Obtala Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2017

Company number: 52184

Obtala Limited

DIRECTORS

Miles Pelham	*(Non-executive Chairman)*
Paul Dolan	*(Chief Executive Officer)*
Carnel Geddes	*(Chief Financial Officer)*
Martin Collins	*(Deputy Chairman)*
Kevin Milne	*(Non-executive Director)*
Jessica Camus-Demarche	*(Non-executive Director)*

COMPANY SECRETARY
William Place Secretaries Limited

COMPANY NUMBER
52184 (Guernsey)

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Obtala Limited
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CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and consolidated financial statements for Obtala Ltd (the "Company" and its subsidiaries the "Group") for the year ended 31 December 2017.

The transitional journey that the Company embarked upon in 2016 gathered pace throughout 2017 with significant changes taking place particularly across the timber production and trading business lines. An increase in year on year revenues of more than 13x, detailed in the income statement below, provides clear evidence that the Group is unrecognisable from its position just 18 months ago. Within that time, our leadership team has also changed beyond recognition, and key milestones laid out by the new team have been achieved, including major construction projects which have been completed on time and within budget, no small achievement given the geographies we operate within.

The rapidly growing African timber production and trading industry reflects these geographies and their populations. It is by nature a fragmented, diverse space, with multiple players but lacking a clear market leader. Obtala aspires to achieve such status. Indeed, the fresh approach and ambition of the board was most notably exemplified in 2017 by the transformative acquisition and successful integration of WoodBois International into the Group. This game-changing acquisition marked a significant first step towards achieving this goal.

Cities in Africa are projected to house 500m more people by 2030, but as I've spelled out in previous statements, relying purely on the inevitable demographic-driven benefits for revenue and profitability growth is not an option. We see significant opportunities within both timber and agriculture in Sub-Saharan Africa and our ambition is to grow our businesses and achieve meaningful scale in the most rapidly growing market on the planet through informed, intelligent capital allocation and through harnessing the talents of a young, ambitious, willing and available workforce. Your board will continue to identify opportunities to strengthen the group, perform thorough research and due diligence, take measured risk and put in the hard yards required to close deals where appropriate in the future.

Strategy

Three distinct divisions were formed within the Group during 2017: Trading, Forestry and Agriculture, and a clear strategy has 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 profitably participate in particular business lines or geographies we will not waste shareholder money by trying. Divestments as well as acquisitions are a possibility and there can be no sacred cows.

Timber Trading

Management will focus on generating a track record in the timber trading division to support an expansion in our levels of internal and external trade finance. Opportunities to pre-finance, sign exclusive off-take agreements or acquire timber suppliers will be evaluated on a case by case basis. To assist with this strategy, we have hired a new strategy manager, Ashkan Rahmati, formerly of the private equity team at CDC Group, with experience investing in timber and agriculture businesses in Africa.

Timber Production

Having materially increased production capacity through construction and purchase of sawmills in Mozambique and Gabon, and with a new veneer factory scheduled to commence production in Gabon during H1 2018, the timber production division will start to generate material revenues during 2018. With strong internal competition now in place for the opex and capex required to further scale the businesses, the commercial environment in each country is certain to influence capital allocation decision making. At the time of writing, the 2018 cutting licences in Mozambique which were due to be issued at the beginning of April have still not been issued. This follows 2017 when they were issued at the end of June, thus compressing the usual 9 month season into just 6 months. Whilst we support the Government's aim of creating an in-country manufacturing industry, commercial reality and the necessity for all subsidiaries to achieve profitability is likely to limit the scale of our operations in Mozambique in the immediate future.

After the 2017 year end 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) and Combretum imberbe (Mondzo) is forbidden. Obtala 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. Obtala has previously exported both Chanfuta and Umbila from Mozambique. We have reviewed the potential financial implications of these measures for 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 given that illegal operators will be removed from the market. In the short term however, we have reduced our expectation of the level of selling prices that will be achieved from these species. As selling price is an assumption that impacts the standing timber valuation, we have recognized an impairment and corresponding deferred tax credit. Even taking this impairment into account however, total assets within the Group have increased by 23% to US$222.1m, with an improved mix of property, plant and machinery from investment adding to the standing timber valuation.

Agriculture

We are engaged in on-going dialogue with various funding bodies regarding specific projects to scale our agriculture businesses in East Africa, where our business goals of increasing food production, job creation, and removing supply chain roadblocks by building infrastructure are strongly aligned with the priorities of national governments. Equally clear from the income statement below is the position that the Agriculture business currently occupies within the group. Revenues from the Agri division made up less than 5% of the Group total in 2017. Dedication of management time in future will be in proportion to revenue and profitability potential. While we see tremendous long-dated optionality in scaling up our melon/mango hybrid model, this will require patient third-party capital. Any future losses in this division will be strictly limited to the amount of premium we are prepared to pay for such optionality.

Financial results

The Group generated US$8.4 million of revenue in 2017 versus 2016 revenue of US$0.6 million, resulting in a profit after tax from continuing operations of US$2.2 million (2016: loss US$5.3 million). The profit after tax, attributable to owners of the parent totals US$9.9 million (versus the 2016 loss of US$4.8 million) including a gain on bargain purchase of US$37.525 million, a fair value adjustment (loss) on biological assets of US$35.327 million and the corresponding deferred tax credit of US$12.173 million.

The total equity position of the Group increased to US$135.1 million versus US$115.4 million in 2016. Total assets amounted to US$222.1 million versus US$181.1 million in 2016.

Directorate changes

Simon Rollason (Managing Director) and Jean du Lac (Non-executive Director) resigned from the board in March 2017

Philippe Cohen resigned from the board as Finance Director in July 2017

Frank Scolaro resigned from the board as Non-executive Director in July 2017

Warren Deats resigned as Chief Operating Officer in October 2017

Jessica Camus-Demarche joined as Non-executive Director in March 2017

Carnel Geddes joined as Chief Financial Officer in October 2017

Martin Collins joined the board as Deputy Chairman (exec) in October 2017

We sincerely thank Frank for his ongoing support as largest shareholder, Simon, Jean and Philippe for their many years of service to the Company, and Warren for his hard work and diligence in the initial stages of the business turnaround.

In addition to bringing their considerable skills to the table, the appointments of Jessica and Carnel have provided the board with a more healthy balance of both age and gender. Martin, Jessica and Carnel deserve recognition for the energy, enthusiasm, and incredible appetite for rolling up their sleeves and getting things done.

Outlook

As well as the welcome additions to the main board mentioned above, the acquisition of WoodBois brought significant new skills and knowledge to the Group in the form of a world-class forestry trading and production leadership team, as well as a highly experienced support and logistics team. Our view when making the acquisition was that providing the WoodBois team with additional trading capital, as well as financing the capex required to complete their production facilities in Gabon, would lead to significant value for shareholders. We remain strongly of that opinion.

Attracting trade finance to scale the trading business has proved more time-consuming than initially anticipated, largely due to the non-commoditised nature of the timber market. We have however now received a term sheet for a revolving $5m trade finance facility and will shortly commence work with the provider on the legal process. No assurances can be given that the term sheet will lead to a formal financing agreement or that trade finance will be secured on favourable terms but the Company will make further announcements regarding future funding as appropriate. We will seek to attract additional trade finance during H2 2018, and over time aim to generate a trade finance pipeline sufficient to drive Obtala's next 'step change' in level of revenue generation and profitability. In December 2017, members of the board provided $1m of Internal Trade Finance in order to trial trades and gather data, generate analytics and create track record. Margins from capital deployed and the time period thereof have been consistent with baseline expectations.

Administration costs came in at the high end of expectations for 2017. Post year-end, and with the benefit of significantly improved financial reporting, management have addressed these costs through a comprehensive zero-based budgeting exercise. As well as reducing the size of the board, the following steps have been taken:

- All non-essential travel has been eliminated;
- Elimination of any duplication of function across the integrated business lines;
- All brokerage and research services have been terminated other than our joint Nomad and broker Northland.

Management will continue to provide quarterly updates on the progress of the business.

Previous market forecasts were largely driven by the magnitude and timing of trade finance estimated to be attracted by the Company in order to scale the trading business. As per my previous comments, attracting and growing such funding will continue to be work in progress for the foreseeable future. Whilst the Board expects significant growth in revenue during 2018, an improvement in margins and a continued sharp control of costs leading to improved profitability, the outturn for the year will depend on the timing and quantum of drawdown of trade finance, amongst other factors.

Further global clampdowns on deforestation during 2017, notably in Myanmar and Laos, have led to importers of tropical timber to look elsewhere. Demand for Okoume (our most popular species in Gabon) has increased due to its quality and price-point.. The underlying trends in timber bode very well for our assets and revenue and profit generation in the coming years. The active sponsorship of a clampdown on deforestation by developed nations coupled with the projected doubling of the Sub-Saharan population over the coming decades points to increasing tightness in African timber markets, particularly in the high-value hard species that we are exposed to via our sustainable practices. We are working internally and with external partners to provide traceability and chain of custody solutions throughout the timber divisions, possibly utilising blockchain technology.

