(4,716)	(3,918)
Share based payment reserve	25	1,012	979
Retained earnings		38,844	31,841
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		129,516	114,547
Non-controlling interests	26	-	20,608
TOTAL EQUITY		129,516	135,155

The notes on pages 27 to 59 form an integral part of the consolidated financial statements. The financial statements on pages 23 to 59 were authorised for issue by the Board of Directors on 7 May 2019 and were signed on its behalf.

Miles Pelham
Chairman

Woodbois Limited (formerly known as Obtala Limited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 $000	2017 $000
CASH GENERATED FROM OPERATIONS			
(Loss) before taxation – continuing operations		(5,574)	(7,270)
Loss before taxation – discontinued operations	10	(1,446)	(2,803)
(loss) before taxation		(7,020)	(10,073)
Adjustment for:			
Depreciation of property, plant and equipment	11	1,625	926
Fair value adjustment of biological asset	13	(1,611)	35,327
Inventory losses	3	295	977
Foreign exchange		(263)	(2,553)
Contingent acquisition expense	25	695	574
Non-cash consideration on acquisition of subsidiary	25	-	(3,683)
Preference share liability		-	1,604
Share based payments		658	419
Finance income		-	(20)
Finance costs	7	444	810
Gain on disposal of Tanzanian assets	10	(176)	-
Gain on bargain purchase	24	-	(37,525)
(Increase) / decrease in trade and other receivables		(1,852)	521
Increase / (decrease) in trade and other payables		1,708	(9,857)
Increase in inventory		(1,764)	(2,884)
CASH FLOWS FROM OPERATIONS		(7,261)	(25,437)
Finance costs paid		(257)	(154)
Finance income received		-	20
Income taxes paid	8	(52)	-
CASH FLOWS FROM OPERATING ACTIVITIES		(7,570)	(25,571)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash outflow from acquisition of subsidiary	24	-	(3,000)
Expenditure on assets under construction	12	(420)	(883)
Expenditure on property, plant and equipment	11	(2,825)	(4,040)
CASH FLOWS FROM INVESTING ACTIVITIES		(3,245)	(7,923)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from receipts loans and borrowings		(1,771)	5,129
Proceeds from ITF		3,676	698
Proceeds from the issue of ordinary shares		8,731	1,056
Proceeds from the issue of preference shares		-	25,302
CASH FLOWS FROM FINANCING ACTIVITIES		10,636	32,185
NET (DECREASE) / IN CASH AND CASH EQUIVALENTS		(179)	(1,309)
Cash and cash equivalents at beginning of year		2,089	3,398
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,910	2,089

Reconciliation of liabilities arising from financing actives

	2017 $000	Cash flow $000	Non-cash changes $000	2018 $000
Borrowings	8,077	2,033	-	10,110
Ordinary shares	26,840	8,731	-	35,571
Preference shares	14,318	-	-	14,318
	49,235	10,764	-	59,999

The notes on pages 27 to 59 form an integral part of the consolidated financial statements.

1. ACCOUNTING POLICIES

GENERAL INFORMATION

Woodbois Limited (formerly known as Obtala Limited) ("the Company" or "Woodbois") is an AIM-quoted agriculture, food processing and timber company limited by shares. The Company is incorporated and domiciled in Guernsey, the Channel Islands, with registered number 52184. Its registered office is Dixcart House, Sir William Place, St Peter Port, Guernsey, GY1 1GX.

The nature of the Group's operations and its principal activities are set out in the Directors' Report.

The accounting policies set out herein, in pages 27 to 37, have been consistently applied.

The principal activities and nature of the business are included on pages 1 to 18.

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), IFRIC interpretations and those parts of the Companies (Guernsey) Law 2008 applicable to Companies reporting under IFRS. The financial statements have been prepared under the historical cost convention except for biological assets and certain financial assets and liabilities, which have been measured at fair value.

FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in United States Dollar (USD), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. The acquisition method is used to account for the acquisition of subsidiaries.

Any contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with IFRS 9 either in profit or loss or as a change in other comprehensive income. The unwinding of the discount on contingent consideration liabilities is recognised as a finance charge within profit or loss.

Acquisition related costs are expensed as incurred.

The Group measures goodwill at the acquisition date as the excess of the fair value of the consideration transferred, plus the recognised amount of any non-controlling interests, less the recognised amount of the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain purchase. Before recognizing a gain on a bargain purchase, an assessment is made as to whether all assets acquired, and liabilities assumed have been correctly identified. The fair value measurement of the identifiable net assets and cost of acquisition is also reviewed to evaluate whether all available information at the acquisition date has been considered.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All significant intercompany transactions and balances between group entities are eliminated on consolidation.

When the Group ceases to consolidate a subsidiary as a result of losing control and the Group retains an interest in the subsidiary and the retained interest is an associate, the Group measures the retained interest at fair value at that date and the fair value is regarded as its cost on initial recognition. The difference between the net assets de-consolidated and the fair value of any retained interest and any proceeds from disposing of a part interest in the subsidiary is included in the determination of the gain or loss on disposal. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that subsidiary had directly disposed of the related assets or liabilities.

Investments in associates and jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Gains or losses on disposals to non-controlling interests are recorded in equity.

As at 31 December 2018, the Group held equity interests in the following undertakings:

Subsidiary undertakings	**Proportion held of voting rights**	**Country of incorporation**	**Nature of business**
Direct investments			
Obtala Services Limited	100%	United Kingdom	Shared services
Montara Continental Limited	100%	Seychelles	Holding company
Obtala (Hong Kong) Limited	100%	Hong Kong	Financier
Indirect investments of Montara Continental Limited			
Argento Limited	100%	Mauritius	Holding / treasury company – Forestry and Trading
Montara Limited	100%	Mauritius	Holding company - Agriculture
Indirect investments of Argento Limited			
Argento Mozambique Limitada	100%	Mozambique	Holding company & Forestry
Madeiras SL Limitada	100%	Mozambique	Forestry
Jardim Zambezia Limitada	100%	Mozambique	Forestry
WoodBois International ApS	100%	Denmark	Timber Trading
WoodGroup ApS	100%	Denmark	Timber Trading
Woodbois Gabon	100%	Gabon	Forestry
SCI Yarim	100%	Gabon	Property holding

INTRA-GROUP TRANSACTIONS

All intra-group transactions, balances, and unrealised gains on transactions between Group companies are eliminated on consolidation. Subsidiaries' accounting policies are amended where necessary to ensure consistency with the policies adopted by the Group. All financial statements are made up to 31 December each year.

CHANGES IN ACCOUNTING POLICIES

a) New and amended standards adopted by the Group

The following IFRS or IFRIC interpretations were effective for the first time for the financial year beginning 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Standards /interpretations	Application
IFRS 15	Revenue from contracts with customers
Annual Improvements	2014 – 2016 Cycle (IFRS 1 & IAS 28)
IFRIC 22 – interpretation 22	Foreign Currency Transactions and Advance Consideration
IFRS 9	Financial Instruments
Amendments to IFRS 2	Measurement of share-based payment transactions

IFRS 9 has been adopted without restating comparative information. The reclassifications and adjustments arising from adoption of IFRS 9 are not reflected in the balance sheet as at 31 December 2017 but are recognised in the opening balance sheet on 1 January 2018. There were no adjustments resulting the adoption.

b) New and amended standards not yet adopted by the Group

Standards /interpretations	Application
IFRS 16	Leases: Effective 1 January 2019
IFRIC 23	Uncertainty over income tax treatments: Effective 1 January 2019
IFRS 9 amendments	Prepayment Features with Negative Compensation: Effective 1 January 2019
IFRS 28 amendments	Long-term Interests in Associates and Joint Ventures: Effective 1 January 2019
Annual Improvements	2015 – 2017 Cycle: Effective 1 January 2019
IFRS 19 amendments	Plan Amendment, Curtailment or Settlement: Effective 1 January 2019
IFRS 3 amendments	Business Combinations: Effective 1 January 2020*
IAS 1 & IAS 8 amendments	Definition of Material: Effective 1 January 2020*
	*Subject to EU endorsement

There are no IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company or Group.

