KKO INTERNATIONAL

Interim Report for the six months ended 30 June 2016

Business report for the six months ended 30 June 2016

KKO INTERNATIONAL a public limited company (société anonyme), incorporated under Belgian law and registered with the Crossroads Bank for Enterprises under number 0839.801.947. The company's registered office is situated at 363 Avenue Louise, box 19, 1050 Brussels (hereinafter referred to as the "**Company**"). The Company owns all of the shares in SOLEA (Société de Logistique et d'Exploitation Agricole), a public limited company whose registered office is situated at Bocanda BP 123, entered in the Commercial Register under number 11 11 792 L, operating in the Ivory Coast (hereinafter referred to together as the "**Group**").

The Group has been listed on Alternext Brussels and Alternext Paris since October 2015 and its objective is to become one of the largest producers of cocoa on the African continent. SOLEA holds two major agricultural operating sites in the region of Bocanda, situated in east central Ivory Coast. These two sites are located in rural surroundings not far from each other. Each one is situated on a side of the N'Zi River; specifically, one at Kotokounou and one at Akossikro respectively.

As at 30th June 2016, SOLEA held land of 2,399 hectares, 1,549 hectares of which are developed or in the process of being developed for growing cocoa. By the end of 2017, the Group plans to have 3,000 hectares planted for cocoa.

The innovative production technique introduced by SOLEA is to irrigate and "fertigate" (combining fertilisation with irrigation) all of its cocoa trees using a drip-feed system. This system removes the water stress caused by a lack of water for the cocoa plant, which is then able to produce 12 months a year and hence double its productive yield. SOLEA believes it will be able to achieve a minimum yield of 4 tons per hectare from year 4 of harvesting.

In doing so, SOLEA brings back to life the old "Cocoa Belt" of Bocanda. The group attaches the greatest importance to respecting ethical and social values, as well as protecting the environment and ensuring the best practices are implemented. By taking this approach, SOLEA is contributing to the economic and social development of an entire region.

The multi-skilled and experienced management team has put a highly structured organisation in place that implements strategy, operates the land that can be farmed and manages the ambitious growth of the cocoa plantations.

Management Report

1. Highlights for the first half of 2016

During the first six months of 2016, KKO International extended its plantations by several hundreds of hectares.

Hence, on 30th June 2016, KKO International held land totalling 2,399 hectares, broken down as follows:

- 1,188 hectares at Kotokonou I & II, of which 788 hectares have been developed for growing cocoa and 400 hectares are dedicated to growing yams,
- 1,211 hectares at Akossikro I & II and Abognikro, of which 761 hectares are in the process of being developed to grow cocoa.

As a result, the total number of hectares developed or in the process of being developed to grow cocoa was 1,549 as at 30th June 2016.

Following the damage caused by the terrible drought of 2015 and the Harmattan wind, which blew constantly for almost 3 months at the beginning of the period, during the first half of the year, KKO International was forced to restore to proper condition the 788-hectare plot of land commonly known as “Kotokonou I”.

To do this, KKO International replaced almost 150,000 plants and refurbished its drip-feed irrigation system to better secure the delivery of water to each tree.

As a result, at the end of 2015, SOLEA upgraded the irrigation unit from 400 mm to 1,200 mm annually to offset the lack of water due to the lack of rainfall caused by the effects of El Niño. The final works were completed in two phases: the first one in June 2015 and the relay station in December 2015. These works have enabled KKO International to water the plants well since the beginning of the year.

Elsewhere, to prepare for the 2016-2017 draft, the Group began working on the trees reaching maturity by bringing in a pruning and trimming specialist from Ecuador. This individual spent several weeks training the SOLEA teams.

Now, the trees are ready to produce, the flowerings are magnificent, and the first pods and “sherelles” as they are known locally, have already appeared. In line with forecasts, the first significant harvest is expected during the second half of the year.

Finally, the reorganisation of the plots at Kotokonou resulted in the planting of 60,000 teak trees on plots where growing cocoa was not possible. This brings the number of teak trees planted at Kotokonou to approximately 80,000.

At Kotokonou II (400 hectares), where the soil was not deemed of sufficient quality to produce cocoa, the farming of yams is now established. Currently, approximately 400,000 yams have been planted. These are spray-irrigated using bore water. Harvesting is scheduled to begin in December 2016.

On the other bank of the river, at Akossikro and Abognikro, development has begun. At the end of June, almost 24 blocks (making about 480 hectares) of the 38 available have been developed and planted with banana trees to provide shade for the cocoa plants. To date, this equates to almost 250,000 cocoa trees having been planted in the area, with a mortality rate of close to zero percent.

2. Infrastructure

During the first half of 2016, SOLEA, the production subsidiary of KKO International in Ivory Coast, carried out the following works:

- Installation of a spray-irrigation unit covering 10 hectares at Kotokonou II to irrigate the yams. To do this, SOLEA drilled a bore 90 metres deep, which has an output close to 10 cubic metres per hour;

- Installation of a storage unit, powered by a 20 kVA electricity generator, capable of holding 120 cubic metres of water in a tank and a pump capable of delivering 60 cubic metres per hour at 5 bar of pressure, supplying 28 spraying units per hectare at 1 cubic metre per hour;

- Installation of several electricity power lines to supply the plant nursery, the technical base, the pumping station and the irrigation station at Akossikro;

- Installation of a primary conduit (diameters 300, 250 and 200 in PN 16 pipes over 7 km);

- Start of the installation of a station to draw water from the N'Zi at 250 cubic metres per hour;

- Installation of a totally automated water filtration facility using 8 sand filters and with a storage capacity of 800 cubic metres;

- Works started on the relay station to irrigate the 657 hectares at Akossikro;

- Creation of a temporary camp for the development of Akossikro, capable of accommodating 200 people;

- Creation of all the access roads to the various sites at the Akossikro plantation.