As evidenced by our quarterly updates, we remain committed to communicating regularly with you, our shareholders, regardless of whether we are ahead or behind the targets that we have set for ourselves. While 13x year on year revenue growth undoubtedly represents a major step-change for the Company, this is merely the initial phase of our intended growth. I am excited for what 2018 will bring and fully expect further step changes in levels of revenue and profitability in the years to come.

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

Miles Pelham
Chairman
25 May 2018

CHIEF EXECUTIVE OFFICER'S REVIEW

As the Chairman has set out, 2017 was a transformative year for the Group.

The KPIs below provide evidence of the extensive work that has gone into driving material change, but tell only a small part of the story. Management time was largely consumed by installing process into legacy business lines, near total replacement of the Board of Directors which was slimmed down from 8 members to 6, detailed planning, fund-raising, due diligence for acquisition targets, the completed acquisition of WoodBois International and subsequent integration thereof. It is entirely appropriate that I begin this review by putting on record what a pleasure it has been to welcome the principals of WoodBois, Hadi Ghossein, Jacob Hansen and Zahid Abbas into the Obtala family and thank them for their efforts to ensure the smoothest possible transition for all of our clients and staff in all corners of the globe.

The integration period for two businesses with operations and management teams in 9 different countries could have been incredibly disruptive, but to the credit of all we have formed a familial and formidable team that shares a common vision. We believe that our combination of skillsets makes us natural candidates to become industry leaders in African timber trading and production.

The KPIs below demonstrate material progress for the Group and provide a solid foundation from which to take the next steps towards this goal.

Key performance indicators are set out below:

	2017 $000	2016 $000
Net assets	135,155	115,425
Gain on bargain purchase	37,525	-
Fair value adjustment (loss) on biological assets	(35,327)	-
Profit / (Loss) before taxation from continuing operations	2,246	(5,251)
Cash and cash equivalents	2,089	3,398
Turnover	8,406	630

If 2017 was about transition, 2018 is about execution. The immediate target is financial sustainability, driving profitability at an operating level and generating positive cash-flow. The consolidated statement of comprehensive income on page 18 demonstrates that there is much room for improvement in this regard and the board is attacking this target with vigour. We entered 2018 with room for growth in production, operating efficiencies and sales growth as well as identifying the potential to reduce more than $1m of costs across the Group from 2017's levels.

Having successfully managed the integration process, the WoodBois management team has made a strong start to 2018, immediately starting to repay our investment in them and their business by consistently meeting production and revenue targets.

We are seeking an immediate return on investment from the four new Komatsu bulldozers and three new MAN trucks purchased since the WoodBois acquisition through a YOY doubling of harvesting in Gabon from 30,000m3 to 60,000m3, in order to increase utilization of the sawmill and to provide raw material for the new veneer factory.

Financial capital is a precious resource, particularly in Africa where business suffers an estimated $100bn funding gap, an unintended consequence perhaps of the Basel 3 directive for banks to maintain higher liquidity ratios. Having acquired WoodBois International, Obtala's quest for Trade Finance in order to scale up our world-class African timber-trading platform has demonstrated to us the stark reality of this gap. We have found that for African businesses to clear such a significant hurdle takes expertise, application and no little patience. Solutions do however exist, and in finding ours the lessons we have learned may prove invaluable as we start gaining traction with suppliers through the deployment of additional funding and market share through the application of first world business processes. We will allocate our available capital strictly to business lines that demonstrate a positive return and fully expect our timber trading division to fall into this category going forward.

The WoodBois acquisition and integration experience has solidified our view that the lack of capital available to African enterprises creates compelling opportunities to acquire and invest in strong management teams and we are delighted to have found in WoodBois an excellent platform to develop our business in West Africa. The preparation for securing and managing an external trade finance facility has involved a review of the risks throughout our timber supply chain and the implementation of new insurance policies and associated training. In advance of moving the trading division's operations to Mauritius, our forestry subsidiary Argento Ltd has also now received a Category 1 Global Business Licence, effectively giving us business residency in Mauritius.

With global efforts to move towards a more sustainable future and Africa's vision of moving towards higher-value adding activities, our business can contribute through sustainable management of natural resources and by actively engaging with the communities we impact. We were proud to see our efforts recognized in 2017 with the award of the Impact Company of the Year title in the sub-$150m capitalisation category by the Social Stock Exchange (SSX). This award represents an endorsement of our business practices and social impact activities, and the core belief of our board that the two are inextricably linked.

In pursuit of our social impact objectives, in 2017 we have engaged with high-level representatives from international organisations, such as the African Development Bank, the World Bank, local governments, heads of local communities and international experts. We also solicited the views of and initiated discussions with local and international platforms, including members of the Tanzania Horticultural Association(TAHA) and Grow Africa, a partnership founded jointly by the African Union (AU), the New Partnership for Africa's Development (NEPAD) and the World Economic Forum.

Obtala 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 sets out a vision for ending poverty, hunger, inequality and protecting the earth's natural resources.

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 ambition of significant growth, while acknowledging dependence on our pool of human capital. With the ambition to become a market leader, the Company remains relentless in seeking to assemble a team of the highest quality, and I'd like to thank each and every member of the Obtala team for their considerable efforts in making 2017 such an important turning point in the history of the Company.

For and on behalf of the board.

Paul Dolan
Chief Executive Officer
29 May 2018

Obtala Limited
DIRECTORS' REPORT

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 2017.

PRINCIPAL ACTIVITIES AND CORPORATE DEVELOPMENT

The principal activities of Obtala Limited together with its subsidiaries (the "Group") are the development of agricultural, food processing, timber projects and timber trading. These activities are undertaken through both the Company and its subsidiaries. The Company is quoted on AIM and is incorporated and domiciled in Guernsey.

The main subsidiary companies comprise:

UNDERTAKING	SECTOR
Obtala Services Limited	Professional & Administration services
Montara Continental Limited	Forestry & Agriculture
Magole Agriculture Limited	Agriculture & Processing
Montara Land Company Limited	Agriculture
Milama Agriculture Company Limited	Agriculture
Milama Processing Limited	Agriculture & Processing
Wami Agriculture Co. Limited	Agriculture
Mama Jo's Fresh Limited	Agriculture & Processing
Argento Limited	Forestry
Montara Limited	Agriculture
Argento Mozambique Lda	Forestry
Madeiras S.L. Lda	Forestry
Jardim Zambezia Lda	Forestry
WoodBois International Aps	Timber Trading
WoodBois Gabon Limited	Forestry
SCI Yarim	Forestry
Magole Land Limited	Agriculture
Obtala (Hong Kong) Limited	Professional & Administration services

Accountancy, legal and administrative services are provided to other Group companies by both Obtala Services Limited and Argento Limited.

BUSINESS REVIEW

A review of the Group's performance and future prospects is included in the Chairman's statement on pages 1 to 3 and in the CEO's Review on pages 4 to 5.

RESULTS AND DIVIDENDS

The consolidated profit for the year after taxation from continuing operations attributable to shareholders was \$2.2m (2016 loss: \$5.3m).

The Directors do not recommend payment of an ordinary dividend.

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 293,279,267 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)*
Warren Deats	*(resigned October 2017)*	*(Chief Operating Officer)*
Simon Rollason	*(resigned March 2017)*	*(Managing Director)*
Philippe Cohen	*(resigned July 2017)*	*(Finance Director)*
Kevin Milne		*(Non-executive Director)*
Jean du Lac	*(resigned March 2017)*	*(Non-executive Director)*
Francesco Scolaro	*(resigned July 2017)*	*(Non-executive Director)*
Jessica Camus-Demarche	*(appointed March 2017)*	*(Non-executive Director)*
Carnel Geddes	*(appointed October 2017)*	*(Chief Financial Officer)*
Martin Collins	*(appointed October 2017)*	*(Deputy Chairman)*

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

	Ordinary shares of 1p each 2017	Ordinary shares of 1p each 2016
Miles Pelham[1]	18,457,754	12,743,470
Paul Dolan[2]	14,728,571	13,300,000
Martin Collins[3]	3,178,571	1,750,000
Kevin Milne[4]	122,252	122,252
Carnel Geddes	-	-
Jessica Camus-Demarche	-	-

1 Miles Pelham, Chairman of Obtala, holds 18,457,754 shares (5.6%) of which 17,514,284 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 Obtala, holds 14,728,571 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.

3 Martin Collins, Deputy Chairman of Obtala, together with his wife holds 3,178,571 shares in the Company.

4 Kevin Milne, Non-executive Director of Obtala, together with his wife holds 122,252 shares in the Company.

Options
On 5th July and 3rd 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	1m per tranche (4m total)
Jessica Camus-Demarche	Non-executive Director	250k per tranche (1m total)
Carnel Geddes	CFO	250k per tranche (1m total)

DIRECTORS' REMUNERATION

The audited remuneration of the individual Directors who served in the year to 31 December 2017 was:

	Salary & fees $000	Benefits $000	Share based payments $000	Total 2017 $000	Total 2016 $000
Miles Pelham	200	-	267	467	158
Paul Dolan	200	-	267	467	99
Warren Deats	159	42	-	201	113
Simon Rollason	50	1	-	51	113
Phillippe Cohen	77	-	-	77	89
Emma Priestley	-	-	-	-	17
Francesco Scolaro	15	-	-	15	48
Kevin Milne	30	-	-	30	77
Jean du Lac	9	-	-	9	21
Martin Collins	38	3	63	104	-
Jessica Camus-Demarche	39	-	26	65	-
Carnel Geddes	30	-	26	56	
Total	847	46	649	1,542	735

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 early termination, the directors' contracts provide for compensation up to a maximum of basic salary for the notice period. The current salary payable to Miles Pelham and Paul Dolan is $200,000 per annum. Martin Collins and Carnel Geddes received $150,000 per annum. Warren Deats received $159,166 and Philippe Cohen received $76,595. Simon Rollason received $50,000 salary settlement.

