AgDevCo Holdings Limited

Consolidated financial statements

For the year ended 31 December 2020

Company registration number: 11772950

Contents

Company information

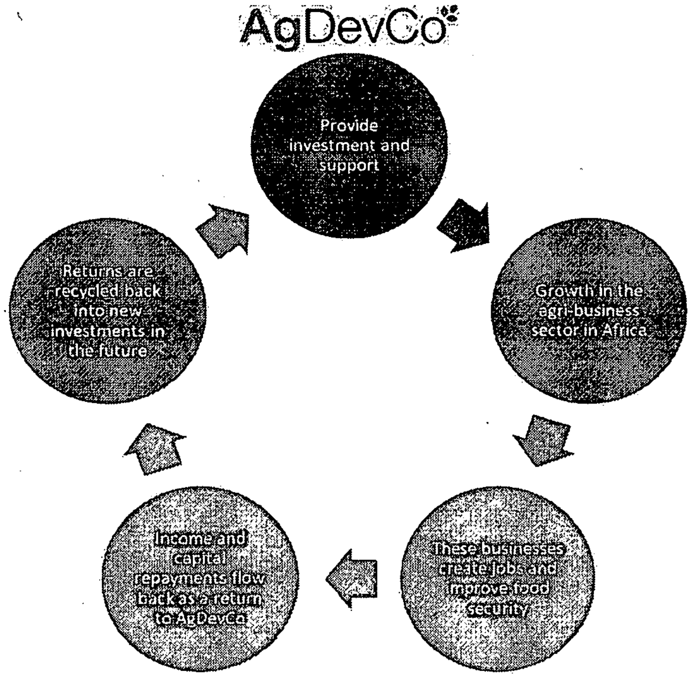
Members:	Keith Palmer Paul Collier Lindsay Northover James Harvey The (UK) Secretary of State of Foreign, Commonwealth, and Development Affairs ("FCDO")
Directors:	Keith Palmer Paul Collier Lindsay Northover James Harvey Henry Hagan (nominee director of the Secretary of State of Foreign, Commonwealth, and Development Affairs)
Registered office:	Ground Floor, Peer House 8-14 Verulam Street London WC1X 8LZ
Auditor:	BDO LLP 55 Baker Street London W1U 7EU

Company Information

ABOUT AGDEVCO

AgDevCo Holdings Limited acts as a holding company for the AgDevCo group and was set up as a company limited by guarantee in order to preserve the developmental mission of AgDevCo.

AgDevCo is a specialist investor in African agribusinesses. We provide growth capital and specialist support as partners to our high-potential investees. Our dual objectives are: to support the growth of sustainable agribusinesses and their contribution to poverty reduction, and to make a financial return. Returns on investments are then reinvested in similar projects to provide continued long-term impact.



OUR INVESTMENTS

We make investments with care and scrutiny. We target investments of between $2m and $10m in the debt and equity of growing businesses, across the agricultural value chain.

OUR OPERATIONAL SUPPORT

Alongside financial support, we provide hands-on guidance to management teams. We work on the ground from the outset, collaborating with our investees to grow their businesses, sharing commercial and agronomic expertise, bringing environmental, social and governance ("ESG") practices up to international standards, putting in place robust financial management systems, and creating new market opportunities by drawing on our wide networks.

OUR IMPACT

Our investments are boosting prosperity and improving food security for farmers, their households and communities. We are creating jobs, linking smallholders with markets and establishing successful export businesses. Ultimately, we will measure our success through the long-term transformational impact our investments make.

OUR LOCATIONS

We are active in 10 sub-Saharan African countries where agriculture is underdeveloped.

Chairman's Statement

In 2020, the Covid-19 pandemic severely affected the global economy, agricultural commodity markets and prospects for growth and poverty reduction in African countries. In recognition of the challenges posed, the Board increased its level of engagement, scrutiny and support during the year, meeting virtually and more frequently.

Through increased interaction with AgDevCo management, the Board was able to understand the impact of the pandemic on operations and the performance of agribusinesses in the AgDevCo portfolio. The Board was pleased to see a better performance than initially expected among businesses and in progressing new investments. The Board was also able to support AgDevCo in its pursuit of new and additional funding, recognising the significant efforts and progress made.

On behalf of Board members, I would like to add our sincere thanks to all the staff of AgDevCo for their efforts and adaptability in this year of special challenge, with a special note of thanks to those who supported the Board to do its work.

James Harvey
Chairman
27 September 2021

Strategic report

HIGHLIGHTS

The strategic report presented below refers to the performance of AgDevCo Holdings Limited and its subsidiaries for the year ended 31 December 2020.

For the year ended 31 December 2020, $28m of new investment commitments were made. The total committed portfolio value stood at $138m by the end of the year. Our investments have provided over 760,000 smallholder farmers with access to commercial markets whilst creating or maintaining over 15,600 jobs in sub-Saharan Africa.

AgDevCo was able to deliver its 2020 operating plan at below budgeted costs whilst achieving its key investment targets. Investment income was slightly lower than budgeted for the year as executing deals and disbursing funds took longer than anticipated.

COMMITTED PORTFOLIO VALUE:
$138 million

ACTIVE INVESTMENTS:
48

SMALLHOLDERS LINKED TO MARKETS:
>760,000 (37% women)

JOBS CREATED OR MAINTAINED:
>15,600 (22% women)

CORPORATE STRATEGY

We continue to follow our strategy of achieving financial sustainability alongside enhanced impact in sub-Saharan Africa. To reach sustainability, our current focus is on generating a more reliable income stream and building the value of our balance sheet over time.

During the year we continued to increase investment income and reduce costs bringing us ever closer to financial sustainability. This progress has continued despite the Covid-19 pandemic which restricted travel, our ability to close new deals and put pressure on our portfolio of agricultural investments. Furthermore, the portfolio has proven to be relatively resilient in the face of the pandemic with continued demand for food products and initial logistical issues resolved swiftly.

Our strategy currently emphasises debt and mezzanine investments of between $2m and $10m in established and profitable agribusinesses which can provide a robust income stream and upside potential for AgDevCo. Our experience is that these businesses are able to provide long-term impact at scale. During the year we have also exited a number of our underperforming smaller investments that have proved disproportionately time-consuming.

We continue to provide expert agricultural, ESG and operational advice to our investees to maximise their potential – improving sustainability and return on investment.

Strategic report

FINANCIAL PERFORMANCE

Financial performance for year was below budget. However, given the Covid-19 pandemic, the business performed well in reducing its cost base to offset lower than target income as disbursements to investees were delayed and USD treasury yields fell to close to 0%. The business continues to perform in line with its long-term strategy, committing a further $28m to high impact investments in the year, whilst reducing its cost base and growing recurring revenue. The reported net profit for the year of $10.3m is primarily driven by our accounting treatment for grant income. Grant income for both portfolio investing and operational costs is recognised through the profit and loss account as the costs or investments to which the grant relate are incurred or disbursed.

Investment income for AgDevCo was slightly lower than budgeted as disbursements of committed investments were delayed. Delays can occur in the completion of legal agreements and final due diligence as we ensure investment conditions (which may be financial or ESG related) are met.

The financial position of AgDevCo remains strong with significant reserves and cash balances relative to current liabilities.