SEGMENTAL REPORTING

The reportable segments are identified by the Executive Board (which is considered to be the Chief Operating Decision Maker) by the way management has organised the Group. The Group operates within four separate operational divisions comprising agriculture, forestry, trading and head office.

The Directors review the performance of the Group based on total revenues and costs, for these four divisions and not by any other segmental reporting.

REVENUE RECOGNITION

IFRS 15 was adopted from 1 January 2018. There were no material changes to the revenue arising from the adoption.

Under IFRS 15, Revenue from Contracts with Customers, five key points to recognise revenue have been assessed:

Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract; and
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the Group's activities, as described below.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Where the Group makes sales relating to a future financial period, these are deferred and recognised under 'deferred revenue' on the Statement of Financial Position.
The Group currently has the following revenue streams:

- Timber and veneer sales are recognised following the five-step approach outlined above. The performance obligation set out in step two is when the risk and reward of the goods is transferred to the customer, and is transferred at the earlier of:
    - when goods are sold subject to a letter of credit, on the date that the buyer's bank approves the transfer; or
    - when goods are prepaid in full by the buyer, based on the incoterm specified in the contract/invoice; or
    - when the bill of lading is exchanged with the buyer.

- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

- Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

FOREIGN CURRENCIES

The presentation currency of the Group is US Dollars (USD). Items included in the Group's financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the majority of the Group's subsidiaries is USD as this is the currency in which they trade on a local basis. The consolidated financial statements are presented in USD ("the presentation currency") because this is the currency better understood by the principal users of the financial statements.

Foreign currency translation rates (against US$) for the significant currencies used by the Group were:

	At 31 December 2018	Annual average for 2018	At 31 December 2017	Annual average for 2017
Great British Pound	1.27	1.33	0.74	0.77
Mozambique Metical	60.67	59.87	58.37	63.18
Tanzanian Shilling	2,294	2,271	2,229	2,208
Danish Krone	6.52	6.32	6.21	6.29*
West African CFA franc	573.02	556.55	547.53	554.77*

**Only applicable for the period 1 July 2017 – 31 December 2017*

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currency are translated into the functional currency at the rate prevailing on that date. Non-monetary assets and liabilities are measured at fair value and are translated into the functional currency at the rate prevailing on the reporting date. Gains and losses arising on retranslation are included in profit or loss for the year, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in other comprehensive income when the changes in fair value are recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentational currency at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the year unless exchange rates have fluctuated significantly during the year, in which case the exchange rate at the date of the transaction is used. Exchange differences arising, if any, are taken to other comprehensive income and the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and any accumulated impairment losses. If significant parts of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term.

Land has an indefinite useful life and therefore is not depreciated.

Depreciation is calculated on a straight-line basis at rates calculated to write each asset down to its estimated residual value, which in most cases is assumed to be zero, evenly over its expected useful life, as follows:

Buildings	over 50 years
Motor Vehicles	over 3 years
Fixtures and IT equipment	over 3 years
Plant and equipment	over 2 - 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each statement of financial position 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.

Where there has been a change in economic conditions that indicate a possible impairment in a cash-generating unit, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management’s expectations of future costs.

The recoverable amount is the higher of fair value less costs to sell 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation that would have been charged since the impairment.

BIOLOGICAL ASSETS

A biological asset is defined as a living animal or plant. The Group’s biological assets comprise standing timber. The fair value of the standing timber is determined using models based on expected yields, market prices for the saleable produce, after allowing for harvesting costs and other costs yet to be incurred in getting the produce to maturity. Any changes in fair value are recognised in the income statement in the year in which they arise.

Forestry
IAS 41 requires biological assets to be measured at fair value less costs to sell. The fair value of standing timber is estimated based on the present value of the net future cash flows from the asset, discounted at a current market-based rate. In determining the present value of expected net cash flows, the Group includes the net cash flows that market participants would expect the asset to generate in its most relevant market. Increases or decreases in value are recognised in profit or loss. When the fair value estimates are determined to be clearly unreliable due to insufficient information being available to the Directors, the biological asset is held at cost less any accumulated depreciation and any accumulated losses.

All expenses incurred in maintaining and protecting the assets are recognised in profit or loss. All costs incurred in acquiring additional planted areas are capitalised.

Refer to “Critical Accounting Estimates and Areas of Judgement” for further disclosures on the forestry biological assets.

Agriculture

Crops which are planted from seed to undergoing the process of transformation until they become mature and productive are also stated at fair value less costs to sell. Management review the crops on an ongoing basis and should these be deemed to be unsuitable for further cultivation, full provision for impairment loss is made at that time.
A gain or loss arising on initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell is recognised as profit or loss in the period in which it arises.

Agricultural produce harvested from the Group's biological assets is measured at its fair value less costs to sell. The fair value of agricultural produce is based on market prices of agricultural produce of similar size and weight or alternative estimates of fair value at the point of harvest.

Where fair value of a biological asset cannot be measured reliably, the biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses.

Costs incurred prior to the demonstration of commercial feasibility of forestry and agriculture in a particular area are written-off to profit and loss as incurred.

FINANCIAL INSTRUMENTS

(a) Classification

The Group adopted IFRS 9 on 1 January 2018 and applied the standard prospectively. It noted no material change upon initial adoption.

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). See Note 16 for further details.

(b) Recognition

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Amortised cost; Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

(d) Impairment

From 1 January 2018, the Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

LEASES

FINANCE LEASES
Leases that transfer substantially all of the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases.

Finance leases where the Group is the lessee
Assets acquired in terms of finance leases are measured at the lower of fair value and the present value of the minimum lease payments at inception of the lease. The capital element of future obligations under the leases are included as a liability in the statement of financial position.

Lease payments are allocated using the effective interest method to determine the lease finance cost, which is recognised as a finance cost over the lease period, and the capital repayment, which reduces the liability to the lessor subsequent to initial recognition. The assets under finance leases are treated in the same manner as owned assets.

OPERATING LEASES
Leases where the lessor retains the risk and rewards of ownership of the underlying assets are classified as operating leases. In the instance where the Group is the lessee, no asset is recognised when a lease is classified as an operating lease. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

INVENTORIES

Inventories are stated at the lower of cost-of-production or estimated net realisable value. Cost of production includes direct labour, all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost of inventories is based on the weighted average cost method.

The cost of inventory of agricultural produce is obtained from fair value less cost to sell at the point of harvest.

Product that has been containerised and shipped or remains in storage at the port of departure, and where ownership has not yet passed to the customer, is accounted for as stock in transit and stated at the lower of cost of production or estimated net realisable value.