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 $50,000 and $30,000 per annum respectively. Francesco Scolaro received $15,000, Jean du Lac received $9,256.

PROFILES OF THE CURRENT DIRECTORS

MILES PELHAM, AGED 39, NON-EXECUTIVE CHAIRMAN
Miles Pelham is Hong Kong based and has worked in finance for the past 20 years, during which time he has held senior investment banking positions at some of the worlds' largest financial institutions. His experience ranges from running trading desks to bond and financial instrument management.

PAUL DOLAN, AGED 53, CHIEF EXECUTIVE OFFICER
Paul brings almost 30 years' experience in investment banking and finance, where he consistently built award winning, world-class teams and managed global portfolios in excess of $10 billion across asset classes. Paul worked in London and Tokyo, and from 2007- 2012 in Hong Kong, as Nomura's Global Head of Convertible Bonds, Co-head of Equities APAC and Chairman of the committee for Corporate Social Responsibility. In 2014 he founded Dolan Sports Management with the goals of managing the careers and wealth of elite athletes, improving the visibility of female sporting role models and financing sports facilities for the underprivileged.

MARTIN COLLINS, AGED 54, DEPUTY CHAIRMAN
Martin started his career in the City with Tullett & Tokyo, Futures and Options, with 5 years in London, Tokyo and Singapore respectively from 1985-2000, the final 5 years as Managing Director and CEO of Tullett Futures Asia. On returning to the UK, he spent 12 years with Natsource Europe Limited, originating and structuring many of the world's first Emission Reduction Transactions based on UNFCCC rules within the Kyoto Protocol. Natsource managed in excess of $1.2bn specifically targeting the emissions market arena. Throughout his time as Managing Director, CEO and Main Board member of Natsource, Martin travelled extensively in Asia and Africa sourcing suitable projects for investment. Since 2014 he has managed his family-owned investment fund.

CARNEL GEDDES, AGED 39, CHIEF FINANCIAL OFFICER
Based in South Africa, Carnel is a chartered accountant and certified fraud examiner, dually qualified in the UK and South Africa. She is an elected board member and director of the largest South African pomegranate farm company, Pomona, since 2008. Carnel honed her expertise in all key areas of accountancy and audit during a 15-year career at BDO, the global audit, tax and advisory group, culminating as director, forensic services, of BDO London and partner of BDO Cape Town. She brings invaluable knowledge of the international as well as the African markets, with the highest financial qualifications combined with experience of day-to-day management of an African agricultural company.

KEVIN MILNE, AGED 55, NON-EXECUTIVE DIRECTOR
Kevin is a Chartered Fellow of the CISI, with over 30 years' experience in Global Financial Services, covering both developed and developing economies. Kevin has extensive experience operating in highly regulated environments including being a member of the Executive Committee of the London Stock Exchange Group. Kevin has held a number of leadership and senior management positions in the financial sector in the UK, Europe, Asia and Australia and has built a wealth of contacts in Global Financial Markets.

JESSICA CAMUS-DEMARCHE, AGED 34, NON-EXECUTIVE DIRECTOR
Jessica brings extensive experience facilitating public private partnerships working with leaders from private sector, government and civil society globally, and across Sub-Saharan Africa. Jessica specialises in accelerating growth and impact for socially responsible business in frontier markets. She was previously an Associate Director at the World Economic Forum, developing numerous initiatives and programmes on building entrepreneurship ecosystems, innovation and gender and former Financial Market Executive at Thomson Reuters. Jessica holds an MA from the Graduate Institute of International Relations & Development Studies, Geneva and an MBA from the IE Business School, Madrid.

SUBSTANTIAL SHAREHOLDERS

The Company is aware that the following have at 21st May 2018 an interest in three per cent. or more of the issued ordinary share capital of the Company:

Name	Number of 1p ordinary shares	Percentage of the issued share capital
Grandinex International Corp*	70,000,000	21.24%
Spreadex Limited	28,183,500	8.55%
HSBC Global Custody Nominee (UK) Limited**	17,968,886	5.45%
HSBC Client Holdings Nominee (UK) Limited***	15,108,143	4.58%
BNY (OCS) Nominees Limited	12,325,000	3.74%

* 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 (21.89%).

** Miles Pelham, Chairman of Obtala, holds 18,457,754 shares (5.6%) of which 17,514,284 shares in the Company are held through HSBC Global Custody Nominee (UK) Limited with the remainder being held through other nominee companies.

*** Paul Dolan, Chief Executive Officer of Obtala, holds 14,728,571 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.

CORPORATE GOVERNANCE

The Board is accountable to the Company's shareholders for good corporate governance and the company has regard for Quoted Companies Alliance's Corporate Governance Code for Small and Mid Size Quoted Companies 2013 which the directors consider appropriate guidance for the Group's size of development. Set out below is a summary of how, at 31 December 2017, the Group was dealing with corporate governance issues.

THE BOARD

The Board in 2017 comprises three Executive Directors and three Non–executive Directors.

AUDIT COMMITTEE

The Board has established an audit committee with formally delegated duties and responsibilities. The audit committee is chaired by the Non–executive Director, Kevin Milne. The committee meets at least twice in each financial year.

REMUNERATION COMMITTEE

The remuneration committee meets as and when required. The remuneration committee comprises of the Non–executive Director, although it is the intention to appoint more members in due course, currently Kevin Milne is its Chairman.

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
- Discretionary share incentive scheme which takes into account the need to motivate and retain key individuals.

NOMINATIONS COMMITTEE

The Directors do not consider that, given the size of the Board, it is appropriate at this stage to have a nominations committee. However, this will be kept under regular review by the Board.

INTERNAL CONTROL

The Board is responsible for maintaining a sound system of internal control. The Board's measures are designed to manage, not eliminate, risk and such a system provides reasonable but not absolute assurance against material misstatement or loss.

Some key features of the internal control system are:

(i) Management accounts information, budgets, forecasts and business risk issues are regularly reviewed by the Board which meets at least 4 times per year;
(ii) The Company has operational, accounting and employment policies in place, including procedures to address the UK Bribery Act;
(iii) The Board actively identifies and evaluates the risks inherent in the business and ensures that appropriate controls and procedures are in place to manage these risks; and
(iv) There is a clearly defined organisational structure and there are well-established financial reporting and control systems.

GOING CONCERN

Having made reasonable enquiries, the Directors are satisfied that the current cash balance together with the resources and fund raising ability 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. The Directors have made reasonable enquiries and are satisfied that current cash balances together with forward looking statements are sufficient to support sufficient to plan for the projected capital expenditure. The Directors have considered the guidance for Directors issued by the Financial Reporting Council ("FRC") in respect of going concern. The Directors therefore confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

RISK MANAGEMENT

The business of agriculture, forestry and timber trading involves a high degree of risk, because in addition to technical, political and regulatory risk; the Group is exposed to weather, nutrient and pest risks. In addition, 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 has sought expert analysis of soil and hydro conditions to assess feasibility of planting agriculture species within our farms. Plans have been adjusted as a result of this analysis and the Company feels confident that sufficient attention has been given to this issue. The forestry business has sought expert advice on its expansion plans.

POLITICAL AND REGULATORY RISK

The Board believes that the Governments of the countries in which the group operates, support the development of agriculture and forestry. However, there is no assurance that future political and economic conditions in these countries will not result in the Governments changing their political attitude towards agriculture and forestry. Any changes in policy may result in changes in laws affecting ownership of assets, land tenure, taxation, environmental protection and repatriation of income and capital, which may adversely impact the Group's ability to carry out its activities.

ENVIRONMENTAL RISK

The Group is exposed to climate, weather and the risk of pests effecting 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.

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 $2.089 million as at 31 December 2017 (2016: $3.398m).

INTEREST RATE RISK
The most significant area of market risk to which the Group and Company are exposed is interest rate risk. The group is exposed to interest rate risk because entities in the group hold cash balances and borrow funds at floating interest rates. 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 (2016: $ nil). Charitable donations amounting to nil (2016: nil) 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 Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Guernsey company law requires the Directors to prepare group financial statements for each financial year in accordance with generally accepted accounting principles. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

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

In preparing the group 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 IFRSs 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 accounting records which are sufficient to show and explain the group's transactions and are such as to disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements are properly prepared and in accordance with The Companies (Guernsey) Law 2008. They are also responsible for safeguarding the assets of the group 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 Obtala Limited website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

RSM UK Audit LLP remained as auditors for 2017. 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
29 May 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OBTALA LIMITED

Opinion
We have audited the financial statements of Obtala Limited and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise Consolidated statement of comprehensive income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, 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 applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been 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.

