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Agriterra Limited / Ticker: AGTA / Index: AIM / Sector: Agriculture

Agriterra Limited ('Agriterra' or the 'Company')

Interim Results

Agriterra Limited, the AIM listed African agricultural company, announces its unaudited results for the six months ended 30 September 2020.

CHAIR'S STATEMENT

I am pleased to provide an update on our performance in the first half of the 2021 financial year ('HY-2021'). These results will be made available on the Company's website.

Operational update

Grain division

The Grain division faced competition from cheap imported maize from South Africa in the southern market of Mozambique, however total sales revenue for the Grain division increased by 3% as compared to the prior period as a result of better performance in the other regions. We managed to maintain our strong hold in the central region of Mozambique and intend to expand and diversify our product ranges to cater for different customer needs.

Revenue for the 6 months increased to \$ 4.0m (HY-2020: \$ 3.9m), however EBITDA decreased to \$ 0.1m (HY-2020: EBITDA of \$ 0.4m) due to an increase in grain purchasing cost as compared to the prior year. The finance costs increased to \$ 430,000 (HY-2020: \$ 352,000) resulting in a loss after tax of \$ 407,000 (HY-2020: loss \$ 139,000).

Improved quality and the recommissioning of a 1kg packaging line, are expected to lead our entry directly into the informal sector in the second half of the year. This product has a higher margin than the larger packs of meal.

We entered into three pre-paid contracts for our products with wholesalers which provided some liquidity to purchase early season maize. The strategy was to acquire sufficient maize for the financial year in the period April – July, however delays in the approval of additional overdraft facilities to finance the procurement of maize, meant that the division was not able to take full advantage of lower early season maize prices. Consequently, it is expected that the division's margins will be under more pressure against budget in the second half of the year.

In 2020 we entered into a joint venture with Snax for Africa Limited to produce maize snacks, operating from our premises in Chimoio. COVID-19 restrictions delayed the commissioning of the new plant, but this became operational in December 2020 and early results show an increasing demand for the product.

Beef division

After a significant improvement in the division's trading in the prior year, the Beef division has seen a fall in volumes as the South African Rand depreciated to less than 4 Metical during Q1/early Q2 FY-21. This has led to tough trading conditions in the south of the country where our beef product has to compete with cheap imports from South Africa. This situation is expected to change, as the Rand has strengthened to over 4.8 Meticais, which, if it holds, will make imports more expensive in Q3 and Q4 of FY-21.

Revenue for the 6 months fell to \$ 1.5m (HY-2019: \$ 2.2m), however EBITDA improved to a loss of \$ 0.1m (HY-2020: loss \$ 0.4m). Finance costs decreased to \$ 74,000 (HY-2020: \$ 84,000) and the loss after tax decreased to \$ 346,000 (HY-2020: loss \$ 708,000). The loss for the period significantly decreased due to cost management initiatives implemented during the period and the strategy to unlock the southern market, notably Maputo, commenced.

Plans are being made to develop a sustainable presence in the Maputo market. This will provide a platform for growth in the Beef division.

Group Results

Group revenue for the half-year ended 30 September 2020 decreased by 9% to \$ 5.5m (H1-2020: \$6.1m). As a result of cost management in the Grain division, and despite the difficulties in the Beef division, the Group's trading operations showed a reduction in the operating loss before interest to \$ 0.5m (H1-2020: loss \$ 0.8m). The containment of the operational loss is due to aggressive cost monitoring and control measures implemented by management during the period. However, financing costs increased by 24% to \$0.5 million (H1- 2020: \$0.4 million) but despite this, the Group loss after tax decreased by 21% to \$ 0.997 million (H1-2020: loss \$ 1.268 million). During the period, inventories increased by \$ 1.2m to \$ 2.8m (H1-2020: \$1.6m). Net debt at 30 September 2020 was \$ 6.8m (31 March 2020: \$ 4.3m). Increase in net debt resulted from procurement of grain stock using the overdraft facility, which will provide a large proportion of the inventory requirements in the second half of the 2021 financial year.

Outlook and COVID-19

COVID-19 has had a significant negative impact globally, both economically and socially. There is a risk the virus will start to escalate in Mozambique, which could potentially impact the Group's operations through the contraction of the economy and restrictions on movement within the country. Currently the incidence of COVID-19 is increasing and Mozambique health care units and facilities are reported to be 90 percent full. All countries in Southern Africa are implementing aggressive COVID-19 preventive measures which include closing land borders in response to the new COVID-19 variants, with travel bans widespread.