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS
The costs of all short-term employee benefits are recognised in the period in which the employee renders the related service.

The accrual/liability for employee entitlements to wages, salaries and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on expected wage and salary rates.

SHARE-BASED PAYMENT ARRANGEMENTS
The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are

expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.
The fair value of the options granted is measured using a modified Black Scholes valuation model for options, taking into account the terms and conditions under which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as a finance cost.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with that contract.

In accordance with the Group's environment policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

TAXATION

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

CURRENT TAX
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

DEFERRED TAX
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.
The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

EARNINGS PER SHARE

(i) Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share adjusts the figures used in determining basic earnings per share to take into account the after tax effects of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all diluted potential ordinary shares.

GOING CONCERN

The financial statements have been prepared assuming that the Group will continue as a going concern. Under this assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor necessity of liquidation, ceasing trading or seeking protection from creditors for at least 12 months from the date of the signing of the financial statements.

The assessment has been made on the Groups prospects, which have been included in the financial budget, and from managing working capital, in particular for 12 months from the date of approval of the financial statements. Consideration has been given to the current stage of the Group's life cycle, its losses and cash outflows, the expected timing of revenues and the ability of the Directors to raise further funds either through debt or equity.

Based on these assumptions, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore have adopted the going concern basis of preparation in the financial statements.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

The preparation of the consolidated financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets, liabilities, revenue and costs during the periods presented therein, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and judgements are continually evaluated and based on management's historical experience and other factors, including future expectations and events that are believed to be reasonable. The estimates and assumptions that have a significant risk of causing a material adjustment to the financial results of the Group in future reporting periods are discussed below.

The following critical accounting estimates and areas of judgement are sufficiently disclosed in each of the separate notes to the financial statements:

- Residual values and useful lives of property, plant and equipment: refer to note 11
- Fair value of biological assets: refer to note 13
- Provision for doubtful debts. Refer to note 16
- Preference share liability: refer to note 19
- Fair value of assets on business combination: refer to note 24
- Share based payments: refer to note 25

2. SEGMENTAL REPORTING

Segmental information is presented on the basis of the information provided to the Chief Operating Decision Maker ("CODM"), which is the Executive Board.

The Group is currently focused on forestry and timber trading. These are the Group's primary reporting segments, operating in Gabon, Mozambique, Denmark and head office operating from Mauritius and UK.

As on 31 December 2018 sales made to one customer during the year accounted for 12% of the total turnover. Sales made to a second customer during the year accounted for 11% of the total turnover.

As at 31 December 2018, the Group sold its interest in agriculture.

The Group's Chief Executive Officer reviews the internal management reports of each division at least quarterly.

There are varying levels of integration between the Forestry and Trading segments. This integration includes transfers of sawn timber and veneer, respectively. Inter-segment pricing is determined on an arm's length basis.

Information relating to each reportable segment is set out below. Segment profit / (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industry. All amounts are disclosed after taking into account any intra-segment and intra-group eliminations:

	Forestry $000	Trading $000	Unallocated head office costs $000	Total $000
INCOME STATEMENT				
Turnover	5,579	7,869	-	13,448
Cost of Sales	(4,397)	(6,937)	-	(11,334)
Gross profit / (loss)	1,182	932	-	2,114
Other income	5	-	155	160
Operating costs	(3,443)	(1,330)	(717)	(5,490)
Administrative expenses	-	(290)	(1,816)	(2,106)
Depreciation	(408)	(66)	-	(474)
Share based payment expense	(422)	(151)	(85)	(658)
Foreign exchange (loss) / gain	(38)	(411)	712	263
Contingent acquisition expense	-	(860)	-	(860)
Gain on disposal of Tanzanian business	-	-	176	176
Gain on fair value of Biological assets	1,611	-	-	1,611
Segment operating loss	(1,512)	(2,177)	(1,575)	(5,264)
Finance income	-	-	-	-
Finance costs	-	(201)	(243)	(444)
Loss before taxation	(1,512)	(2,378)	(1,449)	(5,708)
Taxation	(585)	(366)	-	(951)
Loss after taxation	**(2,097)**	**(2,744)**	**(1,449)**	**(6,659)**
NET ASSETS				
Assets:	159,944	56,572	11,686	228,202
Liabilities:	(16,606)	(28,532)	9,107	(36,031)
Deferred tax (liability) / asset	(44,342)	(18,313)	-	(62,655)
Net assets	98,996	9,727	20,793	129,516
OTHER SEGMENT ITEMS				
Capital expenditure:				
Biological assets	194,708	-	-	194,708
Property, plant and equipment	16,958	113	10	17,081

The following table shows the segment analysis of the Group's loss before tax for the year and net assets at 31 December 2017. All amounts are disclosed after taking into account any intra-segment and intra-group eliminations:

	Forestry	Trading	Unallocated head office costs	Total
	$000	$000	$000	$000
INCOME STATEMENT				
Turnover	2,884	5,008	-	7,892
Cost of Sales	(2,532)	(4,907)	-	(7,439)
Gross profit	352	101	-	453
Other income	-	24	107	131
Operating costs	(1,627)	(442)	(34)	(2,103)
Administrative expenses	(1,053)	(333)	(2,532)	(3,918)
Depreciation	(451)	(64)	-	(515)
Share based payment expense	(302)	(110)	(397)	(809)
Forex	487	-	(226)	261
Gain on bargain purchase	-	-	37,525	37,525
Contingent acquisition expense	-	(574)	-	(574)
Preference share liability expense	-	-	(1,604)	(1,604)
Loss on fair value of Biological assets	(35,327)	-	-	(35,327)
Segment operating (loss)/profit	(37,921)	(1,398)	32,839	(6,480)
Finance income	20	-	-	20
Finance costs	(4)	(150)	(656)	(810)
Profit / (loss) before taxation	(37,905)	(1,548)	32,183	(7,270)
Taxation	12,032	141	-	12,173
Profit after taxation	(25,873)	(1,407)	32,183	4,903
NET ASSETS				
Assets:	210,850	6,008	5,281	222,139
Liabilities:	(2,469)	(8,618)	(14,169)	(25,256)
Deferred tax (liability) / asset	(61,859)	131	-	(61,728)
Net assets	146,522	(2,479)	(8,888)	135,155
OTHER SEGMENT ITEMS				
Capital expenditure				
Biological assets	192,501	-	-	192,501
Property, plant and equipment	14,874	185	138	17,741

3. OPERATING LOSS

	2018 $000	2017 $000
Operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment	1,625	926
Staff costs (see note 4)	4,171	3,838
Share based payment reserve expense (see note 26)	712	979
Operating lease costs	73	187
(Profit) / loss on fair value of Biological assets (see note 13)	(1,611)	35,327
Inventory losses	295	977
Auditor's remuneration:		
Audit services		
– fees payable to the Company auditor for the audit of the consolidated accounts	50	18
Fees payable to associates of the Company auditor for other services		
– auditing the accounts of subsidiaries pursuant to legislation	65	76

4. EMPLOYEE INFORMATION

	2018 Number	2017 Number
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Administration and management	4	4
Agriculture	247	346
Forestry	192	233
Trading	6	6
	449	589

	2018 $000	2017 $000
The aggregate remuneration comprised:		
Wages and salaries	4,236	3,833
Social security costs	39	-
	4,275	3,833

Directors' remuneration included in the aggregate remuneration above comprised:	2018 $000	2017 $000
Emoluments for qualifying services	1,530	893

Included above are emoluments of $246,000 (2017: $201,000) in respect of the highest paid Director. Full details of directors' remuneration are included in the directors' report.