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) that we identified. These matters included 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.

Biological Assets
Risk:
As at 31 December 2017 the Group carries $192.5m of biological assets which comprise standing timber. The valuation of standing timber is based on a number of assumptions and estimates which rely on management judgements and those of independent valuers. In the absence of reliable market prices for large plots of standing timber in Mozambique and Gabon, the group uses a discounted cash flow approach to estimate fair value as allowed by IAS 41. A valuation based on discounted cash flow is highly sensitive to the assumptions applied, including the volume of trees harvested, the assumed selling price for logs, the costs of timber extraction and the costs to sell and the discount rates applied.

The significant judgements and estimates applied by management to the valuation of the standing timber are discussed on page 40 of the financial statements and further disclosures related to the valuation of these biological assets and the related sensitivities and impairment calculations are given in note 12.

Our response:
Our audit procedures included testing of the discounted cash flow models, challenging the judgements and assumptions used by management in the calculations and performing sensitivity analysis on the cash flow model.

We have used our knowledge of comparable companies and market data to challenge the assumptions, in particular the inputs and methodology in determining the discount rate used to calculate the present value of projected future cash flows.

We also considered whether management's assumptions were supported by third party valuations. We assessed management's sensitivity analysis of key assumptions, including the forecast profitability and the discount rate and considered whether the disclosures around the sensitivity of the outcome of the impairment assessment to changes in key assumptions were adequate and properly reflected the risks inherent in the valuation of biological assets. We also considered whether the disclosures regarding the sensitivity of the valuation and impairment assessment to reasonably possible changes in key assumptions were adequate and properly reflected in the financial statements.

We consider that the group's description of the key judgements and estimates applied in determining the carrying value of biological assets and the related sensitivity analysis has been appropriately disclosed. We note that the discount rates used in determining the carrying value of the biological assets were at the lower end of what we would consider to be an acceptable range and, given the sensitivity of the valuation to this key assumption, the impact of this is that the fair values attributed to the biological assets are at the higher end of the range that we would consider acceptable applying this methodology.

Gain on bargain purchase
Risk:
The Group has recognised a gain on bargain purchase of the WoodBois business which results in a credit to the income statement of $37,525,000. The gain arises as a result of the difference between the fair value of the consideration for the WoodBois business and the fair values ascribed to the underlying net assets on acquisition, the major component of which is the value allocated to standing timber in Gabon. This valuation is subject to the judgements and estimates referred to above.

The significant estimates and judgements applied by management in determining the gain on bargain purchase are discussed on page 48 of the financial statements. Note 24 to the financial statements discloses the fair values ascribed to the consideration and to the net assets acquired and the reasons why management regard this transaction as being a bargain purchase.

Our response:
We reviewed the Group's accounting for the WoodBois acquisition and challenged management on the key assumptions and judgements used, particularly in relation to the fair value ascribed to standing timber and management's categorisation of the transaction as a bargain purchase with the consequent recognition of a gain to the income statement. In particular we challenged why the price paid for the assets acquired would not be a better indicator of market value than the use of a discounted cashflow model.

We considered whether the disclosures regarding the acquisition accounting and the gain on bargain purchase were adequate and properly reflected in the financial statements. As described above, because of the discount rate used the valuation of the standing timber is at the higher end of the range that we would consider acceptable.

Our application of materiality
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as $562,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of $50,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the Group and its control environment, including Group-wide controls, and assessing the risks of material misstatement. The financial statements were audited on a consolidated basis

and an entity level using Group materiality. The scope of our audit covered 100% of both consolidated profit before tax and consolidated net assets.

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 financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 the 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 in relation to which requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company; or
- the parent company financial statements are not in agreement with the accounting records and returns; 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 set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 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 the parent company 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 included in an appendix to of this auditor's report. This description, which is located below, forms part of our auditor's report.

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

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
Date:

Appendix: Auditor's responsibilities for the audit of the financial Statements
As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, including the FRC's Ethical Standard, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Obtala Limited

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017	2016
Continuing operations		$000	$000
Turnover	2	8,406	630
Cost of sales		(8,310)	(141)
Gross profit	3	96	489
Other income		131	-
Loss on fair value of Biological assets	12	(35,327)	-
Operating costs		(3,743)	(829)
Administrative expenses		(3,990)	(3,488)
Depreciation		(926)	(907)
Share based payment expense	25	(979)	-
Operating loss	3	(44,738)	(4,735)
Contingent acquisition expense	24	(574)	-
Gain on bargain purchase	24	37,525	-
Preference share liability expense		(1,604)	-
Foreign exchange gain		254	-
Finance income	5	20	5
Finance costs	6	(810)	(521)
(Loss) before taxation		(9,927)	(5,251)
Taxation	7	12,173	-
Profit / (Loss) for the year from continuing operations		2,246	(5,251)
Discontinued operations			
(Loss) from discontinued operations, net of tax:			
- Owners of the parent	9	(146)	(347)
- Non-controlling interests		-	(35)
Profit / (Loss) for the year		2,100	(5,633)
Profit / (Loss) attributable to:			
- Owners of the parent		9,861	(4,836)
- Non-controlling interests	26	(7,761)	(797)
		2,100	(5,633)
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences, net of tax		(2,299)	(24)
Total comprehensive income for the year		(199)	(5,657)
Total comprehensive income / (loss) attributable to:			
Owners of the parent		7,562	(4,860)
Non-controlling interests	26	(7,761)	(797)
Total comprehensive income / (loss) for the year		(199)	(5,657)
Total comprehensive income / (loss) attributable to equity shareholders arises from:			
- Continuing operations		7,708	(4,478)
- Discontinued operations	9	(146)	(382)
		7,562	(4,860)
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)	8	3.51	(1.70)
From discontinued operations (cents)		(0.05)	(0.14)
From profit / (loss) for the year		3.46	(1.84)
Diluted earnings per share			
From continuing operations (cents)	8	2.39	(1.70)
From discontinued operations (cents)		(0.05)	(0.14)
From profit / (loss) for the year		2.36	(1.84)

The notes on pages 22 to 54 form an integral part of the consolidated financial statements.

Obtala Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

							Attributable to the owners of the parent			
	Share capital $000	Share premium $000	Merger reserve $000	Preference share capital $000	Foreign exchange reserve $000	Share based payment reserve $000	Retained earnings $000	Total $000	Non-controlling interests $000	Total equity $000
AT 1 JANUARY 2016	4,104	17,968	44,487	-	(2,081)	1,580	25,061	91,119	29,477	120,596
Loss for the year	-	-	-	-	-	-	(4,836)	(4,836)	(797)	(5,633)
Other comprehensive income:										
Currency translation differences	-	-	-	-	(24)	-	-	(24)	-	(24)
Total comprehensive income for the year	-	-	-		(24)	-	(4,836)	(4,860)	(797)	(5,657)
Transactions with owners:										
Sales of subsidiary	-	-	-	-	-	-	311	311	(311)	-
Issue of ordinary shares	136	-	-	-	-	(136)	-	-	-	-
Reserve transfer	-	-	-	-	-	(46)	46	-	-	-
Exchange differences on translating into presentational currency	-	-	-	-	486	-	-	486	-	486
AT 31 DECEMBER 2016	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

The notes on pages 22 to 54 form an integral part of the consolidated financial statements.

Obtala Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 $000	2016 $000
ASSETS			
NON-CURRENT ASSETS			
Assets under construction	11	883	-
Biological assets	12	192,501	174,528
Property, plant and equipment	10	17,741	1,935
TOTAL NON-CURRENT ASSETS		211,125	176,463
CURRENT ASSETS			
Trade and other receivables	13	3,441	241
Inventory	14	5,484	1,017
Cash and cash equivalents	16	2,089	3,398
TOTAL CURRENT ASSETS		11,014	4,656
TOTAL ASSETS		222,139	181,119
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	(4,017)	(9,846)
Borrowings	18	(6,472)	-
Contingent acquisition liability	24	(574)	-
TOTAL CURRENT LIABILITIES		(11,063)	(9,846)
NON-CURRENT LIABILITIES			
Borrowings	18	(742)	-
Deferred tax	7	(61,728)	(55,848)
Preference share liability	19	(12,588)	-
Other related party payables	27	(863)	-
TOTAL NON-CURRENT LIABILITIES		(75,921)	(55,848)
TOTAL LIABILITIES		(86,984)	(65,694)
NET ASSETS		135,155	115,425
EQUITY			
Share capital	20	4,500	4,240
Share premium	21	22,340	17,968
Merger reserve	22	44,487	44,487
Preference share capital	19	14,318	-
Foreign exchange reserve		(3,918)	(1,619)
Share based payment reserve	25	979	1,398
Retained earnings		31,841	20,582
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		114,547	87,056
Non-controlling interests	26	20,608	28,369
TOTAL EQUITY		135,155	115,425

The notes on pages 22 to 54 form an integral part of the consolidated financial statements. The financial statements on pages 18 to 54 were authorised for issue by the Board of Directors on 29 May 2018 and were signed on its behalf.