CLIMATE CHANGE

AgDevCo is part of the solution to addressing climate change in Africa. Our investments in the agriculture sector reduce carbon emissions in supply chains and help farming communities adapt to changing weather patterns. We achieve this in a number of ways:

- Firstly, we invest in African farming and agri-processing companies, which results in lower food imports from outside Africa.
- Secondly, we promote sustainable farming practices including better soil management, use of improved varieties and integrated pest management. This reduces land pressure by allowing farmers to achieve better yields on their existing lands.
- Thirdly, we develop environmentally-sensitive irrigation schemes, allowing both commercial and smallholder farmers to grow crops all year round, with less vulnerability to drought.
- Finally, wherever feasible, we aim to sequester carbon in soils and biomass through regenerative approaches including minimum-tillage, agro-forestry and habitat restoration.

As part of our climate change strategy, going forwards we will measure and report on the level of carbon emissions from our activities, covering both our direct emissions and those of our portfolio companies. Our key commitments are as follows:

- We will publish an annual report setting out our performance in implementing our climate change strategy, including carbon accounting in line with the recommendations of the Task Force on Climate related Financial Disclosures (TCFD).
- We will ensure that climate change vulnerability and scope for resilience and adaptation measures are considered for all our investments.
- We will seek to achieve at least net zero carbon emissions within the next decade. This will start with our corporate activities and be followed by our investment portfolio. In some cases, we may need additional support from our funders to fully achieve this objective.

COVID-19 PANDEMIC

As at the time of writing, the full impact of the Covid-19 pandemic continues to develop. We continue to monitor the situation and are working closely with our investees to support them through this difficult period. At present given our cash reserves and continued support from our funders, AgDevCo is in a strong position to respond to the crisis and continue as a going concern.

Strategic report

KEY PERFORMANCE INDICATORS ("KPIs")

The Company monitors a number of key performance indicators on a quarterly basis which allow management to track performance from both a financial and impact perspective. A summary of our KPIs is provided below:

INVESTMENT COMMITMENTS
The level of new investment commitments provides a measure of investment activity undertaken by AgDevCo in the year as well as the level of funding to be received "on the ground" by our investees. The Covid-19 pandemic meant we were restricted in our ability to visit potential investees and carry out essential due diligence. However by utilising our staff on the ground and local consultants we were able to commit $28m to new deals in the year which was lower than our target but a strong performance given the events of the year.

COMMITMENTS ↓39%
2020: $28m
2019: $46m

INVESTMENT PERFORMANCE
Impairments reflect falls in value relative to the original cost of our investments. Whilst the portfolio has been resilient to the impacts of Covid-19 and all our active investments continue to trade we have recognised some additional impairments in our start-up primary Ag investments which continue to face challenges of scale.

ACTIVE PORTFOLIO IMPAIRMENTS ↑50%
2020: 12%
2019: 8%

INVESTMENT INCOME
Investment income includes interest and dividends received on our entire portfolio. Investment income is up on 2019 by 18%, however it was lower than budgeted for the year due to delays in disbursing amounts to investees. The investment income KPI has been updated from previous years to exclude bank deposit and liquidity fund income given rates earned are largely beyond AgDevCo's control.

INVESTMENT INCOME ↑18%
2020: $5.0m
2019: $4.3m

OPERATING EXPENSES TO FUNDS UNDER MANAGEMENT ("COE/FUM") RATIO
Core operating expenses have decreased following our restructure in 2019. In line with our strategy, we are achieving economies of scale with the ratio of operating expenses to funds under management falling.

COE/FUM RATIO ↓20%
2020: 4%
2019: 5%

SMALLHOLDERS ENGAGED

Development impact is key to AgDevCo's objectives. This KPI provides an indication as to the number of local farmers positively impacted directly by our projects. This activity complements our investment activity by providing training and on the ground support to smallholder farmers to achieve deep development impact locally.

SMALLHOLDERS ↑45%
2020: 760,000
2019: 516,000

ESG

As part of its investment activity AgDevCo seeks to demonstrate and facilitate best practice in corporate operations. As a responsible investor we stipulate in all our investment agreements our Responsible Business Principles and we now require our investees to adopt their own Anti-Bribery and Corruption and Whistleblowing policies. In summary, our Responsible Business Principles include provisions that:

- encompass health and safety;
- give our expectations for fair treatment of employees;
- include measures for stakeholder and community engagement;
- require compliance with all applicable laws and promotion of international best practices;
- seek to ensure high standards of business integrity and honesty; and
- expect the use of effective systems of internal control and risk management covering all significant issues, including environmental, social and ethical issues.

AgDevCo safeguards the welfare of our staff through our HR systems and specifically our global staff handbook which includes specific statements outlining our expectations on staff conduct, harassment and whistleblowing and states our zero-tolerance to any form of harassment or abuse. We have undertaken a thorough review of our safeguarding policies in the light of criticism of certain organisations where deficiencies in safeguarding policies have been identified and are satisfied that we provide adequate protection to our staff and those of entities where we have reasonable control.

Strategic report

RISK

AgDevCo faces corporate and investment risk. Identifying and managing these risks is the responsibility of the Board and the Audit and Risk Committee. Risks are monitored and managed on an ongoing basis through the use of a group-wide risk register.

Reputational risk: AgDevCo manages this risk by undertaking rigorous due diligence on the stakeholders/partners involved in any opportunity. It also seeks to be transparent and forthcoming about its investment activities to ensure timely and clear communication.

Funding risk: AgDevCo ensures that it does not commit resources to corporate expenditure or investment without committed funding to cover the resulting liabilities. A corporate budget is approved annually by the Board and monitored on a quarterly basis.

Political and country risk: AgDevCo has intimate knowledge and experience of the countries in which it operates, including local offices and on the ground employees. It also seeks to build productive partnerships whilst maintaining boundaries with both local and central government in the countries in which it operates and engage with reputable local management who can assist in navigating potentially challenging political situations. It is important for AgDevCo to be seen as apolitical in the event of a transition of government.

Business systems risk: AgDevCo is consistently upgrading its IT platform as advances become available and has contracted with an external IT team to manage risks. Back-up systems and cloud/remote storage help increase protection from loss.

Regulatory compliance risk: AgDevCo, as well as having an expert in-house legal team, seeks legal expertise in the countries in which it operates to ensure compliance. AgDevCo has offices in the countries in which it operates so that it can build local knowledge and understanding of relevant regulations. It also partners with local management and sponsors who have experience navigating these environments.

Currency risk: Consideration is made on a case-by-case as to whether and how exchange rate risk can be mitigated. In general, in order to protect our endowment, we only provide debt in US dollars. However, we recognise that this means that we must be a patient capital investor, allowing investee businesses to grow through adverse movements in currency valuation. In some limited circumstances, we are willing to provide local currency lending.

Investment performance risk: AgDevCo's mission and objectives mean that it invests in higher risk SME agribusinesses. AgDevCo has a detailed due diligence process that assesses all aspects of an investment to determine the merit of an idea and the capability of the team (either internal or external) to execute. It works to develop realistic projects and helps investees enhance business plans and provide hands-on technical advice to improve operations.

Development impact risk: AgDevCo manages this risk through its extensive due diligence process that considers development impact alongside financial return and ensures investment in projects with a compelling development case. AgDevCo has engaged a senior impact advisor to create tools and review AgDevCo's approach to impact. All of the investment teams include the wider impact objectives of the business in the investment process.