No pension contributions were made on behalf of the Directors and other staff members.

5. OTHER INCOME

	2018 $000	2017 $000
Bad debt recovered	154	131
Other	6	-
	160	131

6. FINANCE INCOME

	2018 $000	2017 $000
Bank interest	-	20

7. FINANCE COSTS

	2018 $000	2017 $000
Bank interest	202	106
ITF interest	242	48
Interest accrued on preference shares	-	656
	444	810

8. TAXATION

	2018 $000	2017 $000
CURRENT TAX:		
Corporation tax on profit for the year	(79)	-
DEFERRED TAX:		
Origination and reversal of temporary differences	(872)	12,173
TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES	(951)	12,173

Group	$000	$000
Loss on ordinary activities before tax	(6,872)	(9,927)
Loss on ordinary activities multiplied by the average rate of corporation tax of 22% (2017: 24.5%)	(1,512)	(2,432)
Effects of:		
Losses not recognised for deferred tax	853	11,003
Losses recognised for deferred tax	99	131
Gain on Bargain purchase	-	(9,194)
Loss allowance	18	
Gain on disposal of Tanzanian business	(39)	-
Preference share liability expense	-	393
Share based payment expense	157	240
Effect of movement in fair value of biological assets	(527)	12,032
GROUP TAX CREDIT FOR THE YEAR	(951)	12,173

The prevailing tax rates of the operations of the Group range between 3% and 32%. Therefore, a rate of 22% has been used as it best represents the weighted average tax rate experienced by the Group. The Group has estimated losses of $71.2 million (2017: $45.5 million) available for carry forward against future taxable profits. No deferred tax assets have been recognised in respect of losses due to the unpredictability of future taxable profit. All unused tax losses may be carried forward indefinitely.

The movement in the year in the Group's recognised net deferred tax position was as follows:

Deferred tax liabilities	2018 $000	2017 $000
At 1 January	61,728	55,848
Increase / (decrease) in deferred tax liability	527	(12,032)
(Increase) / decrease in deferred tax asset	400	(131)
Deferred tax arising on acquisition *(refer to note 25)*	-	18,043
At 31 December	62,655	61,728

Deferred tax reconciliation

Deferred tax assets / liabilities	2018 $000	2017 $000
Deferred tax liability on the fair value adjustment of Biological Assets	(62,386)	(61,859)
Deferred tax asset on assessed tax loss	(269)	131
At 31 December	(62,655)	(61,728)

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding own shares held jointly by the Woodbois Employee Share Trust, "The Trust", and certain employees.

Dilutive earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year to assume conversion of all dilutive potential ordinary shares, being share options and the shares held by the Trust and certain employees.

	2018	2017
	$000	$000
(Loss) / profit from continuing operations attributable to owners of the parent	(6,525)	4,903
Loss from discontinued operations attributable to owners of the parent	(1,446)	(2,803)
Total	(7,971)	2,100
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue	473,087,240	284,729,000
Weighted average number of ordinary shares used in calculating earnings per share	473,087,240	284,729,000
Number of options and own shares with dilutive effects	134,792,981	134,792,981
Weighted average number of ordinary shares used in calculating diluted earnings per share	607,880,221	419,521,981
Earnings per share from continuing operations		
Basic (cents)	(1.17)	4.45
Diluted (cents)	(0.90)	(0.98)
Earnings per share from discontinued operations		
Basic (cents)	(0.32)	(0.98)
Diluted (cents)	(0.25)	(0.67)

10. DISCONTINUED OPERATIONS

During the year, the Group announced its intention to dispose of its Tanzanian assets. The agricultural operation has been accounted for as a discontinued operation from 31 October 2018.

At 31 December 2018 the Group disposed of the agricultural business and assets in Tanzania, namely Magole Agriculture Limited, Milama Processing Company Limited, Magole Land Limited and Wami Agriculture Co. Limited. Mama Jo's Fresh Limited was deregistered on 21st July 2018.

Results of disposal Group:

	2018	2017
	$000	$000
Turnover	109	514
Cost of sales	(931)	(871)
Gross profit / (loss)	(822)	(357)
Other income	116	-
Operating costs	(533)	(1,810)
Administrative expenses	(146)	(459)
Share based payments	(54)	(170)
Foreign exchange gain / (loss0	7	(7)
Loss before tax	(1,446)	(2,803)
Taxation	-	-
Loss after tax	(1,446)	(2,803)

	2018	2017
	$000	$000
Net cash outflows from operating activities	575	(2,487)
Net cash inflows/(outflows) from investing activities	2	(514)
Net cash (outflows)/inflows from financing activities	(760)	3,132
Net decrease in cash generated by discontinued operations	(183)	131

The Group continued to account for non-cancellable leases amounting to $12,945 relating to African Home Stores business, which was discontinued in 2016.

The following table summarises the recognised amounts of assets disposed measured at fair value:

	2018
	$000
Fixed Assets	2,109
Inventory	215
Total identifiable assets disposed	2,324
Cash flows on disposal	
Consideration – cash	(2,015)
Consideration – buyer assumed loan	(485)
Total consideration	(2,500)
Gain on disposal	176

The cash consideration is payable by the buyer in 12 quarterly instalments. The first instalment of $250,000 is payable on 30 April 2019. The 11 subsequent instalments shall be equal amounts of $160,455. The non-current portion of the debt amounts to $1,841,000. The current portion of $659,000 is included in trade and receivables.

The non-cash consideration relates to a loan amounting to $484,902 which was assumed by the buyer.

Total assets and liabilities held by the Group at the year end in relation to the discontinued operations amounted to $195,000 (2017 - $2,920,000) and $306,000 (2017 - $238,000) respectively.

11. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings $000	Motor vehicles $000	Plant & equipment $000	Fixtures & IT equipment $000	Total $000
COST					
AT 1 JANUARY 2017	857	270	2,171	80	3,378
Additions	1,003	1,303	1,616	118	4,040
Assets obtained on acquisition	7,222	1,042	3,942	-	12,206
Effects of foreign exchange	323	(110)	(241)	74	46
AT 31 DECEMBER 2017	9,405	2,505	7,488	272	19,670
Additions	1,067	1,116	1,619	6	3,807
Disposal of subsidiary	(1,180)	(65)	(1,081)	(10)	(2,336)
Disposals (other)	-	(63)	(116)	(131)	(310)
Effects of foreign exchange	(502)	(260)	(1,926)	(2)	(2,690)
AT 31 DECEMBER 2018	8,789	3,233	5,984	135	18,141
DEPRECIATION					
AT 1 JANUARY 2017	113	173	1,098	59	1,443
Charge for the year	96	187	633	10	926
Effects of foreign exchange	(1)	(155)	(229)	(55)	(440)
AT 31 DECEMBER 2017	208	205	1,502	14	1,929
Charge for the year	144	524	934	22	1,625
Disposals of subsidiary	(78)	(22)	(124)	(3)	(227)
Disposals	-	(20)	-	-	(20)
Effects of foreign exchange	87	(167)	(2,165)	(2)	(2,247)
AT 31 DECEMBER 2018	361	520	148	31	1,060
NET BOOK VALUE					
AT 31 DECEMBER 2018	8,428	2,713	5,836	104	17,081
AT 31 DECEMBER 2017	9,197	2,300	5,986	258	17,741

Motor vehicles having a net book value of USD 397,583 are pledged as security on car loans (see also note 19).