M Pelham

Miles Pelham
Chairman

Obtala Limited
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	2017 $000s	2016 $000s
OPERATING ACTIVITIES			
(Loss) before taxation		(9,927)	(5,251)
Adjustment for:			
Depreciation of property, plant and equipment	11	926	907
Loss from discontinued operation	9	(146)	-
Fair value adjustment of biological asset	12	35,327	-
Inventory losses	3	977	-
Movement in foreign exchange		(2,553)	-
Contingent acquisition expense	24	574	-
Preference share liability		1,604	-
Reserve transfer		419	-
Finance income		(20)	-
Finance costs	6	810	521
Loss on disposal of subsidiary		-	382
Gain on bargain purchase	24	(37,525)	-
Decrease in trade and other receivables		521	195
(Decrease)/increase in trade and other payables		(9,857)	6,846
Decrease in inventory		(2,884)	(162)
CASH OUTFLOW FROM OPERATIONS		(21,754)	3,438
Finance costs paid		(154)	(521)
Finance income received		20	-
Income taxes received	7	-	-
NET CASH OUTFLOW FROM CONTINUING OPERATIONS		(21,888)	2,917
INVESTING ACTIVITIES			
Net cash outflow from acquisition of subsidiary	24	(6,683)	-
Expenditure on assets under construction	11	(883)	-
Expenditure on property, plant and equipment	10	(4,040)	(493)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(11,606)	(493)
FINANCING ACTIVITIES			
Net receipts in loans and borrowings		5,827	-
Proceeds from the issue of ordinary shares		1,056	-
Proceeds from the issue of preference shares		25,302	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		32,185	-
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(1,309)	2,424
Cash and cash equivalents at beginning of year		3,398	974
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,089	3,398

Reconciliation of liabilities arising from financing actives

	2016 $000	Cash flow $000	Non-cash changes $000	2017 $000
Borrowings	-	5,827	1,387	7,214
Ordinary shares	22,208	1,056	3,576	26,840
Preference shares	-	25,302	1,604	26,906
	22,208	32,185	6,567	60,960

The notes on pages 22 to 54 form an integral part of the consolidated financial statements.

1. ACCOUNTING POLICIES

GENERAL INFORMATION

Obtala Limited ("the Company" or "Obtala") 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 principal activities and nature of the business are included on pages 1 to 13.

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("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 Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of the Company and all of the entities controlled by the Company (together referred to as "the Group") from the date control commences until the date control ceases.

Control is achieved where the Company:

- Has the power over the investee
- Is exposed or has the rights to a variable return from the involvement with the investee
- Has the ability to use its power to affect its returns

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

SUBSIDIARIES

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at acquisition date irrespective of the extent of any non-controlling interest. The difference between the cost of acquisition of shares in subsidiaries, plus any non-controlling interest, and the fair value of the identifiable net assets acquired is capitalised as goodwill and reviewed annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

A bargain purchase arises if the fair value of the identifiable net assets is greater than the cost of an acquisition. Before recognising 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 the acquisition is also reviewed to evaluation whether all available information at the acquisition date has been considered.

Contingent consideration that is payable to previous shareholders of an acquired subsidiary ("sellers"), who become key employees, that is contingent on the sellers remaining in the employment of the Group for a specified period of time, shall not be accounted for as part of the purchase price. The contingent consideration will however be expensed on a straight-lined basis over the specified period.

Non-controlling interests (NCI) in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that represents ownership interests entitling their holders to a proportionate share of the net assets upon liquidation are initially measured at fair value. Subsequent to acquisition, the carrying amount of NCI is the amount of those interests at initial recognition plus the NCI share of subsequent changes in equity. Total comprehensive income is attributed to NCI even if this results in the NCI having a deficit balance.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

As at 31 December 2017, 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	75%	Seychelles	Holding company
Obtala (Hong Kong) Limited	100%	Hong Kong	Shared services
Indirect investments of Montara Continental Limited			
Argento Limited	100%	Mauritius	Holding / treasury company – Forestry and Trading
Montara Limited	100%	Mauritius	Holding company - Agriculture
Magole Agriculture Limited	80%	Tanzania	Agriculture
Milama Processing Company Limited	80%	Tanzania	Agricultural processing
Wami Agriculture Company Limited	70%	Tanzania	Agriculture
Mama Jo's Fresh Limited	90%	Tanzania	Agricultural processing
Indirect investments of Argento Limited			
Argento Mozambique Limitada	100%	Mozambique	Holding company & Forestry in Mozambique
Madeiras SL Limitada	100%	Mozambique	Forestry
Jardim Zambezia Limitada	100%	Mozambique	Forestry
WoodBois International ApS	100%	Denmark	Timber Trading
WoodBois Gabon	100%	Gabon	Forestry
SCI Yarim	100%	Gabon	Property holding
Indirect investments Montara Limited			
Magole Land Limited	49%	Tanzania	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.

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

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

REVENUE RECOGNITION
Revenue from timber and agriculture sales, as well as trading is recognised when all the following conditions are satisfied:
- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred in respect of the transaction can be measured reliably.

Revenue is measured net of returns, trade discounts and volume rebates.

Realised profits and losses on the disposal of investments is the difference between the fair value of the consideration received less any directly attributable costs on the sale and the carrying value of the investments at the start of the accounting period or acquisition date if later.

Unrealised profits and losses on the revaluation of investments is the movement in carrying value of investments between the start of the accounting period or acquisition date if later and the end of the accounting period.

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).

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 2017 the Group have a healthy cash balance of circa $2 million. After the year end, the Group successfully raised an additional $6.35 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.

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. 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 2017	Annual average for 2017	At 31 December 2016	Annual average for 2016
Great British Pound	0.74	0.77	0.82	0.73
Mozambique Metical	58.37	63.18	71.64	62.67
Tanzanian Shilling	2,229	2,208	2,170	2,170
Danish Krone	6.21	6.29*	-	-
West African CFA franc	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 OPERATION

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 is not depreciated.

Depreciation is provided at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Buildings	over 50 years
Motor Vehicles	over 3 years
Fixtures and 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.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 mainly 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
IAS41 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.

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 ASSETS AND LIABILITIES
The Group classifies its financial assets and liabilities as follows:

TRADE AND OTHER RECEIVABLES
Trade and other receivables do not carry any interest and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

FINANCIAL ASSETS AT FAIR VALUE THROUGH THE PROFIT OR LOSS ("FVTPL")
Financial investment assets are classified at fair value through profit or loss when either they are held for trading or when they are initially designated at fair value through the profit or loss.

The fair value is derived from the closing bid-market price at the reporting date. Gains and losses arising from changes in fair value are recognised directly in profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents comprise cash at hand and deposits on a term of not greater than 3 months.

FINANCIAL LIABILITIES
Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expire.

TRADE AND OTHER PAYABLES
Trade and other payables are not interest bearing and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest rate method.

SHARE CAPITAL
Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

Preference shares
Compound financial instruments issued by the Group comprise convertible preference shares denominated in USD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

The debt element of the Group's redeemable preference shares are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

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.

EMPLOYEE BENEFITS
SHORT-TERM EMPLOYEE BENEFITS
The costs of all short-term employee benefits is 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.

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:
- Fair value of biological assets: refer to note 12
- 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

ACCOUNTING STANDARDS ADOPTED DURING THE YEAR

New standards, amendments to published standards and interpretations to existing standards effective in 2017, with their dates of adoption adopted by the Group and brief description:

Amendments to IAS 7: Disclosure Initiative	The amendments clarify and improve information provided to users of financial statements about changes in liabilities arising from financing activities.	1 January 2017
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	Clarifies deferred tax on unrealised losses generated by debt instruments carried at fair value.	1 January 2017
Annual Improvements to IFRSs 2014–2016 Cycle	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards, including clarification of the scope of IFRS 12.	1 January 2017

The implementation of these standards did not have a material impact on the Group's consolidated financial statements other than disclosures.

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT APPLIED

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements:

Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures)	1 January 2018	The improvements in this Amendment remove short term exemptions from IFRS 1 and clarify the use of fair value measurement for associates and joint ventures.
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018	Amendments to provide requirement on when a company should transfer a property asset to, of from, investment property.
Amendments to IFRS 4: Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts	1 January 2018	Amendments to provide entities with 2 optional solutions on how to reduce the impact of implementing IFRS 9 on entities that issue insurance contracts.
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018	Amendments to provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	Provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.
IFRS 9 Financial Instruments	1 January 2018	Replacement to IAS 39 and is built on a logical, single classification and measurement approach for financial assets which reflects both the business model in which they are operated and their cash flow characteristics. Also addresses the so-called 'own credit' issue and includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. It is a change from incurred to expected loss model.
IFRS 15 Revenue from Contracts with Customers	1 January 2018	Introduces requirements for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Also results in enhanced disclosure about revenue and provides or improves guidance for transactions that were not previously addressed comprehensively and for multiple-element arrangements.
IFRS 16 Leases	1 January 2019	The new standard recognises a leased asset and a lease liability for almost all leases and requires them to be accounted for in a consistent manner. This introduces a single lessee accounting model and eliminates the previous distinction between an operating lease and a finance lease.