The operating companies continue with the training and awareness programmes implemented at the start of the pandemic. The training and practical measures taken to protect staff health have resulted in no significant cases amongst the staff. We remain alert to the fast-changing environment and are prepared to put in place mitigating actions as events develop. As previously reported, our products are key staples in the domestic Mozambican market and demand is not expected to be significantly affected.

The investment in the oil and gas sector in the North remains in large part suspended and has reinforced the importance of developing the presence of our Beef division in the South.

CSO Havers
Chair
28 January 2021

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

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CONSOLIDATED INCOME STATEMENT

		6 months ended 30 September 2020 Unaudited	6 months ended 30 September 2019 Unaudited	Year ended 31 March 2020 Audited
	Note	\$000	\$000	\$000
CONTINUING OPERATIONS				
Revenue	2	5,525	6,082	12,910
Cost of sales		(4,740)	(4,793)	(10,643)
(Decrease)/Increase in fair value of biological assets		(104)	76	(489)
Gross profit		681	1,365	1,778
Operating expenses		(1,166)	(2,249)	(4,700)
Other income		7	4	842
Profit on disposal of property, plant and equipment		26	51	80
Operating loss		(452)	(829)	(2,000)
Net finance costs	3	(545)	(439)	(964)
Loss before taxation		(997)	(1,268)	(2,964)
Taxation		-	-	29
Loss for the period	2	(997)	(1,268)	(2,993)
Loss for the period attributable to owners of the Company		(997)	(1,268)	(2,993)
LOSS PER SHARE				
Basic and diluted loss per share – US Cents	4	(4.69)	(5.97)	(14.09)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		6 months ended 30 September 2020 Unaudited	6 months ended 30 September 2019 Unaudited	Year ended 31 March 2020 Audited
		\$000	\$000	\$000
Loss for the period		(997)	(1,268)	(2,993)
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange translation differences		(121)	(185)	(1,517)
Other comprehensive loss for the period		(1,118)	(185)	(1,517)
Total comprehensive loss for the period attributable to owners of the Company		(1,118)	(1,453)	(4,510)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2020 Unaudited	30 September 2019 Unaudited (Restated)	31 March 2020 Audited
	Note	\$000	\$000	\$000
Non-current assets				
Property, plant and equipment		5,526	6,955	6,049
Intangible assets		75	100	92
		<u>5,601</u>	<u>7,055</u>	<u>6,141</u>
Current assets				
Biological assets		561	701	665
Inventories		2,843	1,594	825
Trade and other receivables		1,586	952	1,249
Cash and cash equivalents		411	1,590	1,034
		<u>5,401</u>	<u>4,837</u>	<u>3,773</u>
Total assets		<u>11,002</u>	<u>11,892</u>	<u>9,914</u>
Current liabilities				
Borrowings	5	5,061	3,727	3,339
Trade and other payables		3,741	1,218	3,315
		<u>8,802</u>	<u>4,945</u>	<u>6,654</u>
Net current liabilities		<u>(3,401)</u>	<u>(108)</u>	<u>(2,881)</u>
Non-current liabilities				
Borrowings	5	2,102	2,674	2,044
Total liabilities		<u>10,904</u>	<u>7,619</u>	<u>8,698</u>
Net assets		<u>98</u>	<u>4,273</u>	<u>1,216</u>
Share capital	6	3,373	3,373	3,373
Share premium		151,442	151,442	151,442
Share based payments reserve		87	172	87
Translation reserve		(18,494)	(17,041)	(18,373)
Accumulated losses		(136,310)	(133,673)	(135,313)
Equity attributable to equity holders of the parent		<u>98</u>	<u>4,273</u>	<u>1,216</u>

The unaudited condensed consolidated financial statements of Agriterra Limited for the six months ended 30 September 2020 were approved by the Board of Directors and authorised for issue on 28 January 2021.

Signed on behalf of the Board of Directors:

CSO Havers
Chair

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share based payment reserve	Translation reserve	Accumulated losses	Total Equity
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Balance at 1 April 2019	3,373	151,442	172	(16,856)	(132,405)	5,726
Loss for the period	-	-	-	-	(1,268)	(1,268)
Other comprehensive income:						
Exchange translation loss on foreign operations	-	-	-	(185)	-	(185)
Total comprehensive loss for the year	-	-	-	(185)	(1,268)	(1,453)
Transactions with owners						
Share based payments	-	-	-	-	-	-
Total transactions with owners for the period	-	-	-	-	-	-
Balance at 30 September 2019	3,373	151,442	172	(17,041)	(133,673)	4,273
Loss for the period	-	-	-	-	(1,725)	(1,725)
Other comprehensive income:						
Exchange translation loss on foreign operations	-	-	-	(1,332)	-	(1,332)
Total comprehensive loss for the period	-	-	-	(1,332)	(1,725)	(3,057)
Transactions with owners						
Share based payments	-	-	(85)	-	85	-
Total transactions with owners for the period	-	-	(85)	-	85	-
Balance at 31 March 2020	3,373	151,442	87	(18,373)	(135,313)	1,216
Loss for the period	-	-	-	-	(997)	(997)
Other comprehensive income:						
Exchange translation loss on foreign operations	-	-	-	(121)	-	(121)
Total comprehensive loss for the period	-	-	-	(121)	(997)	(1,118)
Balance at 30 September 2020	3,373	151,442	87	(18,494)	(136,310)	98

CONSOLIDATED CASH FLOW STATEMENT

		6 months ended 30 September 2020	6 months ended 30 September 2019	Year ended 31 March 2020
	Note	Unaudited	Unaudited	Audited
		\$000	\$000	\$000
Loss before tax for the period		(997)	(1,268)	(2,964)
Adjustments for:				
Amortisation and depreciation	2	208	420	619
Profit on disposal of property, plant and equipment		(26)	(51)	(80)
Foreign exchange loss/(gain)		37	(42)	(1,383)
(Increase)/Decrease in value of biological assets		(104)	(76)	489
Net decrease/(increase) in biological assets		172	205	(366)
Net Finance costs		545	439	964
Operating cash flows before movements in working capital		(165)	(373)	(2,721)
Increase in inventories		(2,018)	(919)	(192)
Increase in trade and other receivables		(337)	(254)	(579)
Increase in trade and other payables		426	32	2,207
Cash used in operating activities		(2,094)	(1,514)	(1,285)
Corporation tax paid		-	-	(14)
Interest received	3	-	2	14
Net cash used in operating activities		(2,094)	(1,512)	(1,285)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment, net of expenses incurred		26	51	80
Acquisition of property, plant and equipment		(79)	(385)	(46)
Acquisition of intangible assets		-	(3)	(15)
Net cash (used in)/generated from investing activities		(53)	(337)	19
Cash flow from financing activities				
Finance costs	3	(545)	(441)	(978)
Net drawdown of overdrafts	5	1,639	1,913	1,732
Net drawdown/(repayment) of loans and finance leases	5	489	(230)	(624)
Net cash generated from financing activities		1,583	1,242	130
Net decrease in cash and cash equivalents		(564)	(607)	(1,136)
Effect of exchange rates on cash and cash equivalents		(59)	-	(27)
Cash and cash equivalents at beginning of period		1,034	2,197	2,197
Cash and cash equivalents at end of period		411	1,590	1,034

GENERAL INFORMATION

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

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

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

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the 6 months ended 30 September 2020 (the 'H1-2021 financial statements'), which are unaudited and have not been reviewed by the Company's Auditor, have been prepared in accordance with the International Financial Reporting Standards ('IFRS'), as adopted by the European Union, accounting policies adopted by the Group and set out in the annual report for the year ended 31 March 2020 (available at www.agriterra-ltd.com). The Group does not anticipate any significant change in these accounting policies for the year ended 31 March 2021. References to 'IFRS' hereafter should be construed as references to IFRSs as adopted by the EU.

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

The financial information contained in this report also does not constitute statutory accounts under the Companies (Guernsey) Law 2008, as amended. The financial information for the year ended 31 March 2020 is based on the statutory accounts for the year then ended. The Auditors reported on those accounts. Their report was unqualified and referred to going concern as a key audit matter. The Auditors drew attention to note 3 to the financial statements concerning the Group's ability to continue as a going concern which shows that the Group will need to renew its overdraft facilities, maintain its current borrowings and raise further finance in order to continue as a going concern.

The H1-2021 financial statements have been prepared in accordance with the IFRS principles applicable to a going concern, which contemplate the realisation of assets and liquidation of liabilities during the normal course of operations. Having carried out a going concern review in preparing the H1-2020 financial statements, the Directors have concluded that there is a reasonable basis to adopt the going concern principle.

2. SEGMENT INFORMATION

The Board consider that the Group's operating activities during the period comprised the segments of Grain and Beef, undertaken in Mozambique. In addition, the Group has certain other unallocated expenditure, assets and liabilities.