3. Social

After 18 months of training and upgrades to its facilities, KKO International was awarded RAINFOREST ALLIANCE certification for its plantation at Kotokonou.

Fully committed to developing the local people, KKO International donated a water-drilling unit to the villages of Djassou and Kotokonou to enable them to have access to clean drinking water.

As part of a contract with the General Hospital at Bocanda, KKO International has also installed a permanent medical facility on the plantation, with a doctor and nurses in attendance.

This service enables the implementation of preventive plans against common illnesses (particularly malaria), as well as of occupational medicine monitoring (plan for preventing work-related illnesses / phytosanitary teams).

Finally, KKO International is working with the Kotokonou management committee on installing electricity in the village provided by solar energy.

4. Research and Development

The first tests for using potassium polyacrylate were conclusive. Consequently, KKO International has planted a test plot at Abognikro. Thus far, the cocoa trees appear to be responding well. However, the Group is waiting for the main dry season in December-January-February before drawing any conclusions.

The results of the mycorrhiza protocol were somewhat inconclusive. Other protocols are currently being tested as a replacement.

The Group also introduced a protocol for evaluating the soil and classifying it. These evaluations cover the geology (study of the bedrock), pedology (chemical study of the soil) and the possibility of irrigating the land. So far we have classified all of our certified land and in doing so have defined a development protocol.

Elsewhere, regarding the growing of yams, KKO International has succeeded in establishing fields of intensive farming. This enables the Group to cultivate 80,000 yam plants per hectare, compared with 8,000 plants for a village plantation. The technique used is currently being tested on growing cocoa and the first results are expected by the end of 2017.

5. Partnership agreement signed with ICRAF

As part of its further development, KKO International has just signed a memorandum of understanding with ICRAF aimed at combining their skills and expertise in the research and development of sustainable intensive farming of cocoa in Ivory Coast. The agreement has been signed for a period of 5 years.

As a reminder, ICRAF (*International Centre for Research in Agroforestry*) is a leading international institution in agroforestry research. It also seeks to improve the living conditions of local people and increase food safety while protecting the environment.

6. Outlook and post-close events

As announced with the publication of its annual results, KKO International has increased its presence at Akossikro II by 450 hectares and now holds a total of 1,211 hectares in the area. The plots at Akossikro I are scheduled to be fully planted and irrigated by the end of 2016, with a very low plant mortality rate. At Akossikro II (450 hectares), the land is in the process of being developed and the work should be completed before the end of Q1 2017.

This means that KKO International will have approximately 2,000 hectares in operation by the end of March 2017, confirming that it is on track to reach its target of 3,000 hectares by the end of 2017, representing 4,000,000 trees planted, compared with 1,000,000 now.

Moreover, KKO International is continuing its research and development work aimed at improving the productivity of its cocoa trees. As part of the R&D programme, the Mercedes cocoa, a variety developed by the CNRA displays good, but uneven productivity: 20% only of the trees produce 80% of the cocoa. KKO International is looking to make production more homogeneous. To achieve this aim, the Group has tested a propagating and cloning technique using its most productive trees.

The first harvest took place at the beginning of October 2016 at Kotokonou and the results are particularly encouraging. The Group managed to obtain an average of 45 beans per pod, equivalent to 97 beans per 100 g. The aim, over time, is to achieve a hundred or so pods per tree, producing an average of 3 to 4 kg of cocoa per tree, which equates to a production target at full tree maturity (2023-2024) of at least 12,000 tons per year.

By way of information, the price of cocoa set by Ivory Coast for the 2016-2017 season is up by 10% to 1,100 francs CFA.

As for the farming of yams, the drought caused a lack of seed at the beginning of 2016, prompting the Group to postpone planting from February to April 2016. Harvesting is expected to commence from the beginning of December 2016 and should run for the following three months. The growing of yams is therefore expected to quickly generate over €1 million in annual sales. The Group is now also able to produce its own seed.

Statement of responsibility

The Board of Directors, represented by its Chairman, hereby states that the condensed accounts for the past six months have been drawn up in accordance with the applicable accounting standards and give a true and fair view of the financial situation and results of the Company and its subsidiary, SOLEA. It further states that the half-yearly activity report attached is a true representation of the major events that occurred during the first six months of the financial year, their effect on the accounts and the main transactions between the associated, as well as a description of the principal risks and uncertainties for the six remaining months of the financial year.

