Anglo African Agriculture plc (“AAA” or the “Company”)

Half yearly report for the six months ended 30 April 2017

The Chairman’s Report

Since becoming Chairman in September 2016 I am pleased to report on the progress of the business over the six month period ended April 2017.

The past six months of solid growth have been punctuated by the issue of an updated Company prospectus with the UKLA, the significant plant upgrades at our 100% owned Dynamic Intertrade (Pty) Ltd (“DI”) spices factory with the commissioning of new milling and packing equipment specifically designed to improve efficiency, reduce costs and dramatically increase production capacity to meet the Company’s increasing order book, the proposed sale of our share in APV – the guar processing business and the acquisition of 46.8% of Dynamic Intertrade Agri (Pty) Ltd (“DIA”).

Dynamic Intertrade

Dynamic Intertrade (Pty) Ltd (DI) has had a good start to the year compared to the previous year. Sales started well but continue to fluctuate as the Company strives to increase base stocks of all important raw ingredients. That said sales are significantly better than the prior year. DI managed to secure two tenders to major food manufacturing companies in South Africa which have increased volume and have now created a stable production platform and base load for the business. Margins were up on the Company’s internal expectations and expenses were in line with expectations. Turnover improved to £1145k (compared to £821k for the same period in 2016).

One tender to supply cayenne pepper into the fishing industry equated to 300 tons of product per annum. As a result of improved procurement we have been able to offer product at a slightly improved margin. A further 40 tons per annum was secured with another canned fish manufacturer.

DI was once again certified FSSC22000 following a quality audit by SGS, a certification which is vital for the business when dealing with blue chip food manufacturing companies.

From an operational perspective a highlight has been the commissioning of the new high capacity Pin Mill, which almost tripled the milling capacity of the operations, saved considerably on electricity costs as well as savings on valuable time when cleaning between spice batches compared to the old milling system.

The company began importing a container of mixed product, which has increased our offering to customers and sales are slowly gaining momentum in this higher margin area. Extra material has been imported for our generic lines such as Paprika and Cayenne Pepper in order to regain lost customers and ensure continuity of supply.

Batch Packs into the meat industry have grown from a zero base to around 10 to 15 tons per month and are gaining momentum, and the management is striving to double this volume over the next 3 to 4 months. Once again these products command a higher gross margin than standard herbs and spices.

We have brought our Research and Development function in house, where it was previously outsourced and this has already led to operational improvements and the generation of new ranges of products available to our customers.

Dynamic Intertrade Agri (DIA)
(46.8% owned by AAA)

Whilst the South African economy undergoes significant challenges, DIA has continued to secure orders within the agricultural commodity trading environment not only within South Africa but also in the surrounding countries, and I look forward to sustained progress from this operation. Tonnages traded for the period totalled 1162 tonnes (comprising including sugar beans, popcorn, soya oil cake meal, cottonseed oil cake meal, meat and bone meal (carcass meal), blood meal, sun flower seed, soya beans, assorted fertilizers, maize, chillies, paprika, whole pepper, and other spices) with a revenue of £512.9k.

Sale of APV

The sale of the share in APV African Projects and Ventures (Pty) Ltd was announced on 22 November 2016 and we further announced the receipt of the first payment as envisioned on 8 December 2016. Further payments as per the agreement were received. However there has been a delay in PMR's funding and as a result the final payment has not been received as yet. We are actively engaging PMR and AAAP will support them in their endeavours in order to close this transaction.

Results for the period

The loss for the six month period 30 April 2017 was £285,7k which includes an exchange gain of £4.4k (6 month period to 30 April 2016 – loss of £130.4k, year ended 31 October 2016 loss of £433.0k). Whilst turnover has increased by 39% and the gross margin maintained, the current half-year loss is significantly attributable due to significant legal and admission expenses of £68.1k incurred on producing and publishing the Prospectus required in terms of the UK listing authority.

Funding

Subsequent to the period under review the company raised an additional £120,250 to assist with working capital requirements.