Social and environmental risk: AgDevCo has adopted, as a minimum, IFC Performance Standards on Social and Environmental Sustainability and the World Bank's General Environmental, Health and Safety Guidelines. These guidelines help identify and manage risks associated with agricultural development. In-house training on approved policies and procedures helps mitigate risks and the internal audit function evaluates the effectiveness of our ESG management.

This report was approved and signed on behalf of the Board by:

James Harvey
Director
27 September 2021

Directors' report

The directors have pleasure in presenting the financial statements of AgDevCo Holdings Limited (the "Company") for year to 31 December 2020 and the consolidated financial statements of AgDevCo Holdings Limited and its subsidiaries (the "Group") for the year ended 31 December 2020. The Company is incorporated in England and Wales.

Directors' registered address

The registered directors' office address is provided on page 2. The directors who served during the year are as follows:

Keith Palmer
Paul Collier
Lindsay Northover
James Harvey
Henry Hagan

Principal activities

AgDevCo Holdings Limited is a company limited by guarantee and acts as a holding company of AgDevCo Limited. AgDevCo Holdings acquired 100% of the shares of AgDevCo Limited on 7 May 2019. AgDevCo Limited is a specialist investor in African agribusinesses providing growth capital and specialist support to high-potential investees with the objective of creating a commercial African agriculture sector that benefits both people and planet.

Results and dividends

The Group profit for the year amounted to $10.3m (2019: $44.4m). The profit is mainly driven by investment income and grants received for investments made during the year. All profits are retained within the business to be reinvested in our developmental activities. No distributions are to be or have been made to the Members. The directors have assessed the underlying going concern assumption for the Company and deem it to be valid given the level of reserves and continued support from funders.

Future developments

The Group is well positioned to reach financial sustainability by 2022 and is currently seeking new funding to expand its portfolio and developmental impact.

Risk management

The Group seeks to make sustainable investments that do not erode the Group's capital base. This is managed through a thorough investment process overseen by the Board with ongoing review performed by the executive and non-executive team. AgDevCo's business of investing in growing agribusiness in sub-Saharan Africa results in exposure to commodity price, credit and liquidity risk - all of which are actively monitored and managed.

Guarantee

The Company is limited by guarantee and does not have share capital. Each member's guarantee is limited to £1.

Insurance

The Company has purchased and maintained throughout the period, directors' and officers' liability insurance in respect of itself and its directors.

Directors' report

Provision of information to the Auditor

Each of the persons who are directors at the time when the Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Group's auditor in connection with preparing its report and to establish that the Group's auditor is aware of that information.

The directors' report has been prepared in accordance with the provisions applicable to medium-sized companies. The board is satisfied that the Group's Anti-Bribery, Corruption and Whistleblowing policies have been effectively implemented.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

Covid-19 and Going Concern

The directors have considered the impact of the emergence and spread of Covid-19 and potential implications on future operations. This consideration included, but is not limited to the liquidity of the Group including an assessment of the impact of a temporary reduction in income, no external debt held by the Group, the ability of the Group to draw down cash from investors in line with available undrawn commitments, which provides sufficient funds to cover operating expenses for at least the next 12 months, and AgDevCo's business contingency plans to cope with sustained periods of remote working. As at 31 December 2020, the Group held liquidity funds and cash which provide it with multiple years of cover to meet its operational expenses and investment commitments.

The directors further considered the impact of Covid-19 on the underlying portfolio companies. Whilst there are significant wider market uncertainties which may impact portfolio company investments and investors, the directors do not believe this will significantly impact the liquidity of the Group over the next 12 months.

This report was approved and signed on behalf of the Board by:

James Harvey
Director
27 September 2021

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare both the Group and parent company financial statements in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of AgDevCo Holdings Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of AgDevCo Holdings Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the consolidated profit and loss account and other comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the Company balance sheet, the Company statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Independent auditor's report to the members of AgDevCo Holdings Limited

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the year ended 31 December 2020 for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the members of AgDevCo Holdings Limited

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

In addition, our testing also included, but was not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and the industries in which it invests in order to consider the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006 and international accounting standards
- Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- Testing the financial statement disclosures to supporting documentation and performing testing on account balances which were considered to be a greater risk of susceptibility to fraud
- Focusing on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:
    - enquiries of management;
    - review of minutes of Board meetings throughout the period; and
    - review of the fraud risk registers maintained for any signs of contingent liabilities or material fraud.
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations
- Making enquiries of Management as to whether there was any correspondence from regulators in so far as the correspondence related to the financial statements
- Performing targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud
- Reviewing of material estimates and judgements where fraud could be evidenced through deliberate manipulation of amounts.

Independent auditor's report to the members of AgDevCo Holdings Limited

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
BDO LLP
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Anne Sayers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
28 September 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated profit and loss account and other comprehensive income

		For the year ended 31 December	
	Notes	2020 USD'000	2019 USD'000
Investment income	2	5,037	4,260
Fair value movements on investments	13	(7,671)	(4,460)
Investment return		**(2,634)**	**(200)**
Other income	3	572	770
Other income		**572**	**770**
Core operating expenses	4	(7,845)	(9,830)
Grant funded and other expenses	4	(4,917)	(8,532)
Total expenses		**(12,762)**	**(18,362)**
Grant income received for investments completed	5	17,208	46,973
Grant for operational and investee support expenses	5	6,115	13,970
Profit from operating and investing activities		**8,499**	**43,151**
Net bank interest income		384	1,515
Unrealised foreign exchange movement	6	1,634	(205)
Profit before tax		**10,517**	**44,461**
Tax	8	(194)	(58)
Profit for the year		**10,323**	**44,403**
Other comprehensive income			-
Total comprehensive income for the year		**10,323**	**44,403**

The accompanying notes form an integral part of these financial statements (pages 23 – 43).

Consolidated balance sheet

As at 31 December

	Notes	2020 USD'000	2019 USD'000
Assets			
Current assets			
Loan investments	11	13,019	12,996
Other receivables	16	594	1,425
Liquidity funds	15	53,279	49,814
Cash and cash equivalents	15	40,466	32,114
Total current assets		**107,358**	**96,349**
Non-current assets			
Equity investments	12	22,816	24,079
Loan investments	11	59,294	54,395
Intangible assets	9	1	5
Plant and equipment	10	69	164
Total non–current assets		**82,180**	**78,643**
Total assets		**189,538**	**174,992**
Liabilities			
Current liabilities			
Trade and other payables	17	(4,042)	(2,601)
Non-current liabilities			
Grant to be disbursed for operating activities	18	(4,095)	(2,607)
Grant to be disbursed for investments	18	(61,578)	(60,284)
Total non-current liabilities		**(65,673)**	**(62,891)**
Total liabilities		**(69,715)**	**(65,492)**
NET ASSETS		**119,823**	**109,500**
Capital and Reserves			
Members' interest	20	-	-
Reverse acquisition reserve	20	452	452
Retained earnings		119,371	109,048
MEMBERS' FUNDS		**119,823**	**109,500**

The accompanying notes form an integral part of these financial statements (pages 23 – 43).

These financial statements were approved by the board of directors and were signed on its behalf by:

James Harvey
Director
27 September 2021

Consolidated statement of changes in equity

	Notes	Members' interest USD'000	Reverse acquisition reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2019	20	-	**452**	**64,645**	**65,097**
Profit for the year to 31 December 2019		-	-	44,403	**44,403**
At 31 December 2019		-	**452**	**109,048**	**109,500**
Profit for the year to 31 December 2020		-	-	10,323	**10,323**
At 31 December 2020		-	**452**	**119,371**	**119,823**

The accompanying notes form an integral part of these financial statements (pages 23 – 43).