On acquisition of an asset, the estimated useful life is determined. The residual values for the majority of assets are assumed to be zero. In subsequent years tests for impairment are carried out.

12. ASSETS UNDER CONSTRUCTION

	2018 $000	2017 $000
As at 1 January - Sawmill	883	-
Costs incurred during the year	-	883
Transferred to Property, plant and equipment	(883)	
As at 31 December	-	883

During the year ending 31 December 2018, the Group completed the construction of a sawmill in Nampula, Mozambique.

13. BIOLOGICAL ASSETS

Standing timber	2018 $000	2017 $000
Carrying value at beginning of year	192,501	174,528
Increases due to purchases	596	53,300
Gains / (losses) arising from changes in fair value	1,611	(35,327)
Carrying value at end of year	194,708	192,501

The methods and assumptions used in determining the fair value of standing timber within the forestry concessions held has been based on discounted cash flow models which require a number of significant judgements to be made by the Directors in respect of sales price, operational cost, discount rates, legislative rulings and operating effectiveness

The discounted cash flow models cover the concession areas in Mozambique and Gabon to which the group has secured the rights. Management prepare separate models for each country.

Harvesting levels are regulated by the Annual Permitted Cut ("APC") (total m3 per species) set in each management plan and approved at federal and provincial government level and can be reviewed and increased periodically, while continued sustainability is ensured. The level of assumed APC varies between 89,000m3 and 200,000m3 and at a maximum represents 100% of the APC. This is based on the current APC which may be subject to change depending on legislative changes both with regards to the size of the area and species. Such changes may impact the carrying value of the biological assets held.

The valuation models assume pre-tax discount rates between 10% and 12% depending on geography. The discount rates have been calculated using a weighted average cost of capital (“WACC”) methodology. Our comparable company base is made up of Africa-focused and global forestry companies which management consider would be categorized in the same sector as Woodbois. Relevant country and equity risk premiums have been used for Gabon and Mozambique. Management have determined that, the discount rates are in line with the overall industry consensus for timberland assets within Africa.

The Group’s main class of biological assets comprise of standing timber held through forestry concessions of between 20 and 50 years. Biological assets are carried at fair value less estimated costs to sell.

The brought forward biological assets are located in Gabon in Mouila and Northern Mozambique in the states of Cabo Delgado, Nyassa and Zambezia and are managed from a central point in Mouila and Nampula. The additions are located in Mozambique (2017: Gabon).

Fair value has been determined internally by discounting a 20-year pre-tax cash flow projection (Level 3 of the fair value hierarchy) based on a mix of wood species within the concession areas. Real cost of production has been factored in going forward.

In 2018 the Ministry of Land, Environment and Rural Development (MITADER) in Mozambique, issued a ruling on the exploitation and export of endangered species of timber under which the exploitation and collection of timber of Pterocarpus tinctorius, (Nkula), Swartzia madagascariensis (Ironwood), Combretum imberbe (Mondzo) is forbidden. Woodbois has never owned licences to extract any of these species. In addition, the export of Chanfuta, Umbila and Jambire will not be allowed, those three species being licensed only for the domestic market. Woodbois has previously exported both Chanfuta and Umbila from Mozambique. We have reviewed the potential financial implications of these measures to the Group, but since Argento's operations in Mozambique are certified by MITADER, if they are adopted into law they should, in the long term, benefit the Group from both an operational and pricing perspective. However, it is unclear what the final ruling will be and when it will come into force. As a result, any changes to the final ruling may impact the Group’s ability to harvest its biological assets within expectations. Any such changes may result in an impairment to the asset carrying amounts.

The following sensitivity analysis shows the effect of an increase or decrease in significant assumptions used:

	Impact on fair value of biological asset	
	2018	2017
	$ 000	$ 000
Effect of increase in discount rate by 1%	(15,501)	(15,255)
Effect of decrease in discount rate by 1%	18,636	18,340
Effect of 10% increase in volume of APC	18,730	18,038
Effect of 10% decrease in volume of APC	(18,730)	(18,038)
Effect of 10% increase in sales price	38,979	38,067
Effect of 10% decrease in sales price	(38,979)	(38,067)

14. TRADE AND OTHER RECEIVABLES

	2018	2017
	$000	$000
Trade receivables	2,874	960
Other receivables	824	1,326
Deposits	35	29
Consideration due – sale of Tanzanian business – current portion (note 10)	659	-
Current tax receivable	-	28
VAT receivable	242	242
Prepayments and accrued income	1,290	856
	5,924	3,441

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Refer to note 16 for the Group's impairment policy.

15. INVENTORY

	2018	2017
	$000	$000
Agricultural supplies	-	459
Timber and veneer	6,223	5,025
Stock in transit	515	-
	6,738	5,484

Write-downs of inventories to net realisable value amounted to $295,000 (2017 – $658,000). These were recognised as an expense during the year ended 31 December 2018 and included in 'cost of sales' in profit or loss.

16. FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT
The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The overall strategy of the Company and Group is to minimise costs and liquidity risk.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, share premium, reserves (merger reserve, foreign exchange reserve, preference share capital and share based payment reserve) and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

The Group is exposed to a number of risks through its normal operations, the most significant of which are interest, credit, foreign exchange and liquidity risks. The management of these risks is vested in the Board of Directors.

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.

16. FINANCIAL INSTRUMENTS (continued)

CATEGORISATION OF FINANCIAL INSTRUMENTS

2018

Financial assets/(liabilities)	Financial assets at amortised cost $000	Financial liabilities at amortised cost $000	Total $000
Trade and other receivables	5,924	-	5,924
Cash and cash equivalents	1,910	-	1,910
Trade and other payables	-	(5,751)	(5,751)
Borrowings	-	(10,110)	(10,110)
Preference share liability	-	(13,901)	(13,901)
Contingent acquisition liability	-	(1,269)	(1,269)
Other related party payables	-	-	-
	7,834	(31,031)	(23,197)

2017

Financial assets/(liabilities)	Financial assets at amortised cost $000	Financial liabilities at amortised cost $000	Total $000
Trade and other receivables	2,560	-	2,560
Cash and cash equivalents	2,089	-	2,089
Trade and other payables	-	(1,740)	(1,740)
Borrowings	-	(7,214)	(7,214)
Preference share liability	-	(12,588)	(12,588)
Contingent acquisition liability	-	(574)	(574)
Other related party payables	-	(863)	(863)
	4,649	(22,979)	(18,330)

FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION
The following provides an analysis of the Group's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 & 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 2 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- Level 3 assets are assets whose fair value cannot be determined by using observable inputs or measures, such as market prices or models. Level 3 assets are typically very illiquid, and fair values can only be calculated using estimates or risk-adjusted value ranges

EQUITY PRICE RISK
The Group is exposed to equity price risks arising from equity investments. Equity investments are held for both strategic and trading purposes.

MANAGEMENT OF MARKET RISK
The most significant area of market risk to which the Group is exposed is interest rate risk.

The risk is limited to the reduction of interest received on cash surpluses held and the increase in the interest on borrowings.