Board and management changes

During the period under review Mr. Matthew Bonner joined the board. Matt is a native of South Africa but has worked in London and now resides in New York.

Outlook

This business is starting to see some traction, as we come out of the dismal position the company had found itself in over the past few years and now the outlook for AAAP looks strong and exciting. We are pushing the underlying business to increase sales and improve efficiency. New bank funding arrangements are now being reviewed to enable the Company to increase raw ingredient stocks so that we can meet the increasing demand from our core customers. Importantly, the board is reviewing a number of new and exciting potential acquisitions to bolt on to our existing agri platform.

David Lenigas
Non-Executive Chairman
28 July 2017

FOR FURTHER INFORMATION PLEASE CONTACT:

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Forward looking statement

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as ‘’believe’’, ‘’could’’, “should” ‘’envisage’’, ‘’estimate’’, ‘’intend’’, ‘’may’’, ‘’plan’’, ‘’will’’ or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors’ current expectations and assumptions regarding the Company’s future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors’ current beliefs and assumptions and are based on information currently available to the Directors. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although any forward looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward looking statements.

For further information please visit http://www.aaaplc.com or contact the following:

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Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	6 months Ended 30 April 2017	Year Ended 31 October 2016	6 months Ended 30 April 2016
		£	£	£
Turnover		**1,144,889**	**1,605,219**	**821,425**
Cost of Sales		(854,613)	(1,282,140)	(613,229)
Gross Profit		290,276	323,079	208,196
Other Income / Expenditure		2,148	2,767	(12,587)
Administrative expenses		(529,109)	(665,218)	(287,787)
Operating loss		**(236,685)**	**(339,372)**	**(92,178)**
Loss from equity accounted investment		(5,133)	-	-
Bank Interest Receivable		-	4,109	4,210
Finance Costs		(43,841)	(97,771)	(42,470)
Loss before taxation		(285,659)	(433,034)	(130,438)
Tax on loss on ordinary activities		-	-	-
Loss after taxation		**(285,659)**	**(433,034)**	**(130,438)**
Loss and total comprehensive loss for the period		**(285,659)**	**(433,034)**	**(130,438)**
Basic and diluted earnings per share	5	(0.16p)	(0.38p)	(0.13p)

Interim Condensed Consolidated Statement of Changes in Equity

	Share Capital	Share Premium	Retained Earnings	Share Based Payments Reserve	Total Equity
	£	£	£	£	£
Balance at 1 November 2015	**94,896**	**1,107,373**	**(864,254)**	**11,586**	**349,601**
Share Issue*	15,000	60,000	-	-	75,000
Loss for the period	-	-	(130,438)	-	(130,438)
Balance at 30 April 2016	**109,896**	**1,167,373**	**(994,692)**	**11,586**	**294,163**
Issue of shares*	70,896	404,105		-	475,001
Share based payment				(3,714)	(3,714)
Loss for the period			(302,596)		(302,596)
Balance at 31 October 2016	**180,792**	**1,571,478**	**(1,297,288)**	**7,872**	**462,854**
Issue of shares*	7,692	92,308	-	-	100,000
Loss for the period	-	-	(285,659)	-	(285,659)
Balance at 30 April 2017	**188,484**	**1,663,786**	**(1,582,947)**	**7,872**	**277,195**

* During the year the company placed these shares and as the number of placing shares comprised more than 10% of the companies issued share capital, and although the placing shares has been allotted, admission of the placing shares required publication of a Prospectus within a twelve month period. On 22 March 2017, the company announced that the Prospectus had been approved by the UK Listing Authority. The April 2016, September 2016 and March 2017 shares were admitted to the Standard Listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange Main Market. In total these shares amounted to 93,587,829 Ordinary Shares.

Share capital is the amount subscribed for shares at nominal value.
Retained losses represent the cumulative loss of the Group attributable to equity shareholders.
Share-based payments reserve relate to the charge for share-based payments in accordance with IFRS 2.