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

6 months ended 30 September 2020 – Unaudited	Grain	Beef	Unallo- cated	Elimina- tions	Total
	\$000	\$000	\$000	\$000	\$000
Revenue					
External sales ⁽²⁾	3,990	1,535	-	-	5,525
Inter-segment sales ⁽¹⁾	128	-	-	(128)	-
	<u>4,118</u>	<u>1,535</u>	<u>-</u>	<u>(128)</u>	<u>5,525</u>
Segment results					
- Operating loss	(46)	(283)	(203)	-	(532)
- Interest expense	(430)	(74)	(41)	-	(545)
- Other gains and losses	69	11	-	-	80
Loss before tax	<u>(407)</u>	<u>(346)</u>	<u>(244)</u>	<u>-</u>	<u>(997)</u>
Income tax	-	-	-	-	-
Loss for the period	<u>(407)</u>	<u>(346)</u>	<u>(244)</u>	<u>-</u>	<u>(997)</u>

6 months ended 30 September 2019 – Unaudited

	Grain	Beef	Unallo- cated	Elimina- tions	Total
	\$000	\$000	\$000	\$000	\$000
Revenue					
External sales ⁽²⁾	3,888	2,194	-	-	6,082
Inter-segment sales ⁽¹⁾	263	-	-	(263)	-
	<u>4,151</u>	<u>2,194</u>	<u>-</u>	<u>(263)</u>	<u>6,082</u>
Segment results					
- Operating profit/(loss)	203	(669)	(418)	-	(884)
- Net interest expense	(352)	(84)	(3)	-	(439)
- Other gains and losses	10	45	-	-	55
Loss before tax	<u>(139)</u>	<u>(708)</u>	<u>(421)</u>	<u>-</u>	<u>(1,268)</u>
Income tax	-	-	-	-	-
Loss for the period	<u>(139)</u>	<u>(708)</u>	<u>(421)</u>	<u>-</u>	<u>(1,268)</u>

Year ended 31 March 2020 – Audited

	Grain	Beef	Unallo- cated	Elimina- tions	Total
	\$000	\$000	\$000	\$000	\$000
Revenue					
External sales ⁽²⁾	8,955	3,955	-	-	12,910
Inter-segment sales ⁽¹⁾	453	-	-	(453)	-
	<u>9,408</u>	<u>3,955</u>	<u>-</u>	<u>(453)</u>	<u>12,910</u>
Segment results					
- Operating loss	(964)	(1,452)	(562)	-	(2,978)
- Net interest expense	(805)	(155)	(4)	-	(964)
- Other gains and losses	883	95	-	-	978
Loss before tax	<u>(886)</u>	<u>(1,512)</u>	<u>(566)</u>	<u>-</u>	<u>(2,964)</u>
Income tax	29	-	-	-	(29)
Loss for the year	<u>(915)</u>	<u>(1,512)</u>	<u>(566)</u>	<u>-</u>	<u>(2,993)</u>

⁽¹⁾ Inter-segment sales are charged at prevailing market prices.

⁽²⁾ Revenue represents sales to external customers. Sales from the Grain and Beef divisions are principally for supply to the Mozambican market.

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

6 months ended 30 September 2020 – Unaudited

	Grain	Beef	Unallo- cated	Elimina- tions	Total
	\$000	\$000	\$000	\$000	\$000
Depreciation and amortisation	<u>85</u>	<u>123</u>	<u>-</u>	<u>-</u>	<u>208</u>

6 months ended 30 September 2019 – Unaudited

	Grain	Beef	Unallo- cated	Elimina- tions	Total
	\$000	\$000	\$000	\$000	\$000
Depreciation and amortisation	<u>173</u>	<u>239</u>	<u>8</u>	<u>-</u>	<u>420</u>

Year ended 31 March 2020 – Audited

	Grain	Beef	Unallo- cated	Elimina- tions	Total
	\$000	\$000	\$000	\$000	\$000
Depreciation and amortisation	<u>167</u>	<u>452</u>	<u>-</u>	<u>-</u>	<u>619</u>

3. NET FINANCE COSTS

	6 months ended 30 September 2020 Unaudited \$000	6 months ended 30 September 2019 Unaudited \$000	Year ended 31 March 2020 Audited \$000
Interest expense:			
Bank loans, overdrafts and finance leases	545	441	978
Interest income:			
Bank deposits	-	(2)	(14)
	<u>545</u>	<u>439</u>	<u>964</u>