Brussels, 18th October 2016

Jacques-Antoine de Geffrier
Chairman of the Board of Directors

Consolidated Statements of Profit or Loss and of Comprehensive Income

[Unaudited financial information]	Notes	2016	2015 Restated [(1)]	2015 Published
		For the 6-month period ended 30 June		
		in EUROs	in EUROs	in EUROs
Revenue from ordinary activities	4	1 082	-	-
Variation in fair value of biological assets	4	315 514	(297 778)	2 751 548
			-	
Raw materials and consumables used	5	(39 204)	(19 971)	(19 971)
Loss of value of biological assets	8	(292 679)	(355 220)	-
Employee benefits	5	(78 438)	(116 549)	(582 816)
Depreciations	7	(160 608)	(126 228)	(180 325)
Other operating expenses	5	(647 441)	(1 011 247)	(1 192 445)
Operating result		**(901 775)**	**(1 926 992)**	**775 990**
Income from interest		-	-	-
Interest charges		(68)	(210 697)	(296 308)
Pre-tax result		**(901 843)**	**(2 137 690)**	**479 682**
Tax on the result	6	(76 189)	90 675	(517 057)
NET RESULT FOR THE PERIOD		**(978 032)**	**(2 047 015)**	**(37 375)**
Others elements of the comprehensive income				
Elements that will not be reclassified subsequently in the net result		-	-	-
Elements that may be reclassified subsequently in the net result		*217 181*	*519 797*	-
Revaluation of productive plants	8	430 904	883 314	-
Tax on related result	6	(213 723)	(363 517)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(760 851)**	**(1 527 218)**	**(37 375)**
Net result for the period attributable to				
Owners of the Company		(977 445)	(2 045 787)	(37 352)
Non-controlling interest		(587)	(1 228)	(22)
Overall result for the period attributable to				
Owners of the Company		(760 394)	(1 526 302)	(37 352)
Non-controlling interest		(457)	(916)	(22)
Result per share				
basic (in EUROs per share)		(0,10)	(0,73)	(0,01)
diluted (in EUROs per share)		(0,10)	(0,73)	(0,01)

[(1)] 2015 restated due to the change in IAS 41 Agriculture (see note 2)

Consolidated Statement of Financial Position

[Unaudited financial information]	Notes	Period ended 30 June 2016	Period ended 31 Dec. 2015
		in EUROs	in EUROs
Assets			
Non-current assets		7 928 387	5 473 752
Intangible fixed assets		1 463	1 828
Tangible fixed assets	7	3 529 643	2 577 131
Biological assets	8	4 383 773	2 883 685
Other non-current assets		13 508	11 107
Current assets		578 984	3 853 177
Trade receivables and other debtors		56 151	278 154
Cash and cash equivalents		522 833	3 575 023
Total assets		**8 507 372**	**9 326 929**
Equity and liabilities			
Capital attributable to the owners of the Company		5 521 362	6 281 625
Capital	9	14 838 777	14 838 777
Revaluation gains	8	1 105 595	674 691
Profits not distributed	9	(10 423 010)	(9 231 843)
Non-controlling interests		(7 102)	(6 515)
Total Equity		**5 514 260**	**6 275 110**
Non-current liabilities		1 017 183	719 734
Employee benefits		36 510	28 974
Deferred tax liabilities	6	980 673	690 760
Current liabilities		1 975 929	2 332 085
Debts to the owners of the Company	11	1 287 150	1 787 150
Trade debts and other creditors	10	688 779	544 935
Total liabilities		**2 993 111**	**3 051 819**
Total Equity and Liabilities		**8 507 372**	**9 326 929**

Consolidated Statement of changes in Equity

[Unaudited financial information]	Share capital	Issue premium	Revaluation gain	Profits non distributed	Attributable to the owners of the company	Non-controlling interest	Total
	in EUROs	in EUROs	in EUROs	in EUROs	in EUROs	in EUROs	in EUROs
Balance as at 1st January 2016	**14 838 777**	**-**	**674 691**	**(9 231 843)**	**6 281 625**	**(6 515)**	**6 275 110**
Net result for the period				(977 445)	(977 445)	(457)	(977 901)
Other elements of the overall result for the period			430 904	(213 723)	217 181	(130)	217 051
Total comprehensive income for the period	**-**	**-**	**430 904**	**(1 191 168)**	**(760 264)**	**(587)**	**(760 851)**
Balance as at 30th June 2016	**14 838 777**	**-**	**1 105 595**	**(10 423 010)**	**5 521 361**	**(7 102)**	**5 514 260**

