



LIBERIAN AGRICULTURAL COMPANY

Independent Auditor's Report and Financial Statements
for the year ended December 31, 2023

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General Information

Country of incorporation	:	Liberia	
Nature of business	:	Sale of processed rubber	
Directors	:	Philippe De Groote - Chairman Hubert Fabri - Director François Fabri - Director Philippe Fabri - Director & Treasury Vincent Bolloré - Director Regis Helsmoortel - Secretary Oliver Onraet - Director Vijay Maira - Director	
Management team	:	Naveen Madan - General Manager David Verstraaten - Finance Manager	
Registered office	:	Liberian Agricultural Company (LAC) Compound 3 Grand Bassa County, Liberia	
Bankers	:	Ecobank (Liberia) Limited Liberia Bank for Development and Investment (LBDI) United Bank for Africa (Liberia) Limited Banque Cantonale de Fribourg – (Freiburger Kantonalbank) Switzerland	
Solicitors	:	Justice Advocates and Partner 18 th Street, Sinkor, Opposite Sajj House Monrovia, Liberia	
Auditors	:	Baker Tilly Liberia Certified Public Accountants 21 st Street & Gibson Avenue Fiamah, Sinkor, P.O. Box 10-0011 1000 Monrovia, 10 Liberia	

Directors' responsibilities and approval

The Directors are required by Title 5 of the Associations Law of Liberia to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations and business of the Company, and explain the transactions and financial position of the business of the Company at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the Company and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal controls established by the company and place considerable importance on maintaining a robust control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures, and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company, and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that, in all reasonable circumstances, is above reproach.

The focus of risk management in the Company is on identifying, assessing, managing, and monitoring all known forms of risk across the Company. While operating risk cannot be entirely eliminated, the Company endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

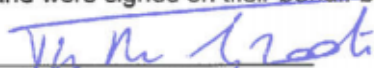
The Directors are of the opinion, based on the information and explanations given by management, that the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal controls can provide only reasonable and not absolute assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources, the Directors have no reason to believe that the company will not be a going concern in the foreseeable future.

The Company operates in an industry that is susceptible to changes in the global price of natural rubber, and over the last three years, the price of the commodity has been volatile. The company experienced financial losses from inception; the company experienced a loss of US\$17,904,213 for this year and profit of US\$3,676,894 prior year, and Company's retained earnings at year-end amounted to US\$11,807,619. The company's replanting program is continuing.

In light of the above, the Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company can source the resources required to remain in business for the foreseeable future.

The financial statements have been audited by the independent auditing firm, Baker Tilly Liberia, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors, and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditor's unqualified audit report is presented on pages 4 to 8.

The annual financial statements as set out on pages 9 to 30 were approved by the board on March 11, 2024 and were signed on their behalf by:


Philippe De Groote - Chairman


Mr. Regis Helsenmoortel - Secretary

Directors and their interest

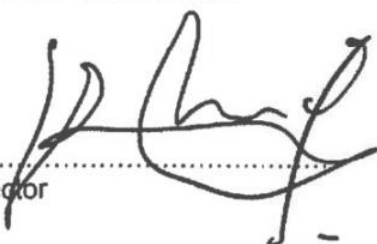
The names of the present directors are detailed on page 1.

No director had during the year a material interest in any contract or arrangement of significance to which the Company was or is a party.

Auditors

The auditors, Baker Tilly Liberia, have indicated their willingness to continue in office.

By Order of the Board

A handwritten signature in black ink, appearing to be "J. K. G.", written over a horizontal dotted line.

.....
Director

A handwritten signature in blue ink, appearing to be "J. K. G.", written over a horizontal dotted line.