4. LOSS PER SHARE

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

	6 months ended 30 September 2020 Unaudited US\$000	6 months ended 30 September 2019 Unaudited US\$000	Year ended 31 March 2020 Audited US\$000
Loss for the period/year for the purposes of basic and diluted earnings per share attributable to equity holders of the Company	<u>(997)</u>	<u>(1,268)</u>	<u>(2,993)</u>
Weighted average number of Ordinary Shares for the purposes of basic and diluted loss per share	<u>21,240,618</u>	<u>21,240,618</u>	<u>21,240,618</u>
Basic and diluted loss per share - US cents	<u>(4.69)</u>	<u>(5.97)</u>	<u>(14.09)</u>

The Company has issued options over ordinary shares which could potentially dilute basic loss per share in the future. There is no difference between basic loss per share and diluted loss per share as the potential ordinary shares are anti-dilutive.

5. BORROWINGS

	30 September 2020 Unaudited \$000	30 September 2019 Unaudited \$000	31 March 2020 Audited \$000
Non-current			
Bank loans	1,766	2,674	1,661
Leases	336	-	383
	<u>2,102</u>	<u>2,674</u>	<u>2,044</u>
Current			
Bank loans and finance leases	1,059	860	798
Bank overdrafts	4,002	2,867	2,541
	<u>5,061</u>	<u>3,727</u>	<u>3,339</u>
	<u>7,163</u>	<u>6,401</u>	<u>5,383</u>

Grain division

At 30 September 2020, the principal outstanding balance on the term loan is 136 million Metical (\$ 1.9m) and during the period MZN 24 million (\$ 0.34 million) of the principal amount was repaid. The outstanding loan balance was MZN 160 million (\$ 2.4 million) as 31 March 2020. The loan matures on 06 July 2023 with an interest rate of Bank's prime lending rate +0.25% and fixed monthly repayments of MZN 4 million (\$ 56,000) plus interest charge.

MZN 30 million (\$ 0.4 million) of the overdraft facilities amounting to MZN 90 Million (\$ 1.3 million) as at 31 March 2020 was repaid during the period. The outstanding overdraft facility at 30 September 2020 is MZN 60 million (\$ 0.84 million). This facility was converted into a term loan on 30 September 2020 maturing on 06 July 2023 with an interest rate of prime less than 1.75% per annum and fixed monthly repayment amounts of MZN 1.8 million (\$25 199). The overdraft facility was fully drawn as at 31 March 2020.

Outstanding finance lease facility on vehicles was repaid MZN 1 544 419 (\$ 22 241) during the period and the outstanding balances as at 30 September 2020 is MZN 9.8 million (\$ 137 197). The finance lease arrangements mature in 2023 and attract an interest rate of 16.5% per annum.

The Group obtained additional working capital finance in the form of an overdraft facility in May 2020 and in September 2020 amounting to MZN 153 million (\$ 2.3 million) and MZN 99.5 million (\$1.4 million) respectively. The overdraft facility was used to purchase maize during the harvest season and will be repaid before 31 May 2021.

Beef division

The Finance lease on agricultural equipment outstanding balance is MTN 20.0m (\$ 0.3m). During the period, MZN1.5 million (\$ 21 601) of the principal balance was repaid. The finance lease is repayable over 5 years maturing in July 2023 and is secured on certain agricultural equipment.

The amount drawn down on the overdraft facility as at 30 September 2020 was MZN 1.2 million (\$ 16 800). The overdraft facility was fully repaid after period end.

Reconciliation to cash flow statement

	At 31 March 2020	Cash flow	Foreign Exchange	At 30 September 2020
Non-current bank loans and finance leases	2,044	177	(119)	2,102
Current bank loans and finance leases	798	312	(51)	1,059
Overdrafts	2,541	1,639	(178)	4,002
	<u>5,383</u>	<u>2,128</u>	<u>(348)</u>	<u>7,163</u>

6. SHARE CAPITAL

	Authorised Number	Allotted and fully paid Number	US\$000
At 31 March 2020, 30 September 2020 and 2019	23,450,000	21,240,618	3,135
At 31 March 2020, 30 September 2020 and 2019			
Deferred shares of 0.1p each	155,000,000	155,000,000	238
Total share capital	<u>178,450,000</u>	<u>176,240,618</u>	<u>3,373</u>

The Company has one class of ordinary share which carries no right to fixed income.

The deferred shares carry no right to any dividend; no right to receive notice, attend, speak or vote at any general meeting of the Company; and on a return of capital on liquidation or otherwise, the holders of the deferred shares are entitled to receive the nominal amount paid up after the repayment of £1,000,000 per ordinary share. The deferred shares may be converted into ordinary shares by resolution of the Board.