	Share capital	Issue premium	Revaluation gain	Profits non distributed	Attributable to the owners of the company	Non-controlling interest	Total
	in EUROs	in EUROs	in EUROs	in EUROs	in EUROs	in EUROs	in EUROs
Balance as at 1st January 2015 [1]	**98 815**	**385 950**	**621 933**	**(5 279 728)**	**(4 173 030)**	**(3 637)**	**(4 176 667)**
Net result for the period				(977 445)	(977 445)	(457)	(977 901)
Other elements of the comprehensive income			883 314	(213 723)	669 591	(130)	669 461
Total comprehensive income for the period	**-**	**-**	**883 314**	**(1 191 168)**	**(307 854)**	**(587)**	**(308 440)**
Benefit on interest-free advances of funds				(191 852)	(191 852)		(191 852)
Increase in capital	7 410	1 492 590			1 500 000		1 500 000
Incorporation of issue premium in capital	1 878 540	(1 878 540)			-		-
Reduction in capital by incorporation of losses	(1 396 872)			1 396 872	-		-
Other transactions with the owners				(1 601)	(1 601)	843	(758)
Transactions with the owners of the Company	**489 078**	**(385 950)**	**-**	**1 203 418**	**1 306 546**	**843**	**1 307 390**
Balance as at 30th June 2015 [1]	**587 893**	**-**	**1 505 247**	**(5 267 478)**	**(3 174 337)**	**(3 380)**	**(3 177 718)**
Net result for the period				(3 816 763)	(3 816 763)	(2 398)	(3 819 161)
Other elements of the comprehensive income			(830 556)	200 982	(629 574)	106	(629 468)
Total comprehensive income for the period	**-**	**-**	**(830 556)**	**(3 615 781)**	**(4 446 338)**	**(2 291)**	**(4 448 629)**
Returns to shareholders (preferential interest)				(258 385)	(258 385)		(258 385)
Benefit on interest-free advances of funds				191 852	191 852		191 852
Increase in capital	15 441 808				15 441 808		15 441 808
Costs linked to the issue of shares	(1 056 924)				(1 056 924)		(1 056 924)
Merger by absorption	349 600			(438 565)	(88 965)		(88 965)
Reduction of capital (cancellation of own shares)	(483 600)				(483 600)		(483 600)
Other transactions with the owners				1 601	1 601	(843)	758
Transactions with the owners of the Company	**14 250 884**	**-**	**-**	**(503 496)**	**13 747 387**	**(843)**	**13 746 544**
Accounting of payments based on shares				154 913	154 913		154 913
Other adjustments					-		-
Payment of dividends					-		-
Balance as at 31st December 2015	**14 838 777**	**-**	**674 691**	**(9 231 843)**	**6 281 625**	**(6 515)**	**6 275 110**

[1] 2015 restated due to the change in IAS 41 Agriculture (see note 2)

Consolidated Cash Flow Statement

[Unaudited financial information]	Notes	2016	2015 Restated [1]	2015 Published
		For the 6-month period ended 30 June		
		in EUROs	in EUROs	in EUROs
Cash flow from operating activities				
Net result for the period		(978 032)	(2 047 015)	(37 375)
Adjustment for:		214 030	899 248	(1 757 858)
Change in fair value of biological assets	8	(315 514)	297 778	(2 751 548)
Loss of value on biological assets	8	292 679	355 220	-
Depreciations	7	160 608	126 228	180 325
Interest charges		68	210 697	296 308
Tax on the result	6	76 189	(90 675)	517 057
Changes in working capital		370 982	241 864	241 864
(Increase) / Reduction in other non-current assets		(2 401)	(1 144)	(1 144)
(Increase) / Reduction in trade receivables and other debtors		222 003	(54 472)	(54 472)
(Reduction) / Increase in staff benefits		7 536	0	0
(Reduction) / Increase in commercial debts and other debts	10	143 843	297 480	297 480
Net cash flow from operating activities		**(393 020)**	**(905 902)**	**(1 553 368)**
Cash flow from investment activities				
Acquisition of intangible and tangible fixed assets	7	(1 159 644)	42 650	42 650
Purchase and development of productive plants	8	(999 526)	(856 107)	(208 641)
Net cash flow from investment activites		**(2 159 170)**	**(813 457)**	**(165 991)**
Cash flow from financing activities				
Net cash flow from the issue of shares			1 500 000	1 500 000
Buyback of own shares				
Monies advanced by the owners of the Company	11	500 000	3 320 000	3 320 000
Reimbursement of advances to the owners of the Company	11	(1 000 000)	(2 743 263)	(2 743 263)
Net cashflow from financing activities		**(500 000)**	**2 076 737**	**2 076 737**
Net Increase /(Reduction) in cash and cash equivalents		**(3 052 190)**	**357 377**	**357 377**
Cash and cash equivalents at start of period		3 575 023	6 710	6 710
Cash and cash equivalents at end of period		**522 833**	**364 087**	**364 087**

[1] *2015 restated due to the change in IAS 41 Agriculture (see note 2)*

Notes to the summary of the interim consolidated financial statements

1. General information

The Company is a public limited company (société anonyme), incorporated under Belgian law and registered with the Crossroads Bank for Enterprises under number 0839.801.947. Its registered office is situated at 363 Avenue Louise, box 19, 1050 Brussels. The Company was incorporated on 29th September 2011 and owns 99.94% of SOLEA (Société de Logistique et d'Exploitation Agricole), which it also established itself, referred to together hereinafter as the "**Group**".

SOLEA is a company specialising in cocoa plantations in Ivory Coast. It began operations in October 2011. SOLEA holds two main agricultural production sites in the region of Bocanda, in east central Ivory Coast. These two sites are located in rural surroundings not far from each other. Each one is situated on one side of the N'Zi River; specifically, one at Kotokounou and one at Akossikro respectively.

As at 30th June 2016, SOLEA held land of 2,399 hectares, of which 1,549 have been developed or are in the process of being developed for the farming of cocoa. SOLEA aims to have 3,000 hectares of cocoa planted by the end of 2017.

These interim consolidated financial statements were approved by the Board of Directors on 18th October 2016. The figures are expressed in euros, unless stated otherwise. As SOLEA uses the Franc CFA as its operating currency, its financial statements are converted at the end of each financial period using the method set out in note 3.4 below.