Consolidated statement of cash flows

For the year ended 31 December

	Notes	2020 USD'000	2019 USD'000
Cash flow from operating activities			
Profit from operations before tax		10,517	44,461
Bank interest on cash balances		(384)	(1,515)
Depreciation of plant and equipment	10	97	36
Depreciation on software	9	4	22
Fair value movement on investments	13	7,671	4,460
Interest on loans accrued		(5,037)	(3,675)
Grant for investments made	5	(17,208)	(46,973)
Grant for operating activities	5	(6,115)	(13,970)
Foreign exchange movement		(1,634)	205
Cash outflow from operations before changes in working capital		**(12,089)**	**(16,949)**
Increase in trade and other receivables		831	(204)
Increase in trade and other payables		(1,210)	514
Cash flows from operations		**(12,468)**	**(16,639)**
Bank interest on cash balances		384	1,515
Tax paid		(194)	(58)
Grant funding received	19	28,700	54,618
Cash flow from operating activities		**28,890**	**56,075**
Cash flows from investing activities			
Loans issued	11	(16,905)	(36,418)
Loans repaid	11	12,810	9,352
Equity investments made	12	(663)	(10,480)
Equity investments sold	12	-	33
Investments in liquidity funds		(3,465)	(14,579)
Purchasing plant and equipment	10	(4)	(1)
Proceeds from sale of plant and equipment	10	2	137
Net cash flows from investing activities		**(8,225)**	**(51,956)**
Net increase/(decrease) in cash and cash equivalents		**8,197**	**(12,520)**
Foreign exchange gains on cash and cash equivalents		155	44
Cash and cash equivalents at 1 January		32,114	44,590
Cash and cash equivalents at 31 December	15	**40,466**	**32,114**

The accompanying notes form an integral part of these financial statements (pages 23 – 43).

Company balance sheet

	Notes	2020 USD'000	2019 USD'000
		As at 31 December	
Assets			
Non-current assets			
Investment in subsidiary held at cost	20, 23	75,902	75,902
Total non-current assets		**75,902**	**75,902**
Total assets		**75,902**	**75,902**
Liabilities		-	-
Total liabilities		-	-
NET ASSETS		**75,902**	**75,902**
Capital and Reserves			
Reserves	20	75,902	75,902
Retained earnings		-	-
MEMBERS' FUNDS		**75,902**	**75,902**

The accompanying notes form an integral part of these financial statements (pages 23 – 43).

These financial statements were approved by the board of directors and were signed on its behalf by:

James Harvey
Director
27 September 2021

Company statement of changes in equity

	Notes	Reserves USD'000	Retained earnings USD'000	Total USD'000
At 7 May 2019		**-**	**-**	**-**
Investment acquired in AgDevCo Limited on 7 May 2019	20	75,902	-	**75,902**
Profit for the period 7 May to 31 December 2019		-	-	-
At 31 December 2019		**75,902**	**-**	**75,902**
Profit for the year to 31 December 2020		-	-	-
At 31 December 2020		**75,902**	**-**	**75,902**

The accompanying notes form an integral part of these financial statements (pages 23 – 43).

Notes to the accounts

1. Financial statements preparation

Statement of compliance

The Company is a private company limited by guarantee incorporated, domiciled and registered in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102"). In May 2019 the group was formed through the acquisition by AgDevCo Holdings of AgDevCo Limited in a share for membership swap in order to entrench the developmental objectives of AgDevCo. Reverse acquisition accounting has been applied to the combination of AgDevCo Holdings Limited and AgDevCo Limited resulting in a true and fair override of the requirements of the Companies Act 2006. Further details of this are set out below in the section on judgements and estimates.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

In accordance with the provisions of section 408 of the Companies Act 2006 the Company has elected not to present a separate statement of profit and loss and other comprehensive income.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of preparation

The consolidated financial statements are presented in United States Dollars ("USD"), which is also the Company's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated. The GBP to USD exchange rate as at 31 December 2020 used was 1.3652 (2019: 1.3187) and the average exchange rate for the year was 1.3461 (2019: 1.2764).

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been presented at fair value in accordance with required standards and policies. The consolidated financial statements have been prepared on a going concern basis.

The directors have considered the impact of the emergence and spread of Covid-19 and potential implications on future operations. This consideration included, but is not limited to the liquidity of the Group including an assessment of the impact of a temporary reduction in income, no external debt held by the Group, the ability of the Group to draw down cash from investors in line with available undrawn commitments, which provides sufficient funds to cover operating expenses for at least the next 12 months, and AgDevCo's business contingency plans to cope with sustained periods of remote working. As at 31 December 2020, the Group held liquidity funds and cash which provide it with multiple years of cover to meet its operational expenses and investment commitments.

The directors further considered the impact of Covid-19 on the underlying portfolio companies. Whilst there are significant wider market uncertainties which may impact portfolio company investments and investors, the directors do not believe this will significantly impact the liquidity of the Group over the next 12 months.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2020. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Controlled investments in agricultural businesses made for the purpose of subsequent resale are excluded from consolidation in accordance with FRS102 CH9.9 and are instead carried at fair value through profit and loss alongside other equity investments. The list of consolidated and non-consolidated subsidiaries can be found in note 24.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment in accordance with FRS 102.

Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Key judgements and estimates made are described below:

i. Business combination accounting

On 7 May 2019 AgDevCo Holdings acquired 100% of the shares of AgDevCo Limited through a share for membership swap with AgDevCo Limited's sole shareholder. The transaction was done in order to formalise the governance of the group and entrench its developmental objectives. The nature of the transaction is unusual and therefore applying FRS102 has required the following judgements to be made.

The directors have considered the initial acquisition of AgDevCo Limited by the Company and the formation of the new group. In doing so the directors have followed the steps outlined in FRS 102 in order to identify the acquirer and acquiree and have concluded that although AgDevCo Holdings Limited is the legal acquirer, in substance and for accounting purposes, it is the accounting acquiree. This conclusion has been made with reference to specific guidance from the framework as described below:

- The management of the new group is drawn predominantly from the entity whose shares were acquired. The party with effective control over AgDevCo Limited pre acquisition was Keith Palmer (formally as sole shareholder). The Board of the newly formed group parent are the appointed members of AgDevCo Holdings Limited which include Keith Palmer and those detailed on page 2 primarily selected by him.

- The guidance suggests that when the fair value of one of the combining entities is significantly greater than that of the other combining entity, the entity with the greater fair value is likely to be the acquirer. The fair value of AgDevCo Limited was $76m and AgDevCo Holdings Limited was $nil at acquisition.

In identifying AgDevCo Limited as the acquirer in substance, management have concluded that the transaction should be accounted for as a reverse acquisition.

ii. Reverse acquisition accounting

Under the requirements of the Companies Act 2006, it would normally be necessary for the Company's consolidated accounts to follow the legal form of the business combination, in that case the pre-combination results would be those of AgDevCo Holdings Limited. AgDevCo Limited's results would then be brought into the Group from 7 May 2019, being the date of reverse acquisition. However, this would portray the combination as an acquisition of AgDevCo Limited by AgDevCo Holdings Limited and would, in the opinion of the Directors, fail to give a true and fair view of the substance of the business combination. Accordingly, the Directors have adopted reverse acquisition accounting as a basis of consolidation in order to give a true and fair view, which is necessary as the Companies Act 2006 does not allow this method of accounting.