.....
Director

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To: **The Shareholders of Liberian Agricultural Company**

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Liberian Agricultural Company (the "Company"), which comprise the balance sheet as at December 31, 2023, and the statement of income and expenses, statement of changes in shareholders' equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles (GAAP) as issued by the Financial Accounting Standards Board (FASB), and in the manner required by Title 5 of the Associations Law of Liberia.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Liberia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of audit of the financial statements and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Key audit matter(s)	How the matter was addressed in our audit
Valuation of Biological Assets The fair value of the Company's Biological Assets amounts to US\$38 million as of December 31, 2023. The valuation of biological assets has been performed by management using significant judgment and assumptions. Management's determination includes estimates and forecasts on the yield of biological assets as well as historical and projected price data. Due to the level of judgment and assumptions involved in the valuation, as well as the significance of biological assets to the Company's financial position, we consider this a key audit matter. Refer to Note 6 and Note 3 (c) to the financial statements for further information. Revenue Recognition Total revenue during the 2023 financial year amounted to US\$37.9 million. The Company's revenue is wholly related to sales of processed rubber to the Group's trading company. ASC 606 states that revenue is recognized when a performance obligation is satisfied by transferring control over a promised good or service. The amount of revenue arising on sales transactions is determined by agreement between the company and its customer (SOGESCOL FR). Revenue from the sale of processed rubber is recognized when the company has transferred the significant risk and reward of ownership to the buyer; the entity retains neither continuing managerial control involvement to the degree usually associated with ownership nor effective control over the goods; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs	We assessed management's assumptions used in the valuation of biological assets. We performed appropriate procedures on the transfer from development costs to biological assets, of amounts expended on land acquisition and replanting. We also reviewed management's assumptions and other judgmental factors that underpin management's valuation. Our audit procedures employed the use of forward-looking information in assessing the accuracy of management's determination of expected yields. Our conclusions are that management's valuation of biological assets is reasonable. Our audit procedures included, among others, inquiries with management regarding significant new contracts and relevant changes in existing contracts. The procedures also included reading significant contracts to understand the terms and conditions and their impact on revenue recognition. Walkthroughs were performed to gain an understanding of processes and internal controls, including management reviews with respect to revenue recognition. We inquired about and evaluated management's procedures relating to the sales price of raw rubber to its related party (customer). On a sample basis, we reconciled revenue to the supporting documentation, such as sales orders, weighbridge tickets and invoices. Specific emphasis was placed on verifying that revenue transactions at the end of the financial year and at the beginning of the new financial year were recognized in the proper accounting period, by comparing revenue close to the balance sheet date with the respective contractual terms and the Company's mode of recognition.

Key audit matter(s)	How matter was addressed in our audit
incurred, or to be incurred, in respect of the transaction can be measured reliably. Due to the Company's business model and its relationship with its customer as a member of the Socfin Group, omissions of, or delays in, revenue recognition could occur. Transactions could also occur under non armslength terms. Revenue is a key performance indicator relevant to internal and external stakeholders. Consequently, there could be pressure to achieve forecasted results. This could lead to increased audit risk relating to sales cut-off and the recording of revenue in the proper accounting period. See Note 3(i) to the financial statements for further information. Related party balances and transactions The Company has large volumes of transactions with related parties in the normal course of business. Related party balances and transactions are assessed as a key audit matter, as the large volume of transactions increases the potential risk of misstatements. Additionally, the Company entered into agreements with related parties that were quite complex and that involved material balances in the financial statements. Refer to Notes 9b, 14b, 15, and 23 to the financial statements for further information.	Furthermore, we assessed the Company's disclosures relating to revenue recognition. Our audit procedures included the assessment of controls over transactions with related parties. We tested the design and operating effectiveness of relevant controls over the intergroup sales and purchases. This included testing controls over the accuracy and completeness of the transactions. We also obtained an understanding of the process for identifying related party transactions, performed a walkthrough and evaluated the design of controls. In addition, we performed the following substantive audit procedures: ▪ Determined if the related party balances and transactions that existed or occurred, were accurate and complete. ▪ Evaluated the business rationale of significant transactions including any non-routine transactions. ▪ Obtained direct confirmations on the related party balances and/or performed alternate procedures; and ▪ Determined that the disclosures in the financial statements relating to related parties were in accordance with US GAAP.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