IFRIC 23 Uncertainty over Income Tax Treatments*	1 January 2019	The new standard clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities.
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019	The amendments have impacted the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*	1 January 2019	The amendment to IAS 28 will clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
IFRS 17 Insurance Contracts*	1 January 2021	The new insurance contracts standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

*Not yet endorsed in the EU.

Management have undertaken a review of the expected impact of IFRS 15 and concluded that this will not have a material impact on the financial statements.

The Directors anticipate that the adoption of these Standards and Interpretations as appropriate in future periods will have no material impact on the financial statements of the Group, subject to any future business combinations.

2. SEGMENTAL REPORTING

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

The Group is currently focused on agriculture, forestry and timber trading. These are the Group's primary reporting segments. As on 31 December 2017 the group had no major customers.

During the 2017 financial year the Group acquired WoodBois International ApS which added the timber trading business to the Group as a separate operating segment.

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.

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:

	Agriculture $000	Forestry $000	Trading $000	Unallocated head office costs $000	Total $000
INCOME STATEMENT					
Turnover	287	2,884	5,235	-	8,406
Cost of Sales	(568)	(2,608)	(5,134)	-	(8,310)
Gross profit	(281)	276	101	-	96
Other income	-	-	24	107	131
Operating costs	(1,085)	(2,182)	(442)	(34)	(3,743)
Administrative expenses	(789)	(1,053)	(333)	(1,815)	(3,990)
Depreciation	(486)	(400)	(40)	-	(926)
Share based payment expense	(207)	(302)	(110)	(360)	(979)
Loss on fair value of Biological assets	-	(35,327)	-	-	(35,327)
Segment operating (loss)/profit	(2,848)	(38,988)	(800)	(2,102)	(44,738)
NET ASSETS					
Assets:	3,419	210,850	6,008	1,862	222,139
Liabilities:	(238)	(2,469)	(8,618)	(13,931)	(25,256)
Deferred tax (liability) / asset	-	(61,859)	131	-	(61,728)
Net assets	3,181	146,522	(2,479)	(12,069)	135,155
OTHER SEGMENT ITEMS					
Capital expenditure:					
Property, plant and equipment	1,482	2,558	-	-	4,040

The following table shows the segment analysis of the Group's loss before tax for the year and net assets at 31 December 2016:

	Agriculture $000	Forestry $000	Unallocated head office costs $000	Intra-group elimination $000	Total $000
INCOME STATEMENT					
Turnover	127	503	-	-	630
Cost of Sales	(205)	64	-	-	(141)
Gross profit	(78)	567	-	-	489
Operating costs	(690)	(139)	-	-	(829)
Administrative expenses	(15)	(499)	(2,974)	-	(3,488)
Depreciation	(499)	(408)	-	-	(907)
Segment operating (loss)	(1,282)	(479)	(2,974)	-	(4,735)
NET ASSETS					
Assets	2,589	176,382	13,721	(11,573)	181,119
Liabilities:					
Deferred tax liability	-	(55,848)	-	-	(55,848)
Other	-	(11,573)	(9,846)	11,573	(9,846)
Net assets	2,589	108,961	3,875	-	115,425

3. OPERATING LOSS

	2017 $000	2016 $000
Operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment	926	907
Staff costs (see note 4)	2,062	1,223
Share based payment reserve expense	979	-
Operating lease costs	187	69
Loss on fair value of Biological assets (see notes 12)	35,327	-
Inventory losses	977	141
Auditor's remuneration:		
Audit services		
– fees payable to the Company auditor for the audit of the consolidated accounts	18	50
Fees payable to associates of the Company auditor for other services		
– auditing the accounts of subsidiaries pursuant to legislation	76	(5)

4. STAFF COSTS

	2017 Number	2016 Number
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Administration and management	9	11
Agriculture and forestry	17	7
Trading	1	-
Retail	-	30
	27	48

	2017 $000	2016 $000
The aggregate remuneration comprised:		
Wages and salaries	2,062	1,223
Social security costs	-	-
	2,062	1,223

Directors' remuneration included in the aggregate remuneration above comprised:	2017 $000	2016 $000
Emoluments for qualifying services	893	713

Included above are emoluments of $201,000 (2016: $190,000) 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. FINANCE INCOME

	2017 $000	2016 $000
Bank interest	20	5

6. FINANCE COSTS

	2017 $000	2016 $000
Bank interest	154	521
Interest accrued on preference shares	656	-
	810	521

7. TAXATION

	2017 $000	2016 $000
CURRENT TAX:		
Corporation tax on loss for the year	-	-
DEFERRED TAX:		
Origination and reversal of temporary differences	12,173	-
TAX ON (LOSS) ON ORDINARY ACTIVITIES	12,173	-

Group	$000	$000
Loss on ordinary activities before tax	(9,927)	(5,251)
Loss on ordinary activities multiplied by the average rate of corporation tax of 24.5% (2016: 24.5%)	(2,432)	(1,286)
Effects of:		
Losses not recognised for deferred tax	11,003	1,286
Losses recognised for deferred tax	131	-
Gain on Bargain purchase	(9,194)	-
Preference share liability expense	393	-
Share based payment expense	240	-
Effect of movement in fair value of biological assets	12,032	-
GROUP TAX CREDIT FOR THE YEAR	12,173	-

The prevailing tax rates of the operations of the Group range between 3% and 32%. Therefore a rate of 24.5% has been used as it best represents the weighted average tax rate experienced by the Group. The Group has estimated losses of $45,5 million (2016: $43 million) available for carry forward against future profits. No deferred tax assets have been recognised in respect of losses due to the unpredictability of future profit streams, except for the WoodBois International ApS for which a deferred tax asset of $130,767 was raised. 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	2017 $000	2016 $000
At 1 January	55,848	55,848
Decrease in deferred tax liability	(12,163)	-
Deferred tax arising on acquisition *(refer to note 24)*	18,043	-
At 31 December	61,728	55,848

Deferred tax reconciliation

Deferred tax assets / liabilities	2017 $000	2016 $000
Deferred tax liability on the fair value adjustment of Biological Assets	(61,859)	(55,848)
Deferred tax asset on assessed tax loss	131	-
At 31 December	(61,728)	(55,848)

8. 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 Obtala 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.

	2017 $'000	2016 $'000
Loss from continuing operations attributable to owners of the parent	10,007	(4,478)
Loss from discontinued operations attributable to owners of the parent	(146)	(382)
Total	9,861	(4,860)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue	284,729,000	263,761,286
Weighted average number of ordinary shares used in calculating earnings per share	284,729,000	263,761,286
Number of options and own shares with dilutive effects	134,792,981	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	419,521,981	263,761,286
Earnings per share from continuing operations		
Basic (cents)	3.51	(1.70)
Diluted (cents)	2.39	(1.70)
Earnings per share from discontinued operations		
Basic (cents)	(0.05)	(0.14)
Diluted (cents)	(0.05)	(0.14)

9. DISCONTINUED OPERATIONS

The African Homes Stores group of companies ('LCS') have been discontinued during the prior financial year as the company decided to sell its shareholding for $1. The transaction became effective on 24th December 2016.

Discontinued operations are comprised of the following:

	2017 $'000	2016 $'000
Turnover	-	482
Cost of sales	-	(435)
Gross profit	-	47
Administrative expenses	(146)	(102)
Depreciation	-	(41)
Loss on disposal	-	(286)
	(146)	(382)

10. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings $000	Motor vehicles $000	Plant & equipment $000	Fixtures & IT $000	Total $000
COST					
AT 1 JANUARY 2016	1,442	496	2,542	967	5,447
Additions	244	82	160	7	493
Disposal of subsidiary	-	(27)	(711)	(281)	(1,019)
Effects of foreign exchange	(829)	(281)	180	(613)	(1,543)
AT 31 DECEMBER 2016	857	270	2,171	80	3,378
Additions	1,003	1,303	1,616	118	4,040
Assets obtained at acquisition *(refer to note 21)*	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
DEPRECIATION					
AT 1 JANUARY 2016	183	494	1,396	566	2,639
Charge for the year	35	29	811	32	907
Disposal of subsidiary	-	(27)	(345)	(214)	(586)
Effects of foreign exchange	(105)	(323)	(764)	(325)	(1,517)
AT 31 DECEMBER 2016	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
NET BOOK VALUE					
AT 31 DECEMBER 2017	9,197	2,300	5,986	258	17,741
AT 31 DECEMBER 2016	744	97	1,073	21	1,935
AT 31 DECEMBER 2015	1,258	2	1,146	402	2,808

11. ASSETS UNDER CONSTRUCTION

	2017 $000	2016 $000
Sawmill	883	-
Total	883	-

During the year ending 31 December 2017, the Group has started with the construction of a sawmill in Nampula, Mozambique. The Group incurred costs up to the reporting date that totalled $883 thousand (2016: nil).