In invoking the true and fair override, the Directors note that FRS 102 requires the identification of an acquirer and does not limit this to the legal parent.

As a consequence of applying reverse accounting, the results for these financial statements comprise the results of AgDevCo Limited for the year ended 31 December 2019 and the year ended 31 December 2020 plus those of AgDevCo Holdings Limited from 7 May 2019 (the date of reverse acquisition) to 31 December 2020.

The principal differences between the application of reverse acquisition accounting and acquisition accounting are:

- Acquisition accounting would have resulted in the recognition of a large negative goodwill balance which would have been amortised to the profit and loss account as the assets acquired in the combination were recovered
- The comparative results would have shown the results of AgDevCo Holdings Limited from date of incorporation to the date of acquisition and the consolidated results of AgDevCo Holdings Limited and AgDevCo Limited from 7 May 2019 to 31 December 2019.

Reverse acquisition accounting requires that consolidated financial statements are issued under the name of the legal parent (AgDevCo Holdings Limited) but reported as a continuation of the financial statements of the legal subsidiary (AgDevCo Limited), with an adjustment retroactively to the accounting acquirer's legal capital to reflect the capital of the legal parent (the accounting acquiree). Comparative information presented in these consolidated financial statements also is retroactively adjusted to reflect the legal capital of the legal parent (accounting acquiree).

iii. Measurement of fair values

As a number of the Group's accounting policies and disclosures require the measurement of fair values. The Group has an established control framework with respect to the measurement of fair values. This includes a Portfolio Review Committee that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The valuation committee semi-annually reviews significant unobservable inputs and valuation adjustments. If third party information is used in the valuation process, the committee will assess the evidence provided by such third parties in supporting the conclusion that the valuations meet the requirements of FRS102.

When measuring fair values of investments, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Foreign currency translation

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

2. Investment income

Accounting policy:

Investment income includes interest, dividends and administration fees but excludes treasury interest. Revenue is accounted for in accordance with FRS102. Interest and administration fees are recognised on an entitlement basis for the period presented in line with underlying loan agreements. Dividend income is recognised as dividends are declared and become due. Income is provided against where there is doubt over the future cashflows due to arise from a particular income generating asset.

Group:

	2020 USD'000	2019 USD'000
Interest	4,720	3,333
Dividend	21	515
Administration fees	296	412
Investment income	**5,037**	**4,260**

Income amounts are shown net of provisions for bad debt and amounts written off.

Notes to the accounts

3. Other income

<u>Accounting policy:</u>

<u>Other income</u>

Other income is derived from services such as business development, project development and reimbursement of legal expenses. The Group recognises income as performance obligations are met and once it is probable the Group will collect the consideration to which it is entitled under the contract.

Group:

	2020 USD'000	2019 USD'000
Reimbursed investee support expenses	203	297
Reimbursed project development expenses	-	2
Reimbursed legal expenses	230	446
Provision for bad debt	21	(3)
Other income	118	28
Total other income	**572**	**770**

4. Core operating expenses and grant funded and other expenses

<u>Accounting policy:</u>

The Group recognises expenses on an accruals basis i.e. in the period for which they are incurred. The Group disaggregates its costs into those that are core to its operations as an investment manager and are incurred as part of its ordinary business of investing in and managing sustainable agribusinesses investments. These core operating costs include investment management costs and overheads. In addition the Group promotes economic development in sub-Saharan Africa through greenfield project development, supporting smallholder farmers and evaluations. These costs are classified as other grant funded. This classification has been updated from those reported in 2019 to reflect the approach used by management and reported to funders.

Group:

	2020 USD'000	2019 USD'000
Core operating expenses	**7,845**	**9,830**
Project development expenses	489	888
Smallholder development expenses	3,999	4,957
Evaluations and other grant funded expenses	240	764
Restructuring expenses	189	1,923
Grant funded and other expenses	**4,917**	**8,532**

Notes to the accounts

5. Grant income

Accounting policy:

Grant income is recognised in accordance with FRS 102 CH24. Government grants are recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the funds will be received. Grant income is recognised systematically in the statement of other comprehensive income over the periods in which the entity recognises expenses for the related costs or investments for which the grants are intended to fund. A certain amount of grant income is available to spend on operating activities. This is recognised as the related costs are recognised in the profit and loss account. Grant income for investments is recognised as disbursed to investees.

Group:

	2020 USD'000	2019 USD'000
Grant income received for investments made	17,208	46,973
Grant for investee support and operational costs	6,115	13,970
Total grant income	**23,323**	**60,943**

In the current year presentation of the profit and loss account we have moved grant income to be part operating profit in line with the requirements of FRS102 given the nature of this income stream.

6. Expenses by nature

Group:

Profit for the year is stated after charging:	2020 USD'000	2019 USD'000
Employee benefit expenses (note 7)	6,243	7,603
Depreciation of plant and equipment (note 10)	97	36
Unrealised foreign exchange (gains)/ losses	(1,581)	205
Realised foreign exchange losses	25	6
Fair value losses (note 13)	7,671	4,460
Auditors remuneration	240	250
Operating leases expense (short-term leases) (note 21)	194	198

7. Employee benefit expenses

Group:

Employee benefit expenses (including directors) comprise:	2020 USD'000	2019 USD'000
Wages and salaries	5,050	6,050
Social security contributions and similar taxes	194	397
Defined contribution pension costs	497	590
Short-term non-monetary benefits	502	566
	6,243	**7,603**

The average monthly number of Group employees during the year was 60 (2019: 64). Amounts outstanding due to Group pension schemes at year end were $nil (2019: $nil).

Directors remuneration

Directors are those persons having authority and responsibility for planning, directing and controlling the activities of the Group (which includes directors of consolidated subsidiaries). The directors of the Company listed on page 2 did not receive any compensation during the period (2019: $nil).

8. Tax expense

Group:

Tax on profit on ordinary activities at 19% (2019: 19%): Tax paid in the UK is $nil (2019: $nil) as profit reported relates to grant income which not subject to tax in the UK.

Tax expense from continuing operations	2020 USD'000	2019 USD'000
Current tax on profits for the year	(194)	(58)
Tax expense on profit	**(194)**	**(58)**

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2020 USD'000	2019 USD'000
Profit for the year	10,517	44,461
Corporation tax expense	(194)	(58)
Profit after corporation taxes	10,323	44,403
Tax on profit on ordinary activities at standard rate:	(1,988)	(8,448)
Effects of:		
Fixed assets differences	16	(36)
Expenses not deductible for tax purposes	(4,007)	(4,308)
Non-taxable income	5,070	12,330
Foreign tax (charge)	(107)	(54)
Use of losses not previously recognised	822	458
Total tax credit expense	**(194)**	**(58)**

There were no changes in tax rates or factors affecting the future tax change. A cumulative deferred tax asset of $5.3m (2019: $5.4m) was not recognised.

9. Intangible assets

Accounting policy:

Externally acquired intangible assets: Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. Amortisation of intangibles is recognised in the operating and administrative expenses line of the statement of comprehensive income. The intangibles recognised by the Group are software, and their useful economic lives are 5 years.