- Management is responsible for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles (GAAP) as issued by the Financial Accounting Standards Board (FASB), and the requirements of Title 5 of the Associations Law of Liberia; and for such controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the provisions of Association's Law Title 5 of the Liberian Code of Laws Revised, we also report that:

- I. We have obtained all the information and explanations which to the best of our knowledge and belief were required for the purposes of our audit; and,
- II. The Company's statement of financial position is properly drawn up so as to exhibit a true and fair view of the state of the Company's affairs according to the best of the information and the explanations given to us and as shown by the books of the Company.

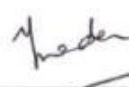
Baker Tilly Liberia
(Certified Public Accountants)
Monrovia
March 11, 2024

Balance Sheet

As of 31 December 2023

In United States \$	Note	2023	2022
Assets:			
Non-current assets			
Property, plant and equipment	5	26,676,216	26,453,248
Biological assets	6	38,013,605	39,225,624
Investment in SRC	7	-	18,316,350
Total non-current assets		64,689,821	83,995,222
Current assets			
Inventories	8	10,931,459	13,395,581
Trade and other receivables	9a	2,527,164	2,617,386
Intercompany receivables	9b	5,821,456	3,470,676
Cash and bank balances	10	1,413,368	1,104,807
Corporate tax overpaid	13	4,244,908	3,000,625
Total current assets		24,938,355	23,589,075
Total Assets		89,628,176	107,584,297
Equity and Liabilities:			
Equity			
Common stock	11	31,105,561	31,105,561
Other component of equity			
Retained earnings	12	11,807,619	29,711,832
Total equity		42,913,180	60,817,393
Liabilities			
Current liabilities			
Trade and other payables	14	5,835,646	6,727,915
Corporate taxes		-	629,000
Intercompany payables		12,109,152	10,639,791
Total current liabilities		17,944,798	17,996,706
Non-current liabilities			
Loan from Shareholders	15	28,770,198	28,770,198
Total non-current liabilities		28,770,198	28,770,198
Total Equity and Liabilities		89,628,176	107,584,297


 David Verstraaten
 Finance Manager


 Naveen Madan
 General Manager

The notes on pages 13 to 30 are an integral part of these financial statements

Statement of Income and Expenses
For the year ended December 31, 2023

In United States \$	Notes	2023	2022
Net sales	16	37,852,639	42,581,599
Cost of sales	17	(26,150,359)	(26,086,344)
Gross profit		11,702,280	16,495,255
General and administrative expenses	18	(11,394,898)	(12,273,797)
Other Income	19	204,685	127,129
Operating profit		512,067	4,348,587
Finance costs	20	(99,931)	(42,693)
Loss on disposal of investment	21	(18,316,349)	-
(Loss) / Income before income tax		(17,904,213)	4,305,894
Income tax provision	13a	-	(629,000)
Net (loss) / income after corporate tax		(17,904,213)	3,676,894
Income for the year attributable to owners:			
Socfinaf S.A		(17,904,213)	3,676,894

The notes on pages 13 to 30 are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2023

In United States \$	Notes	2023	2022
Net (loss) / income		(17,904,213)	3,676,894
Adjustment for:			
Depreciation and amortization	5 & 6	3,951,484	3,708,094
Gain on sales of PPE	19	(9,000)	(88,887)
Loss on disposal of investment	21	18,316,349	-
Operating cashflow before changes in working capital		4,354,620	7,296,101
Changes in working capital			
Inventories		2,464,121	(2,160,095)
Trade and other receivables		90,221	(969,414)
Corporate tax		(1,873,283)	629,000
Trade and other payables		(892,274)	760,778
Intercompany payable		1,469,361	(2,845,744)
Intercompany receivable		(2,350,775)	582,074
Net cash flows from operating activities		3,261,987	3,292,700
Cash flows investing activities:			
Purchase of property, plant and equipment	5	(2,521,089)	(1,935,207)
Sales of property, plant and equipment	19	9,000	88,887
Development cost of biological assets	6(b)	(441,338)	(817,672)
Movement on PPE		-	97,379
Proceeds from investment disposal		1	
Net cash flows used in investing activities		(2,953,426)	(2,566,613)
Total cash movement for the year		308,561	726,087
Cash at the beginning of the year		1,104,807	378,720
Total cash at the end of the year		1,413,368	1,104,807

