

**OBTALA LIMITED**



**INTERIM FINANCIAL REPORT**

**FOR THE PERIOD ENDED**

**30 JUNE 2016**

**OBTALA LIMITED**  
**DIRECTORS AND OFFICERS**

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**DIRECTORS**

Miles Pelham	<i>(Non-Executive Chairman)</i>
Paul Dolan	<i>(Chief Executive Officer)</i>
Warren Deats	<i>(Chief Operating Officer)</i>
Simon Rollason	<i>(Managing Director)</i>
Philippe Cohen	<i>(Finance Director)</i>
Jean Du Lac	<i>(Non -Executive Director)</i>
Francesco Scolaro	<i>(Non-Executive Director)</i>
Kevin Milne	<i>(Non-Executive Director)</i>

**COMPANY SECRETARY**

William Place Secretaries Limited

**COMPANY NUMBER**

52184 (Guernsey)

**REGISTERED OFFICE**

Dixcart House  
Sir William Place  
St Peter Port  
Guernsey GY1 1GX

**NOMINATED ADVISER**

ZAI Corporate Finance Limited  
Staple Court  
11 Staple Inn  
London WC1V 7QH

**BROKER**

Brandon Hill Capital  
1 Tudor Street  
London EC4Y 0AH

**AUDITOR**

RSM UK Audit LLP (formerly Baker Tilly)  
Chartered Accountants  
25 Farringdon Street  
London EC4A 4AB

**LEGAL ADVISER**

Carey Olsen  
Les Banques  
St Peter Port  
Guernsey GY1 4BZ

**REGISTRARS**

Neville Registrars Limited  
Neville House  
18 Laurel Lane  
Halesowen B63 3DA

**OBTALA LIMITED**  
**CONTENTS**

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Chairman's Statement	1
Condensed Consolidated Income Statement	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Balance Sheet	6
Condensed Consolidated Cash Flow Statement	7
Notes to the Interim Financial Statements	8

**OBTALA LIMITED**  
**CHAIRMAN'S STATEMENT**

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I am pleased to present the interim report and consolidated financial statements for Obtala Limited (the "Company" or the "Group") for the half year ended 30 June 2016.

The Company continued to make progress in its transition to becoming a highly focussed African agriculture and forestry company through the half year ended 30 June 2016. We continued to develop the asset platform with improvements to production facilities and processes in both Tanzania and Mozambique. Development of, and access to both a local and global customer base has been thoroughly reviewed and analysed with encouraging results.

The focus for the agribusiness has been on our farms in the Morogoro district of Tanzania, which over the last three years have created an aspiring horticultural farming enterprise for fresh produce to supply domestic and international markets. This is complemented with an on-site processing facility, to produce a range of high-quality dried fruits, which are packaged and branded under our own "Mama Jo's" label. Having gained Global GAP and BRC certification in late 2015, attention has turned towards development of an export model, with our competitive advantage of close proximity to Middle Eastern markets being of particular focus.

Investment in the farms in Tanzania has not to date been rewarded by any substantial increase in output, including in the first half of 2016, although it must be noted that the traditionally rainy season of February to May is not expected to be one of high output. In April 2016 we welcomed a new, highly experienced farm manager, Graham Impey, who has spent the majority of his 28 year farming career in Zimbabwe and Angola. Graham has exhibited first class planning, communication and execution skills and we are confident that under his stewardship the farms will start to deliver significant returns on previous and future investment. As noted in my statement of June 30<sup>th</sup> 2016, the investment required to establish the necessary infrastructure for the agri business was executed without the need to secure external investment or dilute shareholders at the holding company level.

The focus for our forestry business remains the operations in Mozambique. We continue, as in previous years, to supply timber products for national infrastructure upgrade programmes and for the domestic market. We also continue to develop export market opportunities for our timber.