Interim Condensed Consolidated Statement of the Financial Position

	Notes	30 April 2017	31 October 2016	30 April 2016
		£	£	£
Assets				
Non-Current Assets				
Goodwill on Consolidation		226,644	226,644	226,644
Investment		-	-	7,671
Property, Plant and Equipment	6	150,304	159,595	135,686
Investment in Jointly Controlled Entities	8	94,867	-	-
Other Financial Assets		-	-	1,704
Total Non-Current Assets		**471,815**	**386,239**	**371,705**
Current assets				
Inventories		211,916	166,393	188,965
Loan to Jointly Controlled Entities		81,006	84,473	66,165
Trade and Other Receivables		431,385	440,455	240,866
Cash and Cash Equivalents		25,823	268,790	73,683
Total Current Assets		**750,130**	**960,111**	**569,679**
Total Assets		**1,221,945**	**1,346,350**	**941,384**
Equity and Liabilities				
Share Capital	9	188,484	180,792	109,896
Share Premium Account	9	1,663,786	1,571,477	1,167,373
Share-Based Payments Reserve		7,872	7,872	11,586
Retained Earnings		(1,582,947)	(1,297,288)	(994,692)
Total Equity		**277,195**	**462,853**	**294,163**
Current Liabilities				
Trade and Other Payables		944,750	883,497	647,221
Total Liabilities		**944,750**	**883,497**	**647,221**
Total Equity and Liabilities		**1,221,945**	**1,346,350**	**941,384**

Interim Condensed Consolidated Cash Flow Statement

	Notes	6 Months Ended 30 April 2017	Year Ended 31 October 2016	6 Months Ended 30 April 2016
		£	£	£
Cash flows from operating activities				
Operating loss		(236,685)	(339,372)	(92,178)
Add: Depreciation		26,601	49,116	18,631
Add: Foreign exchange movements		5,402	(28,545)	-
Add: Share Based Payments Reserve		-	(3,714)	-
Add: Loss from equity accounted investment		5,133	-	-
Changes in working capital				
(Increase) / decrease in inventories		(45,522)	165,113	142,541
(Increase) / decrease in receivables		9,070	(217,378)	(17,789)
Increase / (decrease) in payables		61,253	162,448	(73,828)
Interest received		-	4,109	4,210
Finance Costs		(43,841)	(97, 771)	(42,470)
Net cash flow from operating activities		**(218,589)**	**(305,994)**	**(60,883)**
Investing Activities				
Decrease in Investments		-	18,514	10,843
Acquisition of fixed assets		(24,377)	(55,729)	(29,880)
Disposal of fixed assets		-	-	-
Decrease / (Increase) in financial assets		-	-	(1,704)
Decrease / (Increase) in Loans		-	(1,894)	16,414
Net cash flow from investing activities		**(24,377)**	**(39,109)**	**(4,327)**
Cash flows from financing activities:				
Net proceeds from issue of shares	9	-	550,000	75,000
Net cash flow from financing activities		**-**	**550,000**	**75,000**
Net cash flow for the period		**(242,967)**	**204,897**	**9,790**
Opening Cash and cash equivalents		268,790	63,893	63,893
Closing Cash and cash equivalents		**25,823**	**268,790**	**73,683**

Notes to the Interim Condensed Consolidated Financial Statements

1. General Information

Anglo African Agriculture plc is a company incorporated in the United Kingdom. Details of the registered office, the officers and advisers to the Company are presented on the Directors and Advisers page at the end of this report. The Company has a standard listing on the London Stock Exchange main market. The information within these Interim condensed consolidated financial statements and accompanying notes must be read in conjunction with the Audited annual financial statements that have been prepared for the year ended 31 October 2016.

2. Basis of Preparation

These unaudited condensed consolidated interim financial statements for the six months ended 30 April 2017 were approved by the board and authorised for issue on 28 July 2017.

The basis of preparation and accounting policies set out in the Annual Report and Accounts for the year ended 31 October 2016 have been applied in the preparation of these condensed consolidated interim financial statements. These interim financial statements have been prepared in accordance with the recognition and measurement principles of the International Financial Reporting Standards ("IFRS") as endorsed by the EU that are expected to be applicable to the consolidated financial statements for the year ending 31 October 2017 and on the basis of the accounting policies expected to be used in those financial statements.