The Group, including the Company and SOLEA, presents its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and in effect as at 30th June 2016. This financial information has been drawn up in line with IAS 34 "Interim Financial reporting", as adopted by the European Union. This information has not been audited or been given a limited examination by the auditors, nor have the underlying accounts.

The accounting principles used are the same as those used to establish the consolidated financial statements as at 31st December 2015.

2. Application of new and revised Standards and Interpretations

2.1. New Standards, Interpretations and Amendments applied by the Group

Over the course of the two periods presented, the Group applied all of the Standards and Interpretations, new or revised, issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the EU and applicable to its accounting periods beginning on 1st January 2015 and 2016.

The following Standards, Interpretations and Amendments, issued by IASB and IFRIC, came into effect from this financial period:

- Annual improvements – cycle 2010-2012 (issued by IASB in December 2013)
- Annual improvements – cycle 2012-2014 (issued by IASB in September 2014)
- IAS 1 Presentation of financial statements — Amendment relative to the initiative of providing information (December 2014)
- IAS 16 Tangible fixed assets — Amendments aimed at clarifying the acceptable methods of depreciation (May 2014)
- IAS 16 Tangible fixed assets — Amendments aimed at bringing the productive biological assets into the scope of IAS 16 (June 2014)
- IAS 38 Intangible fixed assets — Amendments aimed at clarifying the acceptable methods of depreciation (May 2014)
- IAS 41 Agriculture — Amendments aimed at bringing the productive biological assets into the scope of IAS 16 (June 2014)

The modifications of IAS 16, Tangible Fixed Assets and IAS 41, Agriculture, applicable from 1st January 2016, defining the productive plant and requiring that the biological assets meeting this definition be accounted for under tangible fixed assets, in accordance with IAS 16, rather than IAS 41.

As permitted under the standard, the Group decided from the financial year ended on 31st December 2015 to account for the productive plants in the form of cocoa trees and banana trees that have reached maturity in line with the revaluation model stated in IAS 16, with non-productive plants continuing to be accounted for at the acquisition cost.

As to the initial application of these modifications, the Group used the fair value of the productive plants as the assumed cost of the cocoa trees and banana trees at the beginning of the first period presented. The revaluation model was taken as being the most representative of the value of these biological assets. As stated in IAS 16, Tangible Fixed Assets, any increase in the fair value of productive plants is now accounted for as a revaluation gain through Other Items of the comprehensive income. Any losses of value are accounted for in the net income.

The impacts of the change in accounting method, applied retroactively on the balances of the comparable period as at 30th June 2015, can be summarised as follows:

Interim consolidated financial statements as at 30th June 2015	As published previously	Restated in these financial statements	Impact of the change of method
	in EUROs	in EUROs	in EUROs
Biological assets	**6 228 374**	**4 017 878**	**(2 210 496)**
			-
Equity capital attributable to the owners of the Company			**2 455 917**
Revaluation gains	-	1 505 247	1 505 247
Profits not distributed	(2 770 882)	(1 820 212)	950 669
Non-controlling interests	**(2 275)**	**(3 481)**	**(1 206)**
Deferred tax liabilities	**1 143 674**	**899 460**	**(244 214)**
Change in fair value of biological assets	2 751 548	(297 778)	(3 049 326)
Loss of value on biological assets	-	(355 220)	(355 220)
Employee benefits	(582 816)	(116 549)	466 267
Depreciation	(180 325)	(126 228)	54 098
Other operating expenses	(1 192 445)	(1 011 247)	181 199
Interest charges	(296 308)	(210 697)	85 611
Tax on the result	(517 057)	90 675	607 731
NET RESULT FOR THE PERIOD	**(37 375)**	**(2 047 015)**	**(2 009 640)**
Elements that may be reclassified subsquently into net result	*-*	*519 797*	*519 797*
Revaluation of productive plants	-	883 314	883 314
Tax on related result	-	(363 517)	(363 517)
Result per share			
basic (in EUROs per share)	(0,01)	(0,73)	(0,72)
diluted (in EUROs per share)	(0,01)	(0,73)	(0,72)

The adoption of other new Standards, Amendments and Interpretations has not caused any major change in the accounting principles applied by the Group.

2.2. Standards and Interpretations issued, but not yet in effect

The Group has opted not to apply the following Standards, Interpretations and Amendments in advance, issued but not yet in effect as at 30th June 2016.

- IFRS 7 Financial Instruments: information to be provided (December 2011) — Deferment of the effect application of IFRS 9 and transitional disclosure obligations*
- IFRS 7 Financial Instruments: information to be provided (November 2013) — Additional information to be provided in the event of the accounting for hedging arising from the application of IFRS 9*
- IFRS 9 Financial Instruments: Presentation and measurement of financial instruments (issued original in July 2014 and subsequent modifications) *
- IFRS 12 Disclosure of interests in other entities — Amendment relative to the exception of the consolidation of investment entities (December 2014) *
- IFRS 14 Regulatory deferral accounts (issued in January 2014) *
- IFRS 15 Revenue from contracts with customers (issued in May 2014) *
- IFRS 16 Leases (issued in January 2016) *
- IAS 7 Statement of cashflows — Amendment resulting from the overall thoughts on the presentation of financial statements (Disclosure Initiative) (January 2016) *
- IAS 12 Income taxes — Amendments aimed at accounting for deferred tax assets in respect of latent losses (January 2016) *
- IAS 39 – Financial Instruments: Accounting and Measurement — Amendments the continuation of hedging accounting with the application of IFRS 9 (November 2013) *

** Not yet approved by the EU as at 30th June 2016*

These new Standards, Interpretations and Amendments, which have not been applied in these financial statements, will or could have an effect on the Group's future financial statements.