We are aiming to capitalise on the market dynamic of increasing global demand for high quality timber products, whilst supply is becoming more constrained as sustainable harvesting practices cannot meet either current or predicted demand. We now have over 312,000 hectares of forestry concessions all with required management plans either agreed on or in advanced stages of being agreed upon with Mozambican government and local authorities. Our international "cut to order" pipeline continues to grow, with initial orders received from South Africa, Asia and the Middle East. These orders suggest healthy margins, and we are confident that the international market that has been opened via our Joint Venture with Basic Materials of Hong Kong will lead to a significant acceleration in the growth of our forestry business. Global appetite for high quality and high value timber products is buoyant and we are well positioned through our access to significant, environmentally sustainable supplies of desirable timber species.

Our conviction remains that the equity market has not recognised the value of the Company's assets, which is true of many companies, particularly on the AIM market. We believe that the Company's strong focus on the two synergistic business platforms of agriculture and forestry will deliver strong growth, high margins and significantly increased, long-term, shareholder value. The businesses we are building are based on long-term investment programmes which, as we move from development to execution phase, will provide a platform to deliver profitability and growth, generating revenues with a focus on strong margins. Over the reporting period to 30<sup>th</sup> June 2016 we have continued to make capital investment into operations within Mozambique.

**OBTALA LIMITED**  
**CHAIRMAN'S STATEMENT**  
**(CONTINUED)**

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**Financial results**

The Group generated revenues of £264,000 (\$382,000) (June 2015: £2.26m/\$3.6m) during the six-month period, across the Group.

The six-month period generated a loss of £2.63m (\$3.8m) (June 2015: profit £3.0m/\$4.7m, which included the independent valuation of new forestry assets).

Group net assets increased by £1.62m (\$2.35m) from December 2015 Year end at £83.2m (\$120.7m) with a net cash and equivalent position of £547,000 (\$793,000) (December 2015 £660,000/\$1.02m) including non-controlling interests of GBP18.5m (2015 GBP 18.9m).

With the natural tendency to earn more after the rainy season and an increase of activity in our forestry and agricultural divisions, we anticipate revenues will increase significantly for the remainder of 2016.

**Directorate changes**

I joined the Board as a Non-Executive Director in August 2015, becoming Chairman in April this year in place of Francesco Scolaro who relinquished that role but remains on the Board as a Non-Executive Director. In July 2016, Paul Dolan was appointed to the board as Chief Executive Officer and Kevin Milne who joined in August 2015 as Deputy Chairman stepped down to the role of Non-Executive Director. In June we announced our intention to appoint Warren Deats as Chief Operating Officer and Warren took up this role effective 1<sup>st</sup> August 2016. Emma Priestley, who was appointed to the Board in March 2015 relinquished her position in April this year due to other commitments. Simon Rollason, Philippe Cohen and Jean du Lac remain on the board in their roles as Managing Director, Finance Director and Non-Executive Director respectively.

**Corporate social responsibility**

The Group's approach to the continued development of its business units directly and indirectly generate a wide range of benefits to the host community and host country as a whole. In addition to the community participation benefits, development of the project areas provides a number of core benefits such as employment generation, training and skills transference, infrastructure improvement, support for localised industries and improved food security. The Group is also committed, where possible, to provide educational and vocational training facilities and programmes in the communities in which we operate.

We are proud of our listing on the Social Stock Exchange in London, to which we were accepted after a rigorous application process that included an independent assessment of our social impact activities and commitment, and an independent admissions panel hearing. This gives the Company a high profile within the social impact investment community as well as being a great endorsement of our business practices and commitment to working with local communities. As our businesses expand, we expect the reach of our social impact programmes to grow in tandem to the benefit of our employees and their communities.

**Outlook**

As a long term shareholder in your company, I have a keen appreciation of the deep value embedded within its asset base. I became non-executive Chairman midway through this period with an open mind regarding the correct strategy to begin to release this value. A thorough review of all operations beneath the Obtala umbrella was initiated immediately upon my appointment in April 2016, with detailed analysis conducted within every business line. H2 will see the execution of decisions made as a result of this substantial body of work. There is no question however that there will be relentless focus on delivering sustainable, profitable production from the valuable assets within our core businesses.