The majority of the Company's debt is based on fixed interest rates with no link or exposure to movements in LIBOR. The trade finance facility that the Company raised over the course of 2018 is priced below all of the quotes received for a trade finance facility from institutions active in Africa.

Woodbois also has the option to wind up the trade finance facility within a 4-month timeframe, after an initial 12-month period should more attractive financing rates be secured.

16. FINANCIAL INSTRUMENTS (continued)

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.

	2018 $000	2017 $000
+ 20 bp increase in interest rates	(20)	(14)
+ 50 bp increase in interest rates	(51)	(36)
+ 100 bp increase in interest rates	(101)	(72)

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

GROUP	2018 Fixed rate $000	2017 Fixed rate $000	2018 Floating rate $000	2017 Floating rate $000	2018 Total $000	2017 Total $000
Cash and cash equivalents	-	-	1,910	2,089	1,910	2,089
Borrowings	(10,110)	-	-	(7,214)	(10,110)	(7,214)
Preference share liability	(13,901)	(12,588)	-	-	(13,901)	(12,588)
Total	(24,011)	(12,588)	1,910	(5,125)	(22,101)	(17,713)

The impact of a 10% increase/decrease in the average base rates would be $1 million (2017: $0.7 million) on total cash and cash equivalents balances, borrowings and on equity.

MANAGEMENT OF CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

The principal financial assets of the Company and Group are bank balances and receivables. The Group deposits surplus liquid funds with counterparty banks that have high credit ratings. Cash is sometimes placed with certain institutions in support of trading positions. The Group deposits such funds with large well-known institutions and the Directors consider the credit risk to be minimal.

The Group's maximum exposure to credit by class of individual financial instrument is shown in the table below:

	2018 Carrying Value $000	2018 Maximum Exposure $000	2017 Carrying Value $000	2017 Maximum Exposure $000
Cash and cash equivalents	1,910	1,910	2,089	2,089
Trade and other receivables	3,975	3,975	2,560	2,560
Total	5,885	5,885	4,649	4,649

No aged analysis of financial assets is presented as no financial assets are past due at the reporting date.

Trade receivables

In the current period the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities as well as the impairment for financial assets. IFRS 9 requirements have been applied prospectively with no restatement of comparable periods and no significant effect on the results upon initial application.

16. FINANCIAL INSTRUMENTS (continued)

The only impact on the Group is in relation to the impairment of trade receivables as detailed below.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model required the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for both trade receivables:

31 December 2018	More than 120 days past due	More than 90 days past due	More than 60 days past due	More than 30 days past due	Current	Total
Expected loss rate	1.96%	4.86%	0%	0%	0%	
Gross carrying amount – trade receivables	2,197	803	89	(43)	203	3,249
Loss allowance	(43)	(39)	-	-	-	(82)

The closing loss allowances for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowances as follows:

	2018 $000	2017 $000
31 December – calculated under IAS 39	-	319
Increase in loss allowance recognised in profit / (loss) during the year	82	-
Receivables written off during the year as uncollectible	-	-
At 31 December	82	319

MANAGEMENT OF FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising from commercial transactions, translation of assets and liabilities and net investments in foreign operations. Exposure to commercial transactions arises from sales or purchases by operating companies in currencies other than the companies' functional currency. Currency exposures are reviewed regularly.

16. FINANCIAL INSTRUMENTS (continued)

The Group has a limited level of exposure to foreign exchange rate risk through their foreign currency denominated cash balances:

	2018	2017
	$000	$000
Cash and cash equivalents		
GBP	55	608
EUR	27	-
DKK	-	1
CFA	59	127
TZS	-	187
MZN	16	309
HKD	-	132
USD	1,743	725
Total	1,910	2,089

The table below summarises the impact of a 10% increase/decrease in the relevant foreign exchange rates versus the US Dollar rate, on the Group's pre-tax profit for the year and on equity:

	2018	2017
IMPACT OF 10% RATE CHANGE	$000	$000
Cash and cash equivalents	9	136

MANAGEMENT OF LIQUIDITY RISK

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The Group seeks to manage liquidity risk by regularly reviewing cash flow budgets and forecasts to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group deems there is sufficient liquidity for the foreseeable future.

The Group had cash and cash equivalents at 31 December as set out below.

	2018	2017
	$000	$000
Cash at bank	1,910	2,089
	1,910	2,089

16. FINANCIAL INSTRUMENTS (continued)

CONTRACTUAL MATURITY ANALYSIS

The Group has assessed the contractual maturity analysis as follows:

2018	0-3 months $000	3-12 months $000	1 – 5 years $000	Total $000
Assets by contractual maturity				
Trade and other receivables	2,290	3,634	-	5,924
Cash and cash equivalents	1,910	-	-	1,910
	4,200	3,634	-	7,834
Liabilities by contractual maturity				
Trade and other payables	(5,390)	(361)	-	(5,751)
Borrowings	-	-	(10,110)	(10,110)
Preference share liability	-	-	(13,901)	(13,901)
Contingent acquisition liability	-	-	(1,269)	(1,269)
Other related party payables	-	-	-	-
	(5,390)	(361)	(25,321)	(31,031)
Net assets by contractual maturity	(1,190)	3,273	(25,321)	(23,197)

2017	0-3 months $000	3-12 months $000	1 – 5 years $000	Total $000
Assets by contractual maturity				
Trade and other receivables	1,202	1,358	-	2,560
Cash and cash equivalents	2,089	-	-	2,089
	3,291	1,358	-	4,649
Liabilities by contractual maturity				
Trade and other payables	(1,389)	(351)	-	(1,740)
Borrowings	-	-	(7,214)	(7,214)
Preference share liability	-	-	(12,588)	(12,588)
Contingent acquisition liability	-	-	(574)	(574)
Other related party payables	-	-	(863)	(863)
	(1,389)	(351)	(21,239)	(22,979)
Net assets by contractual maturity	1,902	1,007	(21,239)	(18,330)

17. TRADE AND OTHER PAYABLES

	2018 $000	2017 $000
Trade payables	2,621	1,004
Accruals	588	385
Contract liabilities	1,249	620
Current tax payable	27	28
Provisions	-	51
Other payables	905	1,578
Debt to concession holders	361	351
	5,751	4,017

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

18. BORROWINGS

	2018	2017
	$000	$000
Non-Current liabilities		
Business loan	1,256	695
Internal Trade Finance Fund ("ITF")	3,804	-
Car loans	26	47
	5,086	742
Current liabilities		
Business loans	613	693
Bank overdraft	4,394	5,764
Car loans	17	15
	5,024	6,472
Total	10,110	7,214

As on 31 December the Trading division had the following outstanding borrowings:

Business loan with Nykredit that amounted to $1,155,390 (2017: $1,390,200). The business loan carries an interest rate of 2.64%. The purpose of the loan is for financing Timber trades.

Car Loans with Nykredit that amounted to $44,496 (2017: $62,346). The car loans carry an interest rate of 2.25% and 2.5%.

Bank overdraft facilities with Nykredit that amounted to $3.8 million (2017: $5.3 million). The Bank overdraft facilities carry interest rates of 2.37%, 9.38% and 18.25%

The Group signed a combined security to the value of $1.7 million, which includes securities over the property, plant and equipment, the total inventories and total trade receivables.

As at 31 December 2018 the Group had raised $3,803,542 (2017: 698,000) in the form of an Internal Trade Finance Fund. The ITF is secured by selected stock and debtors and it bears interest at 11.5%, calculated daily, compounded semi-annually. A notice period of 3 months applies to all fund withdrawals.