3. Risk management

3.1. Risks associated with land rights

We currently have a procedure in place that enables us to say that our property risk is fully under control. It consists of:

- Obtaining the land certificate in the names of the landowners;
- Publishing that information in the Official Journal;
- Signing a long-term lease of 35 years and registering it with the relevant authorities;
- Registering the plots of land.

At 30th June 2016, we had signed leases on these terms totalling 1,953 hectares. Leases covering the use of 1,041 hectares will be added soon.

3.2. Risks associated with operations

Cocoa plantations are exposed to risks specific to agriculture: harvests can be affected by disease (the most destructive being Swollen Shoot), insects and bad weather. SOLEA has studied these issues closely and has taken the necessary measures upstream to alleviate these risks and treat the trees, for example through sound management of the hydraulic factor of the land.

To offset as much as possible any risks associated with the land and the quality of the soil, SOLEA has introduced a new process for determining the areas that can be used.

- First, a geological analysis of the soil, enabling unsuitable land to be discarded;
- Next, a soil analysis of the land to determine needs and the possibility of improving the soil;
- And finally, a hydraulic analysis to determine the best method of irrigation.

All this makes it possible to select the land recognised as suitable for growing cocoa.

SOLEA irrigates its cocoa plantations, which helps overcome a lack of water. The risk associated with the Harmattan trade wind has been reduced significantly following the upgrade to the irrigation systems, which increase the amount of water brought in (in total 10 litres of water per tree per day).

3.3. Risks associated with the country

The socio-political situation in Ivory Coast is currently stable, although it remains fragile and any disturbance to the balance could affect the development of SOLEA's business.

Coordinated action between the government and the various economic players will be necessary to avoid any new spikes in inflation, particularly on foodstuffs. However, no one can predict today what measures will be taken by the new Ivorian government, once it is in place.

3.4. Market risk

Cocoa is a commodity whose price is the subject of negotiation on the markets in London and New York. In view of its volatility, the price of cocoa is likely to change.

However, in the long term, SOLEA believes that given the fact that demand is greater than supply, the price of cocoa is unlikely to plummet. The local authorities in Ivory Coast have introduced a minimum guaranteed price below which transactions are not permitted. As this minimum guaranteed price is calculated on the CAF reference price based on the price of cocoa on the LIFFE market in London, the minimum guaranteed price will be linked indirectly to the price of cocoa on these markets.

In the event of a high risk of price changes, SOLEA will be hedged by financial instruments to reduce the effects of price volatility in the commodity on the Group's results.

The obtaining of interest-free fund advances also shelters SOLEA from any significant risk linked to interest rates.

At the present time, the Group has no hedging instruments in place.

3.5. Exchange rate risk

SOLEA is supplied mainly by local suppliers in Francs CFA (fixed parity with the euro since 1st January 1999). An exchange rate risk for purchases from foreign suppliers would only exist if parity between the FCFA and the euro were to be abandoned.

SOLEA is exposed to the risk of variations in international exchange rates given that the minimum guaranteed price of cocoa in Ivory Coast is set in FCFA against the price of cocoa in London, expressed in pounds sterling (GBP).

3.6. Liquidity risk

Since the Group was created, the majority of investments have been focused on financing the development of the plantations.

In addition to its equity capital and until it was listed on the stock exchange, the Group benefited from short-term finance in the form of current account advances, most of which were non-interest bearing and unguaranteed. The Group is not subject to any external demands in terms of capital.

In its business plan, SOLEA provides for a land extension of 1,041 additional hectares, compared with the area already benefiting from land titles, enabling it over time to hold 3,000 hectares of land on which cocoa trees can be grown. This development requires significant financial resources for the plantations to be operated.

The Group is seeking additional capital to complete the financing of the project.

While awaiting this new raising of funds to be completed, the Company is financed by shareholder current account advances.

The project is scheduled to enter the self-financing phase by the end of 2018.

4. Revenue from ordinary activities

	For the 6-month period ended 30 June		
	2016	2015 Restated [1]	2015 Published
	in EUROs	in EUROs	in EUROs
Revenue from ordinary activities	1 082	-	-
Change in fair value of the biological assets	315 514	(297 778)	2 751 548
Cocoa trees	-	-	1 934 814
Banada trees	-	(349 691)	764 821
Teak trees	315 514	51 913	51 913
For a total of	316 596	(297 778)	2 751 548

[1] *2015 restated due to the change in IAS 41 Agriculture (see note 2)*

Sales will begin in October.

Some of the cocoa trees have reached maturity. This is based on observations on site, on the state of the blossomings, and the appearance of pods. Production approaching 120 tons may be expected towards the end of 2016, which at 1,100 FCFA per kg (price from 1st October 2016), represents sales of €200,000.

The expected production of yams of just under 1,000 tons at the average price of €500 per ton, represents €500,000.

We do not forecast significant revenue from the sale of bananas.