**OBTALA LIMITED**  
**CHAIRMAN'S STATEMENT**  
**(CONTINUED)**

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In the three months since I signed off my last Chairman's statement the pace of change within the company has been frenetic and I look forward to updating you with a quarterly progress report and outlook for the remainder of 2016 shortly.

It only remains for me to thank the board of directors and all of our employees for their dedication and diligence during this transitional period.

Miles Pelham  
*Chairman*

**OBTALA LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the six-month period to 30 June 2016

	Notes	Six months to 30 June 2016 (Unaudited) £'000	Six months to 30 June 2015 (Unaudited) £'000	Year to 31 December 2015 (Audited) £'000
<b>Continuing operations</b>				
Turnover		264	2,257	3,692
Cost of Sales		(231)	(1,585)	(2,614)
Gross profit		33	672	1,078
Operating costs		(387)	(584)	(675)
Administrative expenses		(1,179)	(1,220)	(2,905)
Impairment of Intangible Asset		-	-	(16,080)
Gain/(loss)Loss on derivative financial instruments		-	(1,556)	(1,083)
Depreciation		(205)	(100)	(340)
<b>Operating profit/(loss)</b>		<b>(1,738)</b>	<b>(2,788)</b>	<b>(20,005)</b>
Revaluation of Biological asset		-	8,600	8,600
Gain on Fair Value of Investment		-	-	1,046
Finance income/(costs)		(-)	(44)	(39)
<b>Profit/(loss) before tax</b>		<b>(1,738)</b>	<b>5,768</b>	<b>(10,392)</b>
Taxation	5	(892)	(2,752)	(4,504)
<b>Total profit/loss for the period/year</b>		<b>(2,630)</b>	<b>3,016</b>	<b>(14,896)</b>
Attributable to:				
Owners of the parent		(2,196)	1,707	(16,805)
Non-controlling interests		(434)	1,309	1,909
		(2,630)	3,016	(14,896)
Other comprehensive income:				
Exchange differences of re-translation of foreign operations		2,787	(513)	3,242
<b>Total comprehensive income for the period:</b>		<b>157</b>	<b>2,503</b>	<b>(11,654)</b>
Attributable to:				
Owners of the parent		591	1,194	(13,563)
Non-controlling interests		(434)	1,309	1,909
		157	2,503	(11,654)
<b>Earnings/(loss) per share</b>				
From continuing operations				
Basic and diluted (pence)	6	(0,83)	0.65	(6,38)

**OBTALA LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the period from 1 January 2015 to 30 June 2016**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Share based payment reserve £'000	Revenue reserve/ (deficit) £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
<b>At 1 January 2015</b>	<b>2,633</b>	<b>11,528</b>	<b>28,543</b>	<b>1,515</b>	<b>1,014</b>	<b>31,072</b>	<b>76,305</b>	<b>17,037</b>	<b>93,342</b>
Profit/(loss) for the period	-	-	-	-	-	1,707	1,707	1,309	3,016
Exchange differences on retranslation of foreign operations	-	-	-	(544)	-	-	(544)	32	(512)
Total comprehensive income for the period	-	-	-	(544)	-	1,707	1,163	1,341	2,504
Issue of shares	-	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-	-	-
Dilution of interest in subsidiary	-	-	-	-	-	-	-	-	-
<b>At 30 June 2015</b>	<b>2,633</b>	<b>11,528</b>	<b>28,543</b>	<b>971</b>	<b>1,014</b>	<b>32,779</b>	<b>77,468</b>	<b>18,378</b>	<b>95,846</b>
Profit/(loss) for the period	-	-	-	-	-	(18,512)	(13,153)	(560)	(13,713)
Exchange differences on retranslation of foreign operations	-	-	-	3786	-	-	640	415	(1,055)
Total comprehensive income for the period	-	-	-	3786	-	(18,512)	(12,513)	(145)	(12,658)
Transactions with owners									
Reserve transfer	-	-	-	(2,740)	-	2,740	(77)	-	(77)
<b>At 31 December 2015</b>	<b>2,633</b>	<b>11,528</b>	<b>28,543</b>	<b>2,017</b>	<b>1,014</b>	<b>17,007</b>	<b>62,742</b>	<b>18,946</b>	<b>81,688</b>
Profit/(loss) for the period	-	-	-	-	-	(2,196)	(2,196)	(434)	(2,630)
Exchange differences on retranslation of foreign operations	-	-	-	4,249	-	-	4,249	-	4,249
Total comprehensive income for the period	-	-	-	4,249	-	(2,196)	2,053	(434)	1,619
Transactions with owners									
Reserve transfer	-	-	-	(2,787)	-	2,787	-	-	-
<b>At 30 June 2016</b>	<b>2,633</b>	<b>11,528</b>	<b>28,543</b>	<b>3,479</b>	<b>1,014</b>	<b>17,598</b>	<b>64,795</b>	<b>18,512</b>	<b>83,307</b>