The figures for the six months ended 30 April 2017 and 30 April 2016 are unaudited and do not constitute full accounts. The comparative figures for the year ended 31 October 2016 are extracts from the 2016 audited accounts. The independent auditor's report on the 2016 accounts was not qualified but included an emphasis of matter in respect of going concern and carrying value of property, plant and equipment.

3. Segmental Reporting

In the opinion of the Directors, the Group has one class of business, being the trading of agricultural materials. The Group's primary reporting format is determined by the geographical segment according to the location of its establishments. There is currently only one geographic reporting segment, which is South Africa. Apart from the equity accounted investment in Dynamic Intertrade Agri (Pty) Ltd which is also South African based, all revenues and costs are derived from the single segment.

4. Company Result for the period

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company income statement account.

The operating loss of the parent Company for the six months ended 30 April 2017 was £167,481 (2016: loss of £29,942, year ended 31 October 2016: £99,656). The current period operating loss incorporated the following main items:

	30 April 2017 (Unaudited)	31 October 2016 (Audited)	30 April 2016 (Unaudited)
	£	£	£
Accounting and administration fees	27,750	111,906	5,413
Admission expenses	50,000	-	-
Brokership fees	13,992	-	-
Legal and professional fees	18,136	-	30,818
Registrar fees	16,710	-	-
Personnel expenses	34,962	18,994	-

5. Earnings per Share

Earnings per share data is based on the Group result for the six months and the weighted average number of shares in issue.

Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period:

	30 April 2017	31 October 2016	30 April 2016
	£	£	£
Loss after tax	(285,659)	(433,034)	(130,438)
Weighted average number of ordinary shares in issue	182,578,756	114,461,821	96,791,930
Basic and diluted loss per share (pence)	(0.16p)	(0.38p)	(0.13p)

Basic and diluted earnings per share are the same, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. As at 30 April 2017 there were 12,638,660 (31 October 2016 and 30 April 2016 - 12,638,660) outstanding share warrants and 17,356,184 (31 October 2016 and 30 April 2016 - 5,517,138) outstanding options, both are potentially dilutive.

6. Property, Plant and Equipment

Depreciation on property, plant and equipment is calculated using the straight-line method to write off their cost over their estimated useful lives at the following annual rates:

Furniture, fixtures and equipment	17%
Leasehold improvements	20%
Plant and machinery	20%
Computer equipment	33%

Useful lives and depreciation method are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss in the year in which the asset is derecognised.

Group	Leasehold Property	Furniture and fixtures	Plant and machinery	Total
	£	£	£	£
Cost				
As at 01 November 2015	14,439	2,932	308,730	326,101
Exchange difference	-	-	49	49
Additions	1,103	397	25,752	27,252
Disposals	-	-	(239)	(239)
As at 30 April 2016	15,452	3,329	334,292	353,163
Exchange difference	3,980	808	85,096	89,884
Additions	5,485	435	22,747	28,667
Disposals	-	(67)	(5,686)	(5,753)
As at 31 October 2016	25,007	4,505	436,449	465,961
Exchange difference	(1,282)	(253)	(22,690)	(24,225)
Additions	1,016	437	22,924	24,377
At 30 April 2017	**24,741**	**4,689**	**436,683**	**466,113**
Depreciation				
As at 01 November 2015	3,504	1,672	196,488	201,664
Exchange difference	(61)	(29)	(2,536)	(2,626)
Released on disposal	-	-	(192)	(192)
Charge for the year	2,584	162	15,885	18,631
As at 30 April 2016	6,027	1,805	209,645	217,477
Exchange difference	1,027	557	62,381	63,965
Released on disposal	-	(67)	(5,686)	(5,753)
Charge for the year	4,278	257	26,142	30,677
As at 31 October 2016	11,332	2,552	292,482	306,366
Exchange difference	(1,363)	(145)	(15,651)	(17,159)
Released on disposal	3,919	229	22,454	26,602
At 30 April 2017	**13,888**	**2,636**	**299,285**	**315,809**
Net Book Value				
As at 31 October 2015	10,935	1,260	112,242	124,437
As at 30 April 2016	9,515	1,524	124,647	135,686
As at 31 October 2016	13,675	1,953	143,967	159,595
At 30 April 2017	**10,853**	**2,053**	**137,398**	**150,304**

The holding company held no tangible property, plant and equipment at 30 April 2017, 31 October 2016 and 30 April 2016.