12. BIOLOGICAL ASSETS

Standing timber	2017 $000	2016 $000
Carrying value at beginning of year	174,528	174,528
Additions (see note 24)	53,300	-
Fair value adjustment	(35,327)	-
Carrying value at end of year	192,501	174,528

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, production levels, operational cost and discount rates.

The discounted cash flow models cover the concession areas in Mozambique and Gabon to which the group has secured the rights.

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.

To maintain consistent year-on-year biological asset valuations, 100% of APC has been assumed every year within the discounted cashflow models. As we are valuing the standing timber that is economically and sustainably available to harvest in our allocated forest areas, we have assumed 100% of APC within our model to provide an accurate representation of what each concession is worth as at each yearend. Consequently, going forward, the discount rate, production cost and price of individual logs will be the determinant of any movement in biological asset value.

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 Obtala. 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 Northern Mozambique in the states of Cabo Delgado, Nyassa and Zambezia and are managed from a central point in Nampula. The additions are located in Gabon and were obtained as part of the WoodBois International purchase (see note 24).

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, whilst the price of the standing timber has been calculated by removing the processing costs from existing prices that customers are paying for sawn timber from Mozambique.

After year end, but prior to the issue of these financial statements, 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. Obtala 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. Obtala 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. In the short term however, we have reduced our expectation of the level of selling prices that will be achieved from these species. As selling prices is an assumption that impacts the standing timber valuation, we have recognized an impairment and adjusted fair value accordingly.

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

	Impact on fair value of biological asset 2017 $ 000	2016 $ 000
Effect of increase in discount rate by 1%	(15,255)	(16,664)
Effect of decrease in discount rate by 1%	18,340	19,761
Effect of 10% increase in volume of APC	18,038	19,599
Effect of 10% decrease in volume of APC	(18,038)	(19,599)
Effect of 10% increase in sales price	38,067	42,203
Effect of 10% decrease in sales price	(38,067)	(42,203)

13. TRADE AND OTHER RECEIVABLES

	2017 $000	2016 $000
Trade receivables	960	214
Other receivables	1,326	2
Deposits	29	-
Current tax receivable	28	25
VAT receivable	242	-
Prepayments and accrued income	856	-
	3,441	241

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

14. INVENTORIES

	2017 $000	2016 $000
Agricultural supplies	459	-
Timber	5,025	1,017
	5,484	1,017

15. INVESTMENTS

	Short term Investments $000	Available for sale investments $000	Total $000
COST AND FAIR VALUE AT 1 JANUARY 2016	-	133	133
Impairment	-	(133)	(133)
COST AND FAIR VALUE AT 31 DECEMBER 2016	-	-	-
Movement	-	-	-
COST AND FAIR VALUE AT 31 DECEMBER 2017	-	-	-

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.

16. FINANCIAL INSTRUMENTS (continued)

CATEGORISATION OF FINANCIAL INSTRUMENTS

2017

Financial assets/(liabilities)	Loans and receivables $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)

2016

Financial assets/(liabilities)	Loans and receivables $000	Financial liabilities at amortised cost $000	Total $000
Trade and other receivables	216	-	216
Cash and cash equivalents	3,398	-	3,398
Trade and other payables	-	(9,846)	(9,846)
	3,614	(9,846)	(6,232)

FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 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).

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 and Company are 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.

GROUP	2017 Fixed rate $000	2016 Fixed rate $000	2017 Floating rate $000	2016 Floating rate $000	2017 Total $000	2016 Total $000
Cash and cash equivalents	-	-	2,089	3,398	2,089	3,398
Borrowings	-	-	(7,214)	-	(7,214)	-
Preference share liability	(12,588)	-	-	-	(12,588)	-
Total	(12,588)	-	(5,125)	3,398	(17,713)	3,398

The impact of a 10% increase/decrease in the average base rates would be $nil (2016: $nil) on the total cash and cash equivalents balances, borrowings and on equity.

16. FINANCIAL INSTRUMENTS (continued)

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:

	2017 Carrying Value $000	2017 Maximum Exposure $000	2016 Carrying Value $000	2016 Maximum Exposure $000
Cash and cash equivalents	2,089	2,089	3,398	3,398
Trade and other receivables	2,560	2,560	241	241
Total	4,649	4,649	3,639	3,639

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

MANAGEMENT OF FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising from commercial transactions, recognised 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.

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

	2017 $000	2016 $000
Cash and cash equivalents		
GBP	608	3,132
DKK	1	-
CFA	127	-
TZS	187	266
MZN	309	1
HKD	132	-
USD	725	-
Total	2,089	3,399

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:

IMPACT OF 10% RATE CHANGE	2017 $000	2016 $000
Cash and cash equivalents	136	340

16. FINANCIAL INSTRUMENTS (continued)

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.

	2017 $000	2016 $000
Cash at bank	2,089	3,398
	2,089	3,398

CONTRACTUAL MATURITY ANALYSIS
The Group has assessed the contractual maturity analysis as follows:

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)

2016	0-3 months $000	3-12 months $000	1 – 5 years $000	Total $000
Assets by contractual maturity				
Trade and other receivables	216	-	-	216
Cash and cash equivalents	3,398	-	-	3,398
	3,614	-	-	3,614
Liabilities by contractual maturity				
Trade and other payables	(669)	(9,177)	-	(9,846)
	(669)	(9,177)	-	(9,846)
Net assets by contractual maturity	2,945	(9,177)	-	(6,232)

16. FINANCIAL INSTRUMENTS (continued)

INTEREST RATE RISK
The group is exposed to interest rate risk because entities in the group hold cash balances and borrow funds at floating interest rates.

The following table details the group's exposure to interest rate changes, all of which affect profit and loss only with a corresponding effect on accumulated losses. The sensitivity has been prepared assuming the liability outstanding at the balance sheet date was outstanding for the whole period. In all cases presented, a negative number in profit and loss represents an increase in finance expense / decrease in interest income.

	2017 $000	2016 $000
+ 20 bp increase in interest rates	(14)	-
+ 50 bp increase in interest rates	(36)	-
+ 100 bp increase in interest rates	(72)	-

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

17. TRADE AND OTHER PAYABLES

	2017 $000	2016 $000
Trade payables	1,004	491
Accruals	385	178
Income received in advance	620	-
Current tax payable	28	-
Provisions	51	-
Other payables	1,578	9,177
Debt to concession holders	351	-
	4,017	9,846

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

Included within the prior year (2016) other payables are amounts received in advance relating to the post year end preference capital raise of $9,177k.

18. BORROWINGS

	2017	2016
	$000	$000
Non-Current liabilities		
Business loan	695	-
Car loans	47	-
	742	-
Current liabilities		
Business loans	693	-
Bank overdraft	5,764	-
Car loans	15	-
	6,472	-
Total	7,214	-

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

Business loan with Nykredit that amounted to DKK 8,518,482. The business loan carries an interest rate of 2.64%. The purpose of the loan is for financing Timber trades. Refer to securities section below for further disclosure.

Car Loans with Nykredit that amounted to DKK 387,601. The car loans carry an interest rate of 2.25% and 2.5%. Refer to the securities section below, for further disclosure

Bank overdraft facilities with Nykredit that amounted to USD 5.3 million. The Bank overdraft facilities carry an interest rates of 2.37%, 9.38% and 18.25%

The Group signed a combined security to the value of DKK 7 million, which includes securities over the property, plant and equipment, the total inventories and total trade receivables.

19. PREFERENCE SHARES

	2017	2016
	$000	$000
Preference share liability	11,932	-
Preference share capital	14,318	-
Total	26,250	-
Preference share liability	11,932	-
Interest accrued	656	-
Total	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 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. 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%.

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 2016	263,260,664	4,104
Shares issued	10,000,000	136
AT 31 DECEMBER 2016	273,260,664	4,240
Shares issued	20,018,603	260
AT 31 DECEMBER 2017	293,279,267	4,500

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, 20,018,603 (2016: 10,000,000) ordinary shares with a nominal value of $260,000 (2016: $136,000) were issued for a cash consideration of $1 million (2016: nil).

In February 2017 notice was serviced by The Bank of New York (Nominees) Limited whereby their warrants were exercised. A total of 4,377,104 shares was issued for an amount totaling $0.8m.

In June 2017, a total amount of 15,641,499 shares was issued to the former owners of WoodBois International ApS, as part of the purchase price of the acquisition. The total market value of the share issue at that time amounted to $3.6m. Refer to note 24.

21. SHARE PREMIUM ACCOUNT

	2017 $000	2016 $000
AT 1 JANUARY	17,968	17,968
Shares issued	4,372	-
AT 31 DECEMBER	22,340	17,968

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

	2017 $000	2016 $000
AT 31 DECEMBER	44,487	44,487

The merger reserve arose on shares issued by Obtala Services Limited to acquire Obtala Limited and on shares issued by Obtala Limited to the previous owners of Obtala Services Limited under a scheme of arrangement concluded in August 2010.

23. CAPITAL AND OPERATING LEASE COMMITMENTS

The Group had total commitments at the reporting date under non-cancellable operating leases falling due as follows:

	Land & buildings and mining licences 2017 $000	Land & buildings and mining licences 2016 $000
Within one year	12	44
Between one and two years	10	-
	22	44

24. ACQUISITIONS

On 30 June 2017, the Group Acquired 100% of the shares and voting interests in WoodBois International ApS (WBI). WBI is a private Danish-based timber, trading and forestry business with operations in Gabon.