**OBTALA LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2016**

	Notes	30 June 2016 (Unaudited) £'000	30 June 2015 (Unaudited) £'000	31 December 2015 (Audited) £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Available for sale investments		90	53	90
Intangible exploration and evaluation assets		-	16,080	-
Biological asset	7	121,007	112,432	118,220
Plant and equipment		1,697	2,447	1,902
<b>Total non-current assets</b>		<b>122,794</b>	<b>131,012</b>	<b>122,557</b>
<b>Current assets</b>				
Trade and other receivables		108	1,181	275
Inventory		378	1,169	579
Cash and cash equivalents		547	1,409	660
<b>Total current assets</b>		<b>1,033</b>	<b>3,759</b>	<b>1,514</b>
<b>TOTAL ASSETS</b>		<b>123,827</b>	<b>134,771</b>	<b>121,726</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		(1,818)	(2,245)	(2,228)
Financial investment liabilities		-	(700)	(-)
Current tax liabilities		20	(2)	20
<b>Total current liabilities</b>		<b>(1,798)</b>	<b>(2,947)</b>	<b>(2,208)</b>
<b>Non-current liabilities</b>				
Deferred tax	5	(38,722)	(35,978)	(37,830)
Loans		(-)	(-)	-
<b>Total non-current liabilities</b>		<b>(38,722)</b>	<b>(35,978)</b>	<b>(37,830)</b>
<b>TOTAL LIABILITIES</b>		<b>(40,520)</b>	<b>(38,925)</b>	<b>(40,038)</b>
<b>NET ASSETS</b>		<b>83,307</b>	<b>95,846</b>	<b>81,688</b>
<b>EQUITY</b>				
Share capital	8	2,633	2,633	2,633
Share premium	9	11,528	11,528	11,528
Merger reserve		28,543	28,543	28,543
Foreign exchange reserve		3,479	971	2,017
Share based payment reserve		1,014	1,014	1,014
Revenue reserve/(deficit)	10	17,598	32,779	17,007
<b>Equity attributable to the owners of the parent</b>		<b>64,795</b>	<b>77,468</b>	<b>62,742</b>
Non-controlling interests	11	18,512	18,378	18,946
<b>TOTAL EQUITY</b>		<b>83,307</b>	<b>95,846</b>	<b>81,688</b>