The notes on 13 to 30 are integral parts of these financial statements

Statement Changes in Owner's Equity

For the year ended December 31, 2023

In United States \$	Common Stock	Retained Earnings	Total
Balance at January 1, 2023	31,105,561	29,711,832	60,817,393
Loss for the year	-	(17,904,213)	(17,904,213)
Balance as of December 31, 2023	31,105,561	11,807,619	42,913,180
Balance at January 1, 2022	31,105,561	26,034,938	57,140,499
Profit for the year	-	3,676,894	3,676,894
Balance as of December 31, 2022	31,105,561	29,711,832	60,817,393

The notes on 13 to 30 are integral parts of these financial statements

Notes to the annual financial statements

1. Reporting entity

Liberian Agricultural Company (the Company) is domiciled in Liberia with a registered office in Compound 3, Grand Bassa County, Liberia.

The financial statements of the Company as of December 31, 2023, and for the year then ended comprise those of the Company alone. The Company's principal activity is the sale of processed rubber harvested from its farm and purchased from local farmers.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as issued by the Financial Accounting Standards Board (FASB) and in the manner required by Title 5 of the Associations Law of Liberia..

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis except otherwise stated .

(c) Functional and reporting currency

These financial statements are presented in United States dollars, which is the entity's functional and reporting currency. All financial information presented in United States dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgments

In the process of applying the Company's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements as:

(e) Going concern

The Company operates in an industry that is susceptible to changes in the global price of natural rubber, and, over the last five years, the price of the commodity has been volatile. The Company experienced a loss of US\$17,904,213 and made a profit of US\$3,676,894 in the previous year. In 2018, the company commissioned a newly-constructed rubber processing plant. Also, in 2022, additional rubber processing plant was acquired to support the company's production continuity. The company's replanting program is continuing.

In light of the above, the Company's management has assessed the Company's ability to continue as a going concern and is satisfied that the Company can source the resources required to remain in business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

Notes to the annual financial statements (continued)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements and have been applied consistently by the Company. Specific comparative amounts have been reclassified to conform to the current year's presentation.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate on that date. The resultant gain or loss on the exchange is taken to the income statement.

(b) Property, plant, and equipment

(i) Recognition and measurement

All property, plant, and equipment are stated at historical cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset (costs of bringing the assets to its location and working condition). Construction in progress represents property under construction or plant and equipment undergoing installation and is not depreciated; upon completion of construction or facility, the attributable cost of each asset is transferred to the relevant asset category.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Significant improvements are capitalized.

(iii) Depreciation

Depreciation of property and equipment is calculated to write off the cost or valuation over the estimated useful lives of the assets on a straight-line basis. Property and equipment are depreciated from the month the asset is brought into use. The useful life of various asset categories is as follows:

- | | | |
|---|--|-------------------|
| i. Buildings- | the remaining life of the concession agreement | |
| ii. Housing equipment, furniture & fixtures | | five to ten years |
| iii. Industrial & workshop equipment | | five years |
| iv. Office equipment & furniture | | five to ten years |
| v. Communication & laboratory equipment | | five years |
| vi. Generators & light equipment | | five years |
| vii. Vehicles & motorbikes | | three years |

Notes to the annual financial statements *(continued)*

Significant accounting policies *(continued)*

(iv) Disposals

Property, plant, and equipment are derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the income statement within "Other Income" in the year the asset is derecognized.