	Group 2020 USD'000	Group 2019 USD'000
At 1 January	5	27
Depreciation charge for the year - software	(4)	(22)
At 31 December - software	**1**	**5**

10. Plant and equipment

Accounting policy: Items of property, plant and equipment are initially recognised at cost. Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Leasehold improvements	Over the life of the lease
Computer equipment	25% per annum straight line
Fixtures and fittings	25% per annum straight line
Motor vehicles	25% per annum straight line

	Group 2020 USD'000	Group 2019 USD'000
At 1 January	164	336
Additions	4	1
Disposals	(2)	(137)
Depreciation charge for the year	(97)	(36)
At 31 December	**69**	**164**

The net carrying amount of property, plant and equipment includes no amounts held under a finance lease (2019: nil). There was no impairment of plant and equipment during 2020 (2019: nil).

11. Loan investments

Accounting policy:

Loan investments at fair value through profit and loss:

The Group chooses to hold its portfolio of loan investments at fair value through profit and loss in accordance with FRS102 CH11.14. Financial assets held at fair value through profit or loss are re-measured to fair value at each balance sheet date until the assets are de-recognised. The gains and losses arising from changes in fair value are included in the profit and loss account in the period in which they occur. Gains and losses will include both realised gains and losses arising on the disposal of these financial assets and unrealised gains and losses arising from changes in the fair value of the assets still held.

Notes to the accounts

The Group performs a detailed evaluation of each loan instrument, considering both micro and macro-economic risks in order to project future cash flows. In preparing the valuation of each instrument, management has had to make judgements, estimates and assumptions.

Loan investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred with all risks and rewards of ownership.

All loan investments held by the Group are within Level 3 category as described in note 14.

As of 31 December 2020, the fair value of loan investments was as follows:

	Group 2020 USD'000	Group 2019 USD'000
Fair value at 1 January	67,391	37,211
Additions	16,905	36,418
Interest accrued	6,765	6,084
Repayments	(12,810)	(9,352)
Interest written off	(3,193)	(1,583)
Foreign exchange gains/(losses)	873	(5)
Fair value gains/(losses)	(3,618)	(1,382)
Fair value at 31 December	**72,313**	**67,391**
Of which:		
Current	13,019	12,996
Non-current	59,294	54,395
	72,313	**67,391**
Total fair value losses		
Fair value gains/(losses)	(3,618)	(1,382)
Provisions for interest and fee income	(1,465)	826
	(5,083)	**(556)**

12. Equity investments

Accounting policy:

Equity investments at fair value through profit and loss:

Unquoted equity investments are held directly by Group companies and managed by local project teams. As there is usually no identifiable market price for these investments, an estimated value for unquoted investments is determined with reference to the guidance in chapter 11 of FRS102 which allows valuation techniques commonly used in the market. In line with industry we prepare our valuations with reference to the International Private Equity and Venture Capital Valuation Guidelines. All but one equity investment held by the Group are within Level 3 category as described in note 15. One equity investment held by the Group is listed on a public stock exchange and uses Level 1 inputs in its valuation where those inputs are deemed to be reliable and representative of fair value.

The equity valuation policy is described below and requires the review of valuations on an investment-by-investment basis.

In determining fair value, the Group will assess each investment taking account of the stage of development of the business and its performance. Because AgDevCo may invest in pre-trading, early-stage agriculture businesses for which there may not be any further capital raising, trading results or other market data, it is likely that a performing investment may be held at price of recent investment for a suitable period, unless an impairment needs to be recognised. In addition, for early-stage businesses, a reduction in net asset value ("NAV") of the business is not in itself an indicator of impairment if it is in line with the business model at the time of investments and no unanticipated event has caused the reduction.

Typically, and in the absence of relevant market data, when the Group makes an equity investment, it will initially value it at the Price of Recent Investment, being the best estimate of fair value. At each reporting date, the Group will assess whether this remains the most appropriate valuation or whether to revalue the investment reflecting either an increase or decrease in value.

Investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred with all risks and rewards of ownership. All investment valuations are approved by the Portfolio Review Committee.

As of 31 December 2020, the fair value of equity investments was as follows:

	Group 2020 USD'000	Group 2019 USD'000
Fair value 1 January	24,079	17,646
Additions	663	10,480
Fair value losses	(2,570)	(4,009)
Disposals	-	(33)
Foreign exchange gains/(losses)	644	(5)
Fair value at 31 December	**22,816**	**24,079**

13. Fair value movements on investments

Fair value movement:

	Group 2020 USD'000	Group 2019 USD'000
Equity investments	(2,570)	(4,009)
Loan investments	(5,083)	(556)
Other fair value adjustments	(18)	105
Total	**(7,671)**	**(4,460)**

14. Financial instruments

Accounting policy:

The principal financial instruments used by the Group are: other receivables, cash and cash equivalents, liquidity funds, equity and loan investments, trade and other payables.

Financial instruments not measured at fair value include cash and cash equivalents, liquidity funds, other receivables, trade and other payables.

Financial instruments measured at fair value include equity and loan investments.

The fair value hierarchy of financial instruments measured at fair value is provided below.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. AgDevCo's financial assets measured at fair value are either within Level 1 or 3 category.

There were no transfers between levels during the period.

The valuation techniques and unobservable inputs used in determining the fair value measurement of Level 2 and Level 3 financial instruments are an estimation of fair value in line with IPEV guidelines on valuing unquoted investments and disclosed in more detail in notes 11 and 12.

The Group uses a variety of level 3 inputs to calculate the fair value of its investments including price of investment, net asset value and current market offers.

Financial assets measured at fair value through profit and loss:

Group:

	2020 USD'000	2019 USD'000
Loan investments	72,313	67,391
Equity Investments	22,816	24,079
Total investments measured at fair value	**95,129**	**91,470**

Financial assets measured at amortised cost:

Group:

	2020 USD'000	2019 USD'000
Liquidity funds	53,279	49,814
Cash and cash equivalents	40,466	32,114
Other receivables	594	1,425
Total financial assets measured at amortised cost	**94,339**	**83,353**

Financial liabilities measured at amortised cost:

Group:

	2020 USD'000	2019 USD'000
Trade and other payables	(4,042)	(2,601)
Total financial liabilities measured at amortised cost	**(4,042)**	**(2,601)**

15. Financial risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function, reporting to the CEO and Executive Committee ("EC"). The Group's Audit and Risk Committee regularly reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets and makes recommendations to the Board. The key financial risks detailed below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk through its debt investments. It is Group policy, implemented locally, to assess the credit risk of new borrowers and investees before entering into contractual agreements and then to manage these risks on an ongoing basis.

The Group has developed Investment Policies and Procedures ("IPP") which are agreed annually by the Board. These policies and procedures establish both the process and requirements for due diligence on each investment. They also define delegated authorities for approvals by the CEO and EC, the Investment Committee and the Board. The IPP also establish general expectations in relation to the size and structure of each investment exposure.

AgDevCo employs a risk-based approach to regular reviews of the portfolio investments – as set out in the IPP. Country directors review each investment monthly. The CEO, CIO and EC review each Country's investment portfolio quarterly. As part of the review of the portfolio borrowers are grouped according to their performance.