5. Operating expenditures

	For the 6-month period ended 30 June		
	2016	2015 Restated [1]	2015 Published
	in EUROs	in EUROs	in EUROs
Raw materials and consumables used	**39 204**	**19 971**	**19 971**
Employee benefits	**78 438**	**116 549**	**582 816**
Direct remuneration	12 566	41 753	508 021
Temporary and seconded staff	10 089	38 954	38 954
Other expenses linked to staff	55 784	35 842	35 842
Other operating expenses	**647 441**	**1 011 247**	**1 192 445**
Travel expenses	254 628	312 198	312 198
Maintenance and repairs	26 426	306 506	487 704
Fees	176 066	275 544	275 544
Telecommunications	29 334	27 169	27 169
Hire charges	40 367	27 211	27 211
Insurance	12 179	14 645	14 645
Other operating expenses	108 441	47 975	47 975

[1] 2015 restated due to the change in IAS 41 Agriculture (see note 2)

6. Income taxes

Deferred tax liabilities	Balance of deferred tax as at 1st January	Change through net result	Change through OCI	Balance of deferred tax as at 30th June [(1)]
	in EUROs	in EUROs	in EUROs	in EUROs
2015 [(1)]	**626 617**	**(90 675)**	**363 517**	**899 460**
Cocoa trees	621 495	(103 210)	363 517	881 802
Teak trees	5 122	12 536	-	17 658
2016	**690 760**	**76 189**	**213 723**	**980 673**
Cocoa trees	635 139		213 723	848 863
Teak trees	55 621	76 189	-	131 810

[(1)] 2015 restated due to the change in IAS 41 Agriculture (see note 2)

SOLEA benefits from a tax exemption on industrial and commercial profits, as well as on taxes from patents and licences for a 15-year period beginning on 1st February 2014. This tax exemption is 100% from 1st February 2014 until 31st December 2026; after this date and until 31st December 2027, the exemption is reduced to 50%; and from then on until 31st December 2028, the reduction applies on 25%

A deferred tax liability was recognised on the fair value of the cocoa trees and teak trees as at 30th June 2016, given their lifespan of 35 years and the permanent difference in the temporary value of these assets beyond Year 15 (end of the tax break period enjoyed by SOLEA).

7. Tangible fixed assets

			Current fixed assets		
	Machinery and equipment	Material and tools	Machinery and equipment	Material	Total
As at 1st January 2015 [1]	390 790	1 056 081	602 345	94 991	2 144 208
Acquisition price	453 170	1 403 396	602 345	94 991	2 553 902
Combined depreciations	(62 379)	(347 315)	-	-	(409 694)
Changes for the period	**(19 886)**	**(154 894)**	**(73 191)**	**22 755**	**(225 216)**
Acquisitions	564	4 979		22 755	28 298
Disposals			(73 191)		(73 191)
Transfers between headings		-		-	-
Allocations to depreciations	(20 450)	(159 873)			(180 323)
As at 30th June 2015 [1]	370 904	901 187	529 154	117 746	1 918 992
Acquisition price	453 733	1 408 375	529 154	117 746	2 509 009
Combined depreciations	(82 829)	(507 188)	-	-	(590 017)
As at 1st July 2015	370 904	901 187	529 154	117 746	1 918 992
Acquisition price	453 733	1 408 375	529 154	117 746	2 509 009
Combined depreciations	(82 829)	(507 188)	-	-	(590 017)
Changes for the period	**144 153**	**50 189**	**194 924**	**268 873**	**658 139**
Acquisitions	156 754	199 105	203 256	300 036	859 151
Disposals		(25 917)			(25 917)
Transfers between headings	8 332	31 163	(8 332)	(31 163)	-
Allocations to depreciations	(20 933)	(154 162)			(175 095)
As at 31st December 2015	515 058	951 376	724 078	386 619	2 577 131
Acquisition price	618 820	1 612 726	724 078	386 619	3 342 243
Combined depreciations	(103 762)	(661 351)	-	-	(765 112)
As at 1st January 2016	515 058	951 376	724 078	386 619	2 577 131
Acquisition price	618 820	1 612 726	724 078	386 619	3 342 243
Combined depreciations	(103 762)	(661 351)	-	-	(765 112)
Changes for the period	**43 813**	**(114 022)**	**256 866**	**765 856**	**952 512**
Acquisitions	75 241	57 282	261 833	765 856	1 160 211
Disposals					-
Transfers between headings	4 967	-	(4 967)		-
Allocations to depreciations	(36 395)	(171 304)			(207 699)
As at 30th June 2016	558 870	837 353	980 944	1 152 475	3 529 643
Acquisition price	699 027	1 670 008	980 944	1 152 475	4 502 454
Combined depreciations	(140 157)	(832 655)	-	-	(972 811)

[1] *2015 restated due to the change in IAS 41 Agriculture (see note 2)*

Machinery and equipment consists mainly of investments relating to the construction of the irrigation station (mainly pumps, tanks, drilling costs, etc.) and the amenities at the Bocanda plantation (timber, cement, sand, etc.).

The section for equipment and tools consists mainly of farming equipment, vehicles and rolling stock and miscellaneous materials. The greatest investments are those for the components of the irrigation station, bulldozers, a drone, several tractors, numerous chainsaws, brush-cutters, a generator, weather station and office equipment.

The machinery and equipment relate to the development of land at the Bocanda plantation (irrigation, sand, cement).