(c) Long-lived Assets

The company reviews its long-lived assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Determination of potential impairment related to assets and use is based upon undiscounted future cash flows resulting from the use and ultimate disposition of the asset. The company's long-lived asset is rubber trees (biological assets) which comprise mature and immature rubber trees in the company's plantation.

(a) Initial Recognition

The company measures its biological assets at the cost of all expenditures incurred in acquiring the land for planting up to the point at which the trees become mature and ready for tapping is captured in development costs. These costs usually include the price of the lease of the land, fees paid to survey the land, cost of machinery to clear the land, costs of fertilizers, wages, and salaries paid to staff who periodically weeds and prune the nursery, plants the stumps, etc. These costs are capitalized as incurred and held in the development accounts until the trees are fully matured and ready for harvest, at which time the costs are transferred to matured rubber (where it is now depreciated).

(b) Subsequent measurement

Biological assets are subsequently measured at cost less accumulated depreciation. The trees are depreciated on a straight-line basis over 20 to 30 years

(d) Inventories

Inventories are initially recognized at cost and subsequently at average cost. The cost of inventories is based on the weighted average method and comprises of all cost of tapping (harvesting) and other costs incurred in bringing the unprocessed rubber to its location and condition for processing, those cost incurred in the processing of the rubber and bringing the processed rubber to its present location and condition of sale.

Notes to the annual financial statements *(continued)*

Significant accounting policies *(continued)*

(e) Employee benefits

(i) Defined contribution plans

The Company operates a defined contribution plan that is generally funded through payments of fixed monthly contributions to the National Social Security and Welfare Corporation (NASSCORP) on a mandatory basis. The Company has no further payment obligations (legal or constructive) once the contributions have been paid. Obligations for contributions to this defined contribution plan are recognized as an employee benefit expense in the income statement when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) End of service benefits

The company operates an end of service benefits scheme that is not funded. Under the scheme, the employer's obligation falls due within twelve months after the end of service by the employee. An employee who has worked for more than a year is entitled to the benefit of each completed year of service.

(iii) Termination benefits

Termination benefits are payable when the Company terminates employment before the regular retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(f) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise account and other receivables, cash and cash equivalents, loans and borrowings and accounts, and other payables.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value, through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below. A financial instrument is recognized if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the company's contractual rights to the cash flow from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flows statement.

(ii) Derivative financial instruments

The company does not hold derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Notes to the annual financial statements *(continued)*

Significant accounting policies *(continued)*

(g) Common stock and reserves

Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(h) Provisions

Provisions for legal claims are recognized when the company has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar requirements, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(i) Revenue

Measurement

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on sales transactions is determined by agreement between the company and its customer (SOGESCOL FR). It is measured at the fair value of the consideration received or receivable, taking into account the amount of any discounts and volume rebates allowed by the entity.

Recognition

Revenue from the sale of processed rubber is recognized when the company has transferred the significant risk and reward of ownership to the buyer; the entity retains neither continuing managerial control involvement to the degree usually associated with ownership nor effective control over the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, and the costs incurred to or incurred in respect of the transaction can be measured reliably.

(j) Income tax expense

Income tax expense comprises typically current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized, using the liability method on temporary difference arising between the tax carrying values of assets and liabilities and their carrying amounts in the financial statements.

Notes to the annual financial statements (continued)

Deferred tax liabilities are recognized for all temporary taxable differences, except:

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized.

4. Financial Risk Management

4.1 Financial Risk Factors

The Board has overall responsibility for the determination of the entity'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 goals and policies to the entity's finance function. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the entity's flexibility.

(a) Credit risk

Credit risk is the risk of financial loss to the entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The entity is mainly exposed to credit risk from loans to local farmers. Presently, a precautionary action has been taken by management by the closure of all rubber buying stations and the cancellation of cash or material loans to local farmers; those who the company has considered as major delinquent debtors

(b) Foreign exchange risk

Foreign exchange risk arises when the entity enters into transactions with other parties (including sister companies), and such are transactions denominated in a currency other than their functional currency.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Management ensures that its sales contracts to SOGESCOL FR are respected, and deliveries are made at the Freeport of Monrovia on time, and the weekly expenditure forecast is made in terms of expected expenditure

Notes to the Financial Statements (continue)

Financial Risk Management (continue)

Liquidity risk (continue)

a. Capital Management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the entity may change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the balance sheet plus net debt.