Credit risk also arises from cash and cash equivalents and deposits with banks and liquidity funds. Other financial assets are funds placed with money market funds. As the Group aims to protect capital, AgDevCo takes constructive approach to risk with short-term liquidity investments. Short dated bank deposits with banks with a high credit rating or triple A rated money market funds are the preferred method of investment with sovereign sterling or dollar bonds being considered where they can be held to maturity, and the exposure to capital risk is minimal.

The Audit and Risk Committee sets and reviews the treasury management policy. It monitors the utilisation of the credit limits regularly and at the reporting date does not expect any losses from non-performance by the counterparties.

The summary of cash and cash equivalents together with other financial assets are presented in the following table:

Notes to the accounts

Cash and cash equivalents and other financial assets

	Group 2020 USD'000	Group 2019 USD'000
Liquidity funds	53,279	49,814
Total other financial assets	**53,279**	**49,814**
Cash in bank and in hand	25,466	11,114
Short - term deposits	15,000	21,000
Total cash and cash equivalents	**40,466**	**32,114**

Market risk

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). There is also market risk in relation to commodity prices, local currency devaluation (see foreign exchange risk below) and political/regulatory environment risk that affects the investee's credit risk. The Group's Audit and Risk Committee analyses these risks on a quarterly basis, and the Investment Committee assesses the impact on the Group's investment portfolio.

Interest rate risk

The Goup has primarily invested in fixed rate loans and therefore the impact in movements in interest rates is unlikely to have a material impact on the business.

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions or holds investments denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with grant funds disbursed to local bank accounts in that currency. Where the Group's entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

AgDevCo seeks, as far as possible, to match the currency of funding received with the currency of our investments, and vice versa, to minimise currency risk.

AgDevCo funds for operational expenses are received in GBP and funds for investments are received in USD. Approximately 50% of operational expenditure is carried in USD and 50% in sterling ("GBP"). Small amounts of other currencies are used in overseas subsidiaries. Therefore 50% of operational funds received in GBP are exchanged on receipt to USD to match our expectation of expenditure by currency.

Notes to the accounts

As at December the Group's net exposure to foreign exchange risk was as follows – net foreign currency financial assets/(liabilities):

	2020 USD'000	2019 USD'000
Pound Sterling	1,416	1,012
Euros	21,719	19,385
Kenyan Shilling	8	-
Zambian Kwacha	268	339
South African Rand	(14)	(14)
Ugandan Shillings	25	9
Malawian Kwacha	(147)	512
Tanzanian Shillings	2,027	2,585
Ghanaian Cedis	(19)	(4)
Rwandan Franc	2	3
Sierra Leonean Leone	(12)	(8)
Mozambique Meticais	248	147
Other	(1)	-
Total net exposure	**25,520**	**23,966**

The effect of a 20% strengthening of EUR against the USD at the reporting date would, all other variables held constant, have resulted in an increase in post-tax profits and net assets by $3.5m. A 20% weakening in the exchange rate would, on the same basis, have decreased post-tax profit and decreased net assets by $3.5m.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it ensures cash is available in cleared funds before facilities are agreed. High cash balances are held as FCDO fund committed investments in full at investment approval but AgDevCo disburses amounts to investees in tranches over a period of time. Treasury is managed by the finance team. Cash for immediate needs is held in local current accounts and excess cash invested in low risk treasury funds and term deposits. Currency holdings are held to match commitments by currency. The majority of commitments are in USD therefore our balances are predominantly held in USD to match. Small amounts of Euros and African currencies are held to make payments to specific suppliers and meet the needs of our country offices.

The liquidity risk of each Group entity is managed centrally by the Group treasury function. Each operation has a facility with Group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the board in advance, enabling the Group's cash requirements to be anticipated. Where facilities of Group entities need to be increased, approval must be sought from the Group treasury function and the directors.

The contractual maturities (representing undiscounted contractual cash-flows) of current financial liabilities are all within 3 months.

Capital Disclosures

The Group does not have any debt financing and uses advances from funders to fund day to day operations. The Group finance function monitors the level of cash balances across the Group and the expected use of these funds for the next budget period compared to further drawdowns of funds from funders during that period. The Group aims to hold sufficient cash reserves to cover at least the anticipated net movement in cash for the next six months.

16. Other receivables

Accounting policy:

The Group's other receivables comprise prepayments and other receivables in the Consolidated and Company statement of financial position.

	Group 2020 USD'000	Group 2019 USD'000
Accrued income	-	143
Dividend accrued	-	515
Prepayments	125	112
Other receivables	337	415
Other current tax receivable	127	233
Corporation tax receivable	5	7
Total other receivables	**594**	**1,425**

17. Trade and other payables

Accounting policy:

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

	Group 2020 USD'000	Group 2019 USD'000
Trade payables	(2,876)	(555)
Other payables	(139)	(19)
Accruals	(991)	(1,994)
Total financial liabilities classified as financial liabilities measured at amortised cost	**(4,006)**	**(2,568)**
Other payables – tax and social security payments	(36)	(33)
Total trade and other payables	**(4,042)**	**(2,601)**

18. Grant funds to be disbursed

Accounting policy:

Grant income is recognised in accordance FRS102 CH24, using the performance model. Grant income is recognised systematically in the consolidated statement of comprehensive income over the periods in which the entity recognised net expenses or made a qualifying investment into AgDevCo projects.

Grant funds to be disbursed is grant income which is received but not spent yet. It will be allocated to operational expenditure net of income received as it arises, or to investments once amounts are disbursed to investees.

	Group 2020 USD'000	Group 2019 USD'000
Grants waiting disbursement for operating expenditure	(4,095)	(2,607)
Grants waiting disbursement for investment	(61,578)	(60,284)
Total funds deferred	**(65,673)**	**(62,891)**

19. Grant funding received

Accounting policy:

Grant funds are requested for operational expenses and investments on a quarterly basis. Grant funds for investments are requested once the investment approval is granted and the commitment to the investee is made. High cash balances are held as AgDevCo's funders fund committed investments in full at investment approval once the commitment to invest is made. However, disbursements are sometimes made in tranches over a period of time. The following grants were received during the period:

	Group 2020 USD'000	Group 2019 USD'000
Grant income received for operating expenses	8,827	9,719
Grant income received for investments	19,873	44,899
Total grant funds received	**28,700**	**54,618**

20. Capital and reserves

Member guarantee

The Company is limited by guarantee and does not have share capital. Each of the five members' guarantee is limited to £1.

Notes to the accounts

Reserves

On 7 May 2019 the Company acquired 100% of the share capital of AgDevCo Limited through a share for membership swap with AgDevCo Limited's existing sole shareholder. Upon acquisition a reserve balance was created reflecting the fair value of the shares exchanged for membership. The cost of the investment in AgDevCo Limited has been deemed to be its fair value of $75,902k at the date of acquisition.

Under reverse acquisition accounting the Group has recognised the existing share capital of AgDevCo Limited as a reverse acquisition reserve of $452k.

21. Leases

<u>**Accounting policy:**</u>

The Group recognises its leases as either operating or finance leases and accounts for them in accordance with FRS102 as follows:

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

For the year, all leases entered into by the Group were deemed to be operating leases with payments recognised in the profit and loss account.

Operating lease commitments

	Group 2020 USD'000	**Group 2019 USD'000**
Less than one year	194	198
Between one and five years	193	289
More than five years	-	-
	387	**487**

During the year $194k (2019: $198k) was recognised as an expense in the profit and loss account in respect of operating leases.