The contractual maturity of borrowings has been assessed in Note 16.

19. PREFERENCE SHARES

	2018	2017
	$000	$000
Preference shares: Liability component	13,901	11,932
Preference shares: Equity component	14,318	14,318
Total	28,219	26,250
Preference share liability	11,932	11,932
Interest accrued	1,969	656
Total	13,901	12,588

During the year ending 31 December 2017, the Group issued 75,000 preference shares, in Argento Limited (Mauritius subsidiary) at a par value of $350 per share. The preference shares are convertible into either ordinary Woodbois Limited (formerly known as Obtala Limited) shares (1/1.435) or ordinary Argento Limited shares (1/1), at any time, at the option of the shareholder. Conversion ratios will be adjusted for any dilution.

The preference shares have priority for an annual dividend equivalent to 5% of the amount subscribed for the Shares (which will compound until paid) and paid pro rata for any period up to a liquidity preference event (preferred dividend) and will also participate pro-rata in any further dividend paid on the ordinary shares. No dividend was paid in the year (2017: Nil). The preference shares have no maturity date.

The preference shares do not carry the right to vote.

The preference shares have been determined to contain both a host liability and an equity component and is therefore classified as a compound financial instrument. In valuing the preference shares, the fair value of the liability component was determined first by valuing the preferred shares at the market rate that would apply to an identical financial instrument without the conversion option. The average market rate used in determining the fair value of the liability portion was 11%, which is based upon the weighted average cost of capital for an investment in Mozambique and as used in the valuation of the biological asset held in Mozambique.

20. SHARE CAPITAL

	Number	$000
Authorised: Ordinary shares of 1p each	Unlimited	Unlimited
Allotted, issued and fully paid: Ordinary shares of 1p each		
AT 1 JANUARY 2017	273,260,664	4,240
Shares issued	20,018,603	260
AT 31 DECEMBER 2017	293,279,267	4,500
Shares issued	84,172,664	1,117
AT 31 DECEMBER 2018	377,451,931	5,617

Balances classified as share capital include the nominal value on issue of the Company's equity share capital, comprising ordinary shares of 1p each.

During the year, 84,172,664 (2017: 20,018,603) ordinary shares with a nominal value of $1,117,000 (2017: $260,000) were issued for a cash consideration of $9,598,431 (2017: $1 million).

On 2 February 2019 1,813,536 ordinary shares with a nominal value of $25,571 (£0.01) were issued for a cash consideration of $319,636.

On 13 February 2019 7,158,059 ordinary shares with a nominal value of $100,929 (£0.01) were issued for a cash consideration of $1,253,156.

On 28 February 2019 12,586,878 ordinary shares with a nominal value of $177,475 (£0.01) were issued for a cash consideration of $2,206,850.

On 29 March 2019 12,878,308 ordinary shares with a nominal value of $181,584 (£0.01) were issued for a cash consideration of $2,266,230.

On 30 October 2019 4.9,735,883 ordinary shares with a nominal value of $645,920 (£0.01) were issued for a cash consideration of $3,552,560.

21. SHARE PREMIUM ACCOUNT

	2018 $000	2017 $000
AT 1 JANUARY	22,340	17,968
Shares issued	7,614	4,372
AT 31 DECEMBER	29,954	22,340

Balances classified as share premium include the net proceeds in excess of the nominal share capital on issue of the Company's equity share capital.

22. MERGER RESERVE

	2018 $000	2017 $000
AT 31 DECEMBER	44,487	44,487

The merger reserve arose on shares issued by Woodbois Limited (formerly known as Obtala Limited) to the previous owners of Woodbois Services Limited (formerly known as Obtala Services Limited) under a scheme of arrangement concluded in August 2010.

23. CAPITAL AND OPERATING LEASE COMMITMENTS

The Group leases a warehouse under a non-cancellable operating lease expiring in one year. The Group had total commitments at the reporting date under non-cancellable operating leases falling due as follows:

	Land & buildings and office equipment 2018 $000	Land & buildings and office equipment 2017 $000
No later than one year	12	12
Later than one year and no later than five years	-	10
Later than five years	-	-
	12	22

24. ACQUISITIONS

On 31 December 2018, the Group acquired the remaining 25% minority shares and voting interests in Montara Continental Limited. The Group now owns 100% of the issued share capital.

The purchase price for the sale of shares was made up of the following:
- Initial consideration in cash of $2,500,000
- Deferred consideration of $2,500,000 or the issue of 40,000,000 ordinary shares of par value 1p each in the capital of Woodbois Limited

The consideration of $5,000,000 is outstanding at the year end.

Gain from buy-out of minorities

Gain from buy-out of minorities arising from the acquisition has been recognised as follows.

	2018 $000
Consideration	5,000
Value of non-controlling interests	(19,508)
Gain from buy-out of minorities	**14,508**

The minority interest was held by one individual. There was no obligation for Woodbois to acquire the outstanding shares and therefore the ability for the individual shareholder to liquidate his shares was restricted. As a result Woodbois were able to acquire the shares at a discount to the net asset value resulting the gain noted.

The value of non-controlling interests has been valued at the non-controlling interest's proportionate share of the net assets of Montara Continental Limited and its subsidiaries, in accordance with IFRS 10.

Full details of the prior year acquisitions including the gain from bargain purchase and contingent acquisition expense are set out in the annual financial statements for the year ended 31 December 2017.

25. SHARE BASED PAYMENTS

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees but not exercised, the grant date fair value of shares issued to employees and the fair value of share options forfeited by employees.

The Group operates a share option plan, under which certain Directors and employees have been granted options to subscribe for ordinary shares. All options are equity settled. The options have an exercise price, that ranges from 8.75p to 18p, which was based upon the average value of the Group's ordinary shares for the ten days prior to the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The number and weighted average exercise prices of share options are as follows:

Vesting Date	**Award Amounts**
June 2019	6.375m options
June 2020	6.375m options
June 2021	6.375m options

The awards will be distributed to the Board as follows and the awardee must accept the option granted for it to be valid:

		Number of options
Miles Pelham	Chairman	1m per tranche (4m total)
Paul Dolan	CEO	1m per tranche (4m total)
Martin Collins*	Deputy Chairman (resigned)	1m per tranche (4m total)
Jessica Camus*	Non-executive Director	250k per tranche (1m total)
Carnel Geddes	CFO	250k per tranche (1m total)
Jacob Hansen	COO	625k per tranche (2.5m total)
Hadi Ghossein	Deputy Chairman	625k per tranche (2.5m total)
Zahid Abbas	Head of Trading	625k per tranche (2.5m total)

* Martin Collins forfeited his share options upon resignation as a director on 31 October 2018. Jessica Camus-Demarche forfeited her share options upon resignation as a director on 11 January 2019.

In respect of each tranche, the options are exercisable if at the first possible vesting date for that tranche or any subsequent date, the Woodbois Limited (formerly known as Obtala Limited) monthly volume weighted for the three consecutive months to such date is greater than the trigger price for that tranche, the first such date being the vesting date in respect of that tranche. The Option holder may acquire the Option Shares in respect of a tranche following the vesting date in respect of that tranche if they remain an employee of the Group at that vesting date. If the awardee is not in the employ at the time of vesting, then the awards are forfeit.