The gearing ratios at December 31, 2023 and 2022 were as follows:

	2023	2022
Total borrowing	46,714,996	46,766,904
Less Cash and cash equivalent (Note 10)	1,413,368	1,104,807
Net Debt	45,301,628	45,662,097
Total Equity	42,913,180	60,817,393
Total Capital	88,214,808	106,479,490
Gearing ratio	51%	43%

Notes to the Financial Statements (continued)

5. Property, plant, and equipment

	Building	Vehicle	Industrial & Earth Moving Equip	Office Equipment and Furniture	Hospital & Household equipments	Workshop & Sundry Equipments	Construction in Progress	HPP Project	Accum. Result
As at 1-Jan-23	15,777,058	3,334,269	11,330,056	1,247,439	1,792,335	762,766	1,138,220	15,588,443	50,970,586
Addition during the year	-	667,634	1,175,413	48,109	56,970	39,663	505,446	27,854	2,521,089
Disposal/write off	-	(159,531)	(419,132)	(39,261)	-	-	-	-	(617,924)
Transferred	1,122,735	-	-	-	-	-	(1,122,735)	-	-
As at 31-Dec-23	16,899,793	3,842,372	12,086,337	1,256,287	1,849,305	802,429	520,931	15,616,297	52,873,751
As at 1-Jan-22	15,606,197	3,030,232	11,755,945	1,425,686	1,843,287	1,220,938	152,216	15,698,618	50,733,120
Addition during the year		441,987	217,318	69,552	24,969	24,516	1,156,865		1,935,207
Disposal/write off		(137,950)	(643,207)	(247,800)	(75,920)	(482,688)		(110,174)	
Adjustment or reclassifications									
Transferred	170,861						(170,861)		
As at 31-Dec-22	15,777,058	3,334,269	11,330,056	1,247,439	1,792,335	762,766	1,138,220	15,588,443	50,970,587

Notes to the Financial Statements (continued)

Accumulated Depreciation

As at 1-Jan-23	7,950,904	2,746,180	8,557,951	996,477	1,453,523	673,832	-	2,138,472	24,517,339
Charge for the year	668,382	393,767	642,166	95,023	57,258	31,986	-	428,454	2,317,035
Disposal or writeoff	-	(162,852)	(424,816)	(46,723)	(882)	(384)	-	(1,182)	(636,839)

As at 31-Dec-23	8,619,286	2,977,095	8,775,301	1,044,777	1,509,899	705,433	-	2,565,743	26,197,535
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As at 1-Jan-22	7,295,516	2,611,992	8,618,213	1,138,238	1,457,978	1,130,419	-	1,725,581	23,977,936
Charge for the year	655,388	273,002	580,495	105,879	70,104	25,120	-	430,640	2,140,628
Disposal or writeoff		138,815	640,758	247,639	74,558	481,708	-	17,749	1,601,226

As at 31-Dec-22	7,950,904	2,746,180	8,557,951	996,477	1,453,523	673,832		2,138,472	24,517,340
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Carrying value

As at 31 December 2023	8,280,507	865,277	3,311,036	211,510	339,406	96,996	520,931	13,050,554	26,676,216
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As at 31 December 2022	7,826,155	588,090	2,772,105	338,812	88,935	1138220	-	13,449,970	26,453,248
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Notes to the financial statements (continued)

Depreciation commences when the assets are available for use. Depreciation and amortization expense for the year ended December 31, 2023, in the amount of **\$3,951,484 (\$1,653,357)** is included in the cost of production, with an amount of **(\$2,298,127)** included in operating expenses.