7. Subsidiaries

AAA holds investments in the following subsidiary undertakings as at 30 April 2017, which principally affected the losses and net assets of the group.

Dynamic Intertrade (Pty) Limited	**Trading in Agricultural Products**	**South Africa**	**100%**	**100%**
Dynamic Intertrade Agri (Pty) Limited	Agricultural commodity trading and distribution	South Africa	46.8%	-

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated, using the acquisition method, from the date that control is gained and are stated at cost less, where appropriate, provisions for impairment. Entities that do not comply with this policy, but over which the group has a shareholding of between 20 and 50 percent of the voting rights are equity accounted from the date of acquisition and are stated at cost, and adjusted for the results of these entities for the accounting period.

On 22 November 2016, the group agreed to sell its 49.9% interest in Africa Projects and Ventures, a joint venture with Lamberti based in South Africa.

On 3 November 2016 the group acquired 46.8% in the fast growing South African based, Dynamic Intertrade Agri (Pty) Ltd ("DIA"), which investment has been equity accounted since acquisition.

There were no material events following the 30 April 2017 half year.

8. Investment in jointly controlled entities

	30 April 2017 (Unaudited)	31 October 2016 (Audited)	30 April 2016 (Unaudited)
	£	£	£
Investment in Dynamic Intertrade Agri (Pty) Ltd	100,000	-	-
Equity accounted loss for the period	(5,133)	-	-
Carrying value	94,867	-	-

The acquisition will be for an initial non cash consideration of £100,000 in AAAP shares at a price of 1.3p per AAAP share. These shares were allotted but were only issued once the Company had published a prospectus approved by the UKLA. In addition there was also to be a deferred performance related payment in shares in AAAP provided DIA achieved certain profitability targets for the twelve month period ending February 2017. As DIA did not achieve these profitability targets for the twelve month period ending February 2017 the deferred performance related payment has been waived.

For further details, see note 7.

9. Share Capital

Ordinary shares are classified as equity. Proceeds from issuance of ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

Allotted, called up and fully paid ordinary shares of 0.1p each	Number of shares	Share Capital	Share Premium
		£	£
Balance at 1 November 2015	94,896,125	94,896	1,107,373
Share issue – 11 April 2016	15,000,000	15,000	60,000
Balance at 30 April 2016	109,896,125	109,896	1,167,373
Share issue – 3 September 2016	70,895,521	70,896	404,105
Balance at 31 October 2016	180,791,646	180,792	1,571,478
Share issue – 17 March 2017	7,692,308	7,692	92,308
Balance at 30 April 2017	188,483,954	188,484	1,663,786

10 Events Subsequent to 30 April 2017

10.1 Subscriptions

On the 26 April 2017 the company announced that it raised approximately £120,250 by way of subscription of 18,500,000 new ordinary shares of 0.1p each at a price of 0.65p per Subscription Share. The subscription proceeds where only received in May and this subscription has not been reflected in the period under review.

Following the issue of the Subscription Shares, the Company had 206,983,954 shares in issue.

10.2 Appointment

On 02 May 2017 the company announced the appointment of Mr Matthew Bonner to the role of Non-Executive Director.

10.3 Related Party Loan

In order to fund growing customer orders, Mr. Bonner, a Director of the Company, will provide a loan to its 100% owned subsidiary Dynamic Intertrade (Pty) Ltd of ZAR500,000 at an interest rate of 1% above the South African prime interest rate.