8. Biological assets

	Period ended 30 June 2016	Period ended 31 Dec. 2015
	in EUROs	in EUROs
Productive plants	**3 549 210**	**2 653 349**
Cocoa trees	3 549 210	2 653 349
Banada trees	-	-
Other biological assets	**834 563**	**230 336**
Teak trees	545 850	230 336
Yams	288 713	-
For a total of	**4 383 773**	**2 883 685**

Once they have reached maturity and after accounting for their cost of acquisition, the biological assets will be valued at their fair value, using a level-3 technique of categorised valuation consisting of defining future expected financial flows from harvests to come, based on a price per kilo, an estimated yield per hectare and, where appropriate, risk factors constituting the discount rate.

Apart from the areas planted, the variables used to value these biological assets as at 30th June 2016 did not vary during the 2016 financial year.

Any impacts linked to the initial accounting and variation in the fair value of the biological assets, as summarised below, are shown in the net result under changes in the fair value of the biological assets.

	Cocoa Trees	Banana Trees	Teak Trees	Yams	Total
As at 31st December 2014	2 163 723	257 118	21 212	-	2 442 054
Purchases and capitalised production costs	**1 879 485**	**88 464**	**-**	**-**	**1 967 948**
Purchases	208 641	-	-	-	208 641
Employee expenses	1 092 773	57 514	-	-	1 150 287
Depreciations	101 294	5 331	-	-	106 625
Borrowing costs	143 049	8 053	-	-	151 102
Other expenses	333 728	17 566	-	-	351 293
Variation of fair value	**(1 389 858)**	**(345 582)**	**209 124**	**-**	**(1 526 316)**
Revaluation	674 691	-	209 124	-	883 815
Loss of value allocated to OCI	(621 933)		-	-	(621 933)
Loss of value allocated to net result	(1 442 616)	(345 582)	-	-	(1 788 198)
Depreciations	**-**	**-**	**-**	**-**	**-**
As at 31st December 2015	2 653 350	0	230 336	-	2 883 687
Purchases and capitalised prodcution costs	**769 827**	**-**	**-**	**288 713**	**1 058 540**
Purchases	4 967	-	-	206 928	211 895
Employee expenses	633 816	-	-	59 377	693 193
Depreciations	59 014	-	-	-	59 014
Borrowing costs	-	-	-	-	-
Other expenses	72 030	-	-	22 408	94 438
Change of fair value	**138 223**	**-**	**315 514**	**-**	**453 737**
Revaluation	1 105 595	-	315 514	-	1 421 109
Loss of value allocated to OCI	(674 693)		-	-	(674 693)
Loss of value allocated to net result	(292 679)	-	-	-	(292 679)
Depreciations	**(12 190)**	**-**	**-**	**-**	**(12 190)**
As at 30th June 2016	3 549 211	0	545 850	288 713	4 383 774

9. Equity

	Period ended 30 June 2016	Period ended 31 Dec. 2015
	in EUROs	in EUROs
Attributable to the owners of the Company	5 521 362	6 281 625
Capital	14 838 777	14 838 777
Net revaluation gains	1 105 595	674 691
Profits non distributed	(10 423 010)	(9 231 843)
Non-Controlling Interests	(7 102)	(6 515)

On 17th April 2015, the General Meeting of Shareholders decided to increase the company share capital by a contribution in kind of a debt for €1,500,000. The capital was first increased by €7,410 to bring it from €98,815 to €106,225, with the creation of 1,482 new shares and an issue premium of €1,492,590.

The company share capital was then increased for a second time through the incorporation of the issue premiums entered in the balance sheet, to increase the share capital from €106,225 to €1,984,765, without creating any new shares.

Finally, the General Meeting of Shareholders decided to reduce the capital by €1,396,871.63 by offsetting losses, without cancellation of shares, to bring the company share capital down from €1,984,765 to €587,893.37, represented by 21,245 shares, without statement of par value.

10. Trade debts and other creditors

	Period ended 30 June 2016	Period ended 31 Dec. 2015
	in EUROs	in EUROs
Trade debts	**516 154**	**471 498**
Amounts owed to suppliers	381 304	194 465
Invoices to be received	134 850	277 034
Salaries and social debts	**128 380**	**44 574**
Remuneration owed	45 039	4 628
Provision for paid leave	19 618	16 908
Other salary debts	63 723	23 038
Other debts	**44 245**	**28 863**
For a total of	**688 779**	**544 935**

11.Transactions between related parties

The balances and transactions between the Company and its subsidiaries that are parties related to the Company have been eliminated in the process of consolidation and are not presented in this note. The details of transactions between the Group and the other related parties are presented below.

11.1. Loans granted by related parties

	Period ended 30 June 2016	Period ended 31 Dec. 2015
	in EUROs	in EUROs
Debts to the owners of the Company	**1 287 150**	**1 787 150**
Advances of funds	1 287 150	1 787 150

Since the Group was created, the major share of investments have been applied to financing the development of the plantations.

These advances of funds received from the owners of the Company do not bear contractual interest.

Since 1 July 2016, loans totalling €583,000, bearing interest, have been granted by the Company's shareholders.

11.2. Remuneration of the main directors

	For the 6-month period ended 30 June 2016	2015
	in EUROs	in EUROs
Members of management	**179 204**	**139 491**
Fixed remuneration	179 204	139 491