Notes to the accounts

22. Related party transactions

The Group has various related parties arising from its advisory relationships with key management personnel, its investment portfolio and its subsidiaries.

Key management personnel

Details of directors' remuneration paid through payroll are given in note 7. All exceptions are noted below.

Directors of entities within the Group, Keith Palmer and Daniel Hulls hold the following non-controlling Interests in AgDevCo companies which were paid for by AgDevCo Limited and remain due at the period-end:

Group Company	Share	Currency	2020 Currency	2020 USD	2019 Currency	2019 USD
Keith Palmer						
AgDevCo Tanzania Ltd	0.05%	TZS	50,000	32	50,000	32
AgDevCo Malawi Ltd	nil%	MWK	1		1	-
Africa Agricultural Development Company Mocambique Lda	1%	MZN	200	7	200	7
Daniel Hulls						
AgDevCo Uganda Ltd	0.1%	UGX	10,000	3	10,000	3

The relevant individual directors hold the share(s) as nominee and on trust for AgDevCo Limited and each such director has no beneficial interest in any such shares. As the shares are held for the benefit of AgDevCo Limited the results of these subsidiaries have been consolidated as if AgDevCo Limited owned 100% of the shares. The impact of this assumption is not considered material.

Investment portfolio

The Group makes investments in the equity of unquoted agribusinesses which as a result it controls or influences. From time to time, costs are recharged between these related parties and the Group. These transactions are made on an arm's length basis.

Controlled subsidiaries and controlled investment entities

Transactions that occur between consolidated subsidiaries, which are related parties of the Company, are eliminated on consolidation. AgDevCo Limited provides funding to each of its subsidiaries in the form of share capital, interest-free intercompany loans and grants.

23. Subsidiaries

The principal subsidiaries of AgDevCo Holdings Limited, all of which have been consolidated in these Group financial statements, are as follows:

Name	Country of incorporation	% owned 2020	% owned 2019	Profit/ (Loss) 2020	Net Assets 2020
				USD'000	USD'000
AgDevCo Zambia Ltd	Zambia	100	100	(37)	(10)
AgDevCo Uganda Ltd	Uganda	100	100	3	100

Africa Agricultural Development Company Mocambique Lda	Mozambique	100	100	(2,855)	(26,215)
AgDevCo Malawi Ltd	Malawi	100	100	418	(1508)
AgDevCo Limited	UK	100	100	10,539	119,854
AgDevCo Tanzania Ltd	Tanzania	100	100	(780)	(15,478)
AgDevCo Kenya Ltd	Kenya	100	-	-	1
AgDevCo Ghana Ltd	Ghana	100	100	(30)	15

As described above some directors hold the share(s) as nominee and on trust for AgDevCo Limited and has no beneficial interest in any such shares, we have therefore detailed AgDevCo Limited as effectively owning 100% of these shares for the purpose of this note and have consolidated the subsidiaries results as such. The impact of this is not deemed to be material.

The principal activity of all of the consolidated subsidiaries is to carry out grant funded activities and assist the group in investing in agriculture in sub-Saharan Africa. The registered office address of each subsidiary is detailed in the table below:

Entity	Registered office
AgDevCo Limited	Ground Floor, Peer House, 8-14 Verulam Street, London. WC1X 8LZ
AgDevCo Zambia Ltd	5th Floor, Mpile Office Park 74 Independence Avenue, Lusaka, 594x, Zambia
AgDevCo Uganda Ltd	3rd Floor, Diamond Trust Building, Plot 17/19 Kampala Road, Kampala, Kampala Pobox7166, Uganda
Africa Agricultural Development Company Mocambique Lda	446 - Av. Julius Nyerere - 1º andar esquerdo, Flat 1, Maputo, Mozambique
AgDevCo Malawi Ltd	Plot 90, Off Mphonongo, Area 43, Lilongwe 3, Malawi
AgDevCo Tanzania Ltd	2nd Floor, Village walk building, Plot No 435, Mahando Street, Masaki, Dar es Salaam
AgDevCo Kenya Ltd	ABC Towers, 4th Floor, Westlands, Waiyaki Way, P.O. Box 2919-00606, Nairobi, Kenya
AgDevCo Ghana Ltd	Gnat Heights, 30 Independence Avenue, 6th Floor, Accra, Ghana

AgDevCo Holdings Limited has accounted for the acquisition of 100% of the shares of AgDevCo Limited in the Company's company only financial statements as a purchase of an investment in a subsidiary. Under section 9 of FRS102, AgDevCo Holdings have opted to use the cost model and as no consideration has been paid, cost has been measured at the fair value of AgDevCo Limited's business.

24. Related undertakings

Controlled entities

The following equity investments held by Group were not consolidated in accordance with FRS102 CH9.9 and are carried at fair value through profit and loss. FRS102 requires that a subsidiary is excluded from consolidation if it is held exclusively with a view to subsequent resale and has not been previously consolidated. The entities detailed below are held by AgDevCo as part of its investment portfolio with a view resale at a future date. The Group has elected to hold these investments at fair value through profit and loss as permitted under CH9.26 of FRS102.

Notes to the accounts

Name	Country of incorporation	% owned 2020	% owned 2019	Profit/(Loss) 2020	Net Assets 2020
				USD'000	USD'000
Saise Farming Enterprises Limited	Zambia	60	65	(1,200)	208
Katito Farming Enterprices Limited	Zambia	62	62	(1,310)	595
Babator Farming Company Limited	Ghana	100	100	(628)	(1,520)
Nakifuma Farming Company Limited	Uganda	70	70	(449)	(82)
Empesa de Comercializacao Agricola Company Limitada	Mozambique	55	55	(200)	(1,398)

Associates

The Group also holds equity investments at investment level as part of its portfolio, which are carried at fair value through profit and loss. In line with the FRS102, they have been treated as part of the investment portfolio and are not consolidated and the group has elected to carry them at fair value through profit and loss as permitted under CH9.26 of FRS102. An associate is an entity over which an investor has significant influence but not control or joint control. The associate and investment level holdings treated in this way are as follows:

Name	Country of incorporation	% owned 2020	% owned 2019
Westfalia Fruto Mocambique Limitada	Mozambique	25	25
LAFCo	Mauritius	14	14
NWK Grain Handlers Limited	Zambia	10	10
Montesco S.A.	Mozambique	50	50
RDI Limitada	Mozambique	50	50
Citrum – Citrinos do Umbeluzi S.A.	Mozambique	48	48
Transurban Africa Limited	Mozambique	35	35
Sasumua Inc	Tanzania	18	18
Rungwe Avocado Company Limited	Tanzania	20	20
Equity for Tanzania Limited	Tanzania	49	49
ORI Meat Products (Mauritius) Limited	Tanzania	46	46
Afri-Oils Limited	Malawi	20	20
Africado Limited	Tanzania	33	33

25. Ultimate controlling party

The ultimate controlling party of the Group as at 31 December 2020 were the members as set out on page 2.

26. Events after the reporting date

Following year end there was a reported outbreak of African Swine Fever at one of AgDevCo's Ugandan farming investments. This is expected to have a significant impact on the farm's business and will likely result in a reduction in the value of the investment compared to the value at which it was held at 31 December 2020 and reported in these financial statements. As the outbreak occurred post yearend the valuation recorded is still valid at the reporting date but we are disclosing the matter here in line with FRS102 reporting requirements. Any reduction in value is not expected to be material to these financial statements.