Approved by the board and authorised for issue on 30<sup>th</sup> September 2016

M Pelham  
Chairman

P Cohen  
Finance Director

**OBTALA LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the period from 1 January 2015 to 30 June 2016

	Notes	Six months to 30 June 2016 (Unaudited) £'000	Six months to 30 June 2015 (Unaudited) £'000	Year to 31 December 2015 (Audited) £'000
<b>OPERATING ACTIVITIES</b>				
Operating profit/(loss)		(1,738)	5,768	(10,392)
Adjustment for non-cash items:				
(Gains)/loss on fair value of investments		-	(589)	(1,046)
Foreign exchange (gains)/losses		1,462	-	(2,500)
Valuation of biological asset		-	(8,600)	(8,600)
Depreciation of plant and equipment		205	100	340
Impairment of Intangible Assets		-	-	16,080
Decrease/(increase) in trade and other receivables		167	(351)	555
(Decrease)/increase in trade and other payables		(410)	(2,244)	(209)
Decrease/(Increase) in inventory		201	182	772
Finance expense/(income)		-	44	(39)
Losses on investments		-	1,601	1,083
<b>Cash outflow from continuing operations</b>		<b>(113)</b>	<b>(4,089)</b>	<b>(3,956)</b>
Income taxes paid		-	-	-
<b>Net cash flow from operating activities</b>		<b>(113)</b>	<b>(4,089)</b>	<b>(3,956)</b>
<b>INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment		-	(8)	(10)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>-</b>	<b>(8)</b>	<b>(10)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from sale of investments		-	2,237	1,357
Finance expense		-	-	-
<b>Net cash inflow from financing activities</b>		<b>-</b>	<b>2,237</b>	<b>1,357</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(113)</b>	<b>(1,860)</b>	<b>(2,609)</b>
Cash and cash equivalents at start of period		660	3,269	3,269
Effect of foreign exchange rate variation		-	-	-
<b>Net cash and cash equivalents at end of period</b>		<b>547</b>	<b>1,409</b>	<b>660</b>

**OBTALA LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**1. BASIS OF PREPARATION**

The interim financial statements of Obtala Limited are unaudited condensed consolidated financial statements for the six months to 30 June 2016. These include unaudited comparatives for the six-month period to 30 June 2015 together with audited comparatives for the year to 31 December 2015.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial investments, available for sale investments and financial assets and liabilities which are included at fair value.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the period ended 31 December 2015.

The financial information contained in this announcement does not constitute statutory accounts as defined under section 244 of the Companies (Guernsey) Law 2008. The auditors have reported on the 2015 financial statements which have been delivered to the Guernsey Registrar of Companies; their report was unqualified but did contain an emphasis of matter paragraph on the fair value of biological assets and in respect of going concern. It contained no statement under sections 263(2) or 263(3) of the Companies (Guernsey) Law 2008

**3. GAINS/(LOSS) ON INVESTMENTS**

	<b>Six months to 30 June 2016</b>	<b>Six months to 30 June 2015</b>	<b>Year to 31 December 2015</b>
	£000	£000	£000
Gain/(loss) on disposal of investments	-	(1,601)	(1,083)
(Decrease)/increase in fair value of financial investments	-	-	-
Gain/(loss) from investing activities	-	(1,601)	(1,083)

**4. SEGMENTAL REPORTING**

The Group is currently in agriculture and forestry as well as retail. In addition, the Group undertakes investing activities, which are based in Guernsey. These are the Group's primary reporting segments.

**5. TAXATION**

The accrued tax charge for the six-month interim period is based on an estimated worldwide average effective tax rate of nil per cent, after allowance for utilisation of tax losses brought forward in UK based subsidiaries (six months to 31 June 2015: nil%)

The Group has recognised a deferred tax liability of £38,722,000 at 30 June 2016 (30 June 2015: £35,978,000, 31 December 2015: £37,830,000) which arose on the difference between the book value and the fair value of assets acquired on the acquisition of a subsidiary and the revaluation of a biological asset.