The options belong to a class of exotic options called partial time knock-in options and the valuations are based on Black and Scholes model modified to account for the properties of the exotic option. The model uses the grant date, exercise price, vesting date, share price volatility and risk-free rate to calculate the option fair value. The options are accounted for over the vesting period. The fair value of the options is not subsequently adjusted for changes in the market conditions.

The table below shows the input ranges for the assumptions used in the valuation model:

Exercise price	8.75p – 18.00p
Share price volatility	37.47% - 57.58%
Risk free rate	0.25% - 0.50%

Reconciliation of the share options in issue:

	Total options	Weighted average strike price
As on 1 January 2017	21,000,000	8.75p
Issued during the financial year	17,500,000	12.20p
Forfeited during the financial year	(10,000,000)	(7.09p)
As on 31 December 2017	28,500,000	13.85p
Issued during the financial year	1,000,000	17.62p
Forfeited during the financial year	(9,000,000)	(15.82p)
As on 31 December 2018	20,500,000	13.78p

The following charge has been recognised in the current financial year:

	2018 $000	2017 $000
AT 1 JANUARY	979	1,398
Reserve transfer for forfeitures	(679)	(1,398)
Issue of ordinary shares	-	-
Share based payment expense	712	979
AT 31 DECEMBER	1,012	979

There were no options exercisable at the reporting date.

26. NON-CONTROLLING INTERESTS

	$000
AT 1 JANUARY 2017	28,369
Non-controlling interests share of losses in the year	(7,761)
AT 31 DECEMBER 2017	20,608
Non-controlling interests share of losses in the year	(1,235)
Buy-out of minorities	19,373
AT 31 DECEMBER 2018	

The share of losses in the year represents the losses attributable to non-controlling interests for the year. As at 31 December 2018, the Group bought out the non-controlling interests in full.

27. RELATED PARTY TRANSACTIONS

RELATED PARTY BALANCES

	2018 $000	2017 $000
Amount payable to the previous owners of WoodGroup	-	(165)
Funding raised for internal trade finance	(3,731)	(698)
AT 31 DECEMBER	(3,731)	(863)

As at 31 December 2018, the Group had raised $3,803,542 (2017: $698,000) into the ITF. The amount due to related parties is as follows:

Name	Relationship	2018 $000	2017 $000
Richard Byworth Consultancy	Shareholder	(417)	-
Paul Dolan	Shareholder and Director	(1,839)	218
Martin Collins	Director	(264)	267
Jessica Camus-Demarche	Director	(211)	213
Adam Barker	Other key management personnel	(1,000)	-
		(3,731)	(698)

Interest expense during the year is $116,000 (2017: $48,000).

Three of the Directors are paid salaries through service companies as follows:

Director	Service Company name	2018 $000	2017 $000
Carnel Geddes	Pomona Trust	150	30
Jacob Hansen	Barsik Holding	233	171
Zahid Abbas	Aka Holding	246	170

TRADING TRANSACTIONS

During the year the Group companies entered into the following transactions with related parties:

	2018 Transactions in year $000	2018 Balance at 31 December $000	2017 Transactions in year $000	2017 Balance at 31 December $000
Loans to subsidiary undertakings	(7,209)	26,521	(7,356)	19,312
Amount owing to African Resource Investment Limited	(5,000)	(5,000)	-	-
Deferred consideration - Envision	2,500	2,500	-	-

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Group's key management personnel comprised the following:

2018	Short-term employment benefits				
	Salaries, fees & national insurance contributions $000	Benefits $000	Deferred acquisition payments $000	Share based payments $000	Total $000
Directors					
Miles Pelham	200	-	-	57	257
Paul Dolan	200	-	-	57	257
Martin Collins	173	-	-	111	284
Kevin Milne	30	-	-	-	30
Jacob Hansen	246	7	430	103	785
Hadi Ghossein	215	-	-	103	318
Zahid Abbas	233	9	430	103	775
Carnel Geddes	150	-	-	40	190
Jessica Camus-Demarche	50	-	-	40	90
Other key management personnel					
Graham Impey	98	-	-	9	107
Sophie Hunter	161	-	-	15	176
Warren Deats	32	-	-	-	32
Sassine Bouchebel	153	-	-	-	153
Patrick Greene	78	-	-	9	87
Claus Wellov	72	-	-	-	72
Ivan Muir	136	-	-	-	136
Henning Visser	95	-	-	-	95
Tim Costin	178	-	-	-	178
Adam Barker	38	-	-	-	38
Tom Holroyd	50	-	-	-	50
Ben Slater	58	-	-	-	58
Ulrica Marshall	20	-	-	40	60
Ashkan Rahmati	59	-	-	24	83
Ilene Hardy	90	-	-	-	90
Maria Stoica	15	-	-	-	15
	2,881	16	860	712	4,469

2017	Short-term employment benefits				
	Salaries, fees & national insurance contributions $000	Benefits $000	Deferred acquisition payments $000	Share based payments $000	Total $000
Directors					
Miles Pelham	200	-	-	267	467
Paul Dolan	200	-	-	267	467
Warren Deats	159	42	-	-	201
Simon Rollason	50	1	-	-	51
Phillippe Cohen	77	-	-	-	77
Francesco Scolaro	15	-	-	-	15
Kevin Milne	30	-	-	-	30
Jean du Lac	9	-	-	-	9
Martin Collins	38	3	-	63	104
Jessica Camus	39	-	-	26	65
Carnel Geddes	30	-	-	26	56
Other key management personnel					
Jacob Hansen	171	-	287	35	493
Hadi Ghossein	170	-	-	35	205
Zahid Abbas	170	-	287	35	492
Sophie Hunter	163	-	-	67	230
Graham Impey	102	3	-	67	172
Warren Deats	36	-	-	-	36
Patrick Greene	100	22	-	67	189
Claus Wellov	66	5	-	-	71
Tim Costin	77	-	-	-	77
Tom Holroyd	6	-	-	-	6
Mark Evans	69	-	-	-	69
Ben Salter	72	2	-	-	74
Adam Barker	123	-	-	-	123
Sassine Bouchebel	122	-	-	-	122
Ulrica Marshall	18	-	-	24	42
Maria Stoica	27	-	-	-	27
Ilene Hardy	90	-	-	-	90
	2,454	77	574	979	4,086

28. EVENTS OCCURRING AFTER THE REPORTING DATE

On 22 March 2019 the Company held a General Meeting to approve the change of Company name to Woodbois Limited. This was effective from Thursday 21 March 2019.

In addition, the following name changes have been made:

20 March Obtala Services Limited (UK Company number 06458554) is now Woodbois Services Limited
21 March Obtala (Hong Kong) Limited (HK Company number 2476903) is now Woodbois Finance Limited

There have been three equity raise amounts in 2019 for a total of £4,960,000 as shown in the table below.

Date	Investor	No. Ordinary Shares	Price (pence)	Cash received
15/01/2019	1798 Volantis Fund Limited (Lombard Odier)	40,000,000	5.00p	GBP 2,000,000
12/03/2019	Lombard Odier	32,000,000	6.25p	GBP 2,000,000
01/04/2019	Lombard Odier	16,000,000	6.00p	GBP 960,000

In April 2019 an additional $5 million was raised in the ITF.

29. ULTIMATE PARENT COMPANY

At 31 December 2018 the Directors do not believe that there was an ultimate controlling party.