The acquisition of WBI will enable the Group to utilise the knowledge and experience of an established global trading operation for its existing hardwood operation in Mozambique, thus enabling the Group to gain greater access to international markets. WBI also own concessions in Gabon, as well as a sawmill in the country, which will expand the Group's annual production capacity. WBI also has a veneer factory under construction which will enable the Group to access higher margin product sales.

For the 6-month period since acquisition, it contributed $6.4 million to the total group revenue.

A. Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

Purchase price	**30 June 2017 $'000**
Cash paid on 30 June 2017	3,000
Equity instruments (15,641,499 ordinary shares) issued on 30 June 2017	3,576
Total acquisition related expenses	103
Cash paid after year end	132
Total consideration transferred	**6,811**

I. Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of Obtala Limited at 30 June 2016 of £0.176 per share.

II. Contingent consideration

The Group has agreed to pay the selling shareholders, an amount totalling $8 million, over a period of the next five years, if the two founding members of WBI stays in the employment of the group during this period.

The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between $0 and $8 million.

In accordance with IFRS3 the substance of the contingent consideration should be evaluated, to determine if the contingent consideration is part of the consideration of the business combination.
Due to the contingent consideration arrangement payments are automatically forfeited if the employment of the founding members of WBI in the Group are terminated, indicates that the contingent consideration arrangement is not part of the business combination.

The Group has expensed $574k as remuneration in relation to the additional consideration payments. The remaining payments will be recognised over 5 years.

B. Acquisition-related costs

The Group incurred acquisition-related costs of $103k on legal fees and due diligence costs. These costs have been included in the total 'purchase price'.

24. ACQUISITIONS (continued)

C. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition. The following amounts have been measured on a provisional basis.

	30 June 2017
	$'000
Inventory	3,046
Fixed assets	12,206
Trade and other receivables	3,718
Biological assets – standing timber	53,300
Cash and cash equivalents	(3,580)
Trade and other payables	(4,000)
Loans	(2,118)
Tax liabilities	(193)
Deferred tax	(18,043)
Total identifiable net assets acquired	**44,336**

I. Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	**Valuation technique**
Property, plant and equipment	*Market comparison technique and cost technique:* The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Biological assets	*Market comparison technique:* An independent valuation was carried out by a qualified timber inventory surveyor. The valuation is based on using a market DCF value of the five dominant standing timber species when coupled with the current operating capacity as on acquisition date.
Inventory	*Market comparison technique:* The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

24. ACQUISITIONS (continued)

D. Gain from bargain purchase

Gain from bargain purchase arising from the acquisition has been recognised as follows.

	Note	30 June 2017 $'000
Consideration transferred	*(A)*	6,811
Fair value of identifiable net assets	*(C)*	(44,336)
Gain from bargain purchase		**(37,525)**

Occasionally, an acquirer will make a bargain purchase. This is usually in a business combination that is a forced sale in which the seller is acting under compulsion. In this case, the sellers were not distressed and not acting under compulsion, but the business could be said to have been distressed in a different way:
-Given that the operational business is based in Africa and due to Basel 3, getting conventional loan facilities was near impossible for the previous owners. The only finance that was available to them was limited to facilities where they were required to sign personal suretyship.
-As a result of the capital constraint, the operational business in Gabon operated under capacity. It operated at around 70,000 CBM in a year, when the annual permitted cut (APC) identified during our Due Diligence showed that it could be increased to as much as 90 million CBM per annum. The sellers were open with us about their inability to scale the business on their own and the increased capacity was not priced within their sales price, however the sales price was structured such that the sellers would receive Obtala shares in order to share in the profits of the combined entity where the value can be extracted.
-The operational business in Gabon had major strategic assets that were partly completed due to the limited access to finance. These strategic assets included a partly completed veneer factory that would increase the operation's profitability significantly.

Given this background, the value of the assets to the previous shareholders of WBI was limited, mainly due to the fact that they were unable to extract its full potential. The business combination therefore held mutual benefits to both the previous owners of WBI and the Group based on the following factors:
-The Group has the ability to raise funding to complete the strategic assets in the Gabon operations, as well as to increase the cutting capacity to the annual permitted cut.
-As explained, part of the purchase price was settled in Obtala shares, which allows the previous shareholders to benefit from the increased production and profitability from the operations in Gabon which will be unlocked by Obtala. Obtala has for example already nearly doubled the harvesting capacity in Gabon through the purchase of two additional bulldozers and we have nearly completed the Veneer factory (expected opening date of June 2018).

25. SHARE BASED PAYMENTS

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 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	1m per tranche (4m total)
Jessica Camus	Non-executive Director	250k per tranche (1m total)
Carnel Geddes	CFO	250k per tranche (1m total)

In respect of each tranche, the options are exercisable if at the first possible vesting date for that tranche or any subsequent date, the Obtala Limited monthly volume weighted average price (VWAP) for ordinary shares in the capital of Obtala Limited 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 formulas are based on Black and Scholes but 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.

Reconciliation of the share options in issue:

	Total options	Weighted average strike price
As on 1 January 2016	-	-
Issued during the financial year	21,000,000	8.75p
As on 31 December 2016	21,000,000	8.75p
Issued during the financial year	17,500,000	12.20p
Forfeited during the financial year	(13,000,000)	(7.09p)
As on 31 December 2017	25,500,000	13.85p

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

	2017 $000	2016 $000
AT 1 JANUARY	1,398	1,580
Reserve transfer	(1,398)	(46)
Issue of ordinary shares	-	(136)
Share based payment expense	979	-
AT 31 DECEMBER	979	1,398

There were no options exercisable at the reporting date.

26. NON-CONTROLLING INTERESTS

	$000
AT 1 JANUARY 2016	29,477
Non-controlling interests share of losses in the year	(797)
Sale of subsidiary	(311)
AT 31 DECEMBER 2016	28,369
Non-controlling interests share of losses in the year	(7,761)
AT 31 DECEMBER 2017	20,608

The share of losses in the year represents the losses attributable to non-controlling interests for the year.

27. RELATED PARTY TRANSACTIONS

RELATED PARTY BALANCES

	2017 $000	2016 $000
Amount payable to the previous owners of WoodGroup	(165)	-
Funding raised for internal trade finance	(698)	-
AT 31 DECEMBER	(863)	-

In December 2017, members of the board decided to provide an internal trade finance fund to the total value of $1 million. As at 31 December 2017 the Group has received a total of $698k of the funding.

TRADING TRANSACTIONS

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

	2017 Transactions in year $000	2017 Balance at 31 December $000	2016 Transactions in year $000	2016 Balance at 31 December $000
Loans to subsidiary undertakings	(7,356)	19,312	(5,134)	11,956

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Group's key management personnel comprised the Directors of the Company.

2017	Short-term employment benefits				
	Salaries & fees $000	Employer's national insurance contributions $000	Benefits $000	Share based payments $000	Total $000
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
	847	-	46	649	1,542

2016	Short-term employment benefits				
	Salaries & fees $000	Employer's national insurance contributions $000	Benefits $000	Share based payments $000	Total $000
Miles Pelham	158	-	-	-	158
Paul Dolan	99	-	-	-	99
Warren Deats	90	-	23	-	113
Simon Rollason	107	-	6	-	113
Phillippe Cohen	89	-	-	-	89
Emma Priestley	17	-	-	-	17
Francesco Scolaro	48	-	-	-	48
Kevin Milne	77	-	-	-	77
Jean du Lac	21	-	-	-	21
	706	-	29	-	735

28. POST BALANCE SHEET EVENTS

In January 2018, the Group announced that through its forestry subsidiary Argento Limited ("Argento"), has entered into a memorandum of understanding ("MOU") with Nouvelle Scierie Moderne de Sassandra ("NSMS") and Mr Sidani Yahia Younes ("Mr Sidani") under which Argento agreed to provide working capital loans to NSMS and Mr Sidani agreed to sell 100% of NSMS's share capital if served written notice by Argento ("Proposed Acquisition") before 1 April 2018. The loans totalled US$845k.

In March 2018, the Group announced that it has agreed with Nouvelle Scierie Moderne de Sassandra ("NSMS") and Mr Sidani Yahia Younes to extend the time period for serving notice to acquire 100% of the share capital of NSMS as described in the original announcement dated 30th January 2018 by 12 months to 1st April 2019.

In February 2018, the Group announced that funding of up to US$7.2 million was raised by issuing new ordinary shares. Each new Ordinary Share issued in connection with the Fundraising will be issued with a warrant which is convertible into one new Ordinary Share. The warrants will be exercisable at the request of the holder at any time in the 2 years following issue (being the date of Admission) with an exercise price of 20p each.

After year end, but prior to the issue of these financial statements, 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. Obtala 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. Obtala has previously exported both Chanfuta and Umbila from Mozambique.

29. ULTIMATE PARENT COMPANY

At 31 December 2017 the Directors do not believe that there was an ultimate controlling party.

The Notice of AGM will be uploaded on our website in the near future.