**OBTALA LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(CONTINUED)**

**6. EARNINGS PER SHARE**

Basic earnings per share is based on the loss for the six months of £2,196,000 attributable to equity holders of the parent divided by the number of ordinary shares in issue during the period of 263,260,664 exclusive of ordinary shares purchased by the Obtala Resources Employee Share Trust and held jointly by the Trust and certain employees. No shares were issued during the period

**7. BIOLOGICAL ASSET**

	<b>£'000</b>
<b>At 1 January 2015</b>	<b>103,832</b>
Fair Value Adjustment	8,600
<b>At 30 June 2015</b>	<b>112,432</b>
Foreign Exchange Adjustment	5,788
<b>At 31 December 2015</b>	<b>118,220</b>
Foreign Exchange adjustment	2,787
<b>At 30 June 2016</b>	<b>121,007</b>

With the work conducted in the 2015 year to ascertain a more accurate measure of timber specie within the concessions and to ensure operational viability to enable extraction of the timber to the local market 2015 was the second year in which a fair value can be reliably assessed and therefore the standing timber can be fair valued. The Group's main class of biological assets comprise forestry concessions which hold a range of hardwoods. Biological asset are carried at fair value less estimated costs to sell. The biological assets were fair valued by Crispin Golding MICFor of Honour Capital Limited with additional two blocks, totalling 35,000 hectares included in June 2015 fairly valued by Edward Anderson-Bickley MRICS both of Honour Capitol Limited. They are secured on a 50 year concession basis (renewable thereafter for a further 50 years) from the Mozambique government.

**8. SHARE CAPITAL**

	<b>Number</b>	<b>£'000</b>
Authorised ordinary shares of £0.01 each:		
At 1 January 2014, 31 December 2015 and 30 June 2016	Unlimited	Unlimited
Allotted, issued and fully paid ordinary shares of £0.01 each:		
At 1 January 2015	263,260,664	2,633
Issued in the period	-	-
At 30 June 2015	263,260,664	2,633
Issued in the period	-	-
At 31 December 2015	263,260,664	2,633
Issued in the period	-	-
At 30 June 2016	263,260,664	2,633

**9. SHARE PREMIUM**

	<b>£'000</b>
<b>At 1 January 2015</b>	<b>11,528</b>
Premium on issue of shares	-
<b>At 30 June 2015</b>	<b>11,528</b>
Premium on issue of shares	-
<b>At 31 December 2015</b>	<b>11,528</b>
Premium on issue of shares	-
<b>At 30 June 2016</b>	<b>11,528</b>

**OBTALA LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(CONTINUED)**

**10. MOVEMENT IN REVENUE RESERVE AND OWN SHARES**

	Retained earnings/(deficit)	Own shares	Revenue Reserve
	£'000	£'000	£'000
<b>At 1 January 2015</b>	<b>33,369</b>	<b>(2,297)</b>	<b>31,072</b>
Profit for the period	1,707	-	1,707
Purchase of own shares	-	-	-
Part disposal of Subsidiary	-	-	-
<b>At 30 June 2015</b>	<b>35,076</b>	<b>(2,297)</b>	<b>32,779</b>
Profit for the period	(18,512)	-	(18,512)
Transfer from foreign exchange	2,740	-	2,740
Part disposal of Subsidiary	-	-	-
<b>At 31 December 2015</b>	<b>19,304</b>	<b>(2,297)</b>	<b>17,007</b>
Profit for the period	(2,196)	-	(2,196)
Purchase of own shares	-	-	-
Transfer from Foreign Exchange	2,787	-	2,787
<b>At 30 June 2016</b>	<b>19,895</b>	<b>(2,297)</b>	<b>17,598</b>

**11. NON-CONTROLLING INTEREST**

	£'000
<b>At 1 January 2015</b>	<b>17,037</b>
Non-controlling interests in share of losses post acquisition	1,309
Non-controlling interests in foreign exchange gains	32
<b>At 30 June 2015</b>	<b>18,378</b>
Non-controlling interests in share of losses post acquisition	(560)
Non-controlling interests in foreign exchange gains	415
<b>At 31 December 2015</b>	<b>18,946</b>
Non-controlling interests in share of profits post acquisition	(434)
Non-controlling interests in foreign exchange gains	-
<b>At 30 June 2016</b>	<b>18,512</b>

**12. INTERIM FINANCIAL REPORT**

A copy of this interim report will be distributed to shareholders and is also available on the Company's website at [www.obtala.com](http://www.obtala.com)