6. Biological assets

a. Mature Rubber Trees	
Cost	
As at January 1, 2022	47,319,116
Transferred from development cost (matured rubber) ²	1,515,329
Additions	
Disposal or write off	(3,645,533)
As at 31 December 2022	45,188,912
As at January 1, 2023	45,188,912
Transferred from development cost (matured rubber)	1,233,207
Additions	-
Disposal or write off	(186,918)
As at 31 December 2023	46,235,201
As at January 1, 2022	17,870,755
Current charge	1,568,330
Disposal /write off	(364,553)
Adjustment or reclassifications	
As at 31 December 2022	15,793,552
As at January 1, 2023	15,793,552
Current charge	1,663,162
Disposal /write off	(196,723)
Adjustment or reclassifications	
As at 31 December 2023	17,259,991
Net Book Value	
As at 31 December 2023 (A)	28,975,210
As at 31 December 2022 (a)	29,395,360

Notes to the financial statements *(continued)*

Biological assets *(continued)*

Development Cost	
Cost	
As at January 1, 2022	10,527,921
Transferred from development cost (Matured Rubber)	(1,515,329)
Additions	817,672
As at December 31, 2022 (b)	9,830,264
As at January 1, 2023	9,830,264
Transferred from development cost (Matured Rubber)	(1,233,207)
Additions	441,338
As at December 31, 2023 (B)	9,038,395
Total A & B	38,013,605
Total a & b	39,225,624

The costs of all expenditures incurred in acquiring the land for planting up to the point at which the trees become mature and ready for tapping are captured in development costs. These costs usually include the price of the lease of the land, fees paid to survey the land, cost of machinery to clear the land, costs of fertilizers, wages, and salaries paid to staff who periodically weeds and prune the nursery, plants the stumps, etc.

Investment in Salala Rubber Corporation

In 2012, the Liberian Agricultural Company acquired a total number of 183 shares in Salala Rubber Corporation (SRC). LAC bought eighty-four (84) new shares at US\$65,650 per share, thus the total consideration of US\$5,514,600 through the conversion of SRC's outstanding obligation in the amount of US\$5,500,000 into equity plus a cash balance payment of US\$14,600. The remaining 99 shares were acquired for US\$5,525,000.00 from Agrifinal.

In 2013, the outstanding credit facility granted by LAC to SRC in 2012 was converted into 96 new shares for an amount of US\$6,300,000.00, plus a cash payment of US\$2,400.

On October 24, 2023, the Board of Directors of Liberian Agricultural Company approved the sale of LAC's investment of US\$ 18,316,350, representing 279 shares in SRC, at a symbolic value of US\$ 1 in total to Socfinaf, the parent company of LAC. LAC incurred a loss of US\$ 18,316,349. LAC's investment was 35% of SRC's capital.

Notes to the financial statements (continued)

In United States \$		2023	2022
7	Investment in SRC		
	Unlisted shares	-	18,316,350
		-	18,316,350
8	Inventories		
	Raw rubber stock	4,792,846	4,379,619
	Processed rubber stock	2,243,053	3,779,144
	Materials and supplies	4,765,560	5,266,818
		11,801,459	13,425,581
	Less: Provision for obsolete stocks	(870,000)	(30,000)
		10,931,459	13,395,581
9a.	Trade, other receivables & prepayments		
	Staff receivables	315,640	372,504
	Accounts receivables	2,202,044	2,209,705
	Prepayments	9,480	35,177
	Gross receivables	2,527,164	2,617,386
	Allowances for doubtful debts	-	-
	Net realizable value	2,527,164	2,617,386
9b.	Intercompany balances receivables		
	Sogescol FR	3,849,617	1,351,368
	Invoices / DN Socfinco pending	2,670	22,655
	Salala Rubber Corporation	1,950,000	140,920
	Salala SRC loan	-	1,950,000
	SOGB	19,169	5,733
	Total Intercompany receivables balances	5,821,456	3,470,676

Advance to Salala Rubber Corporation

In August 2019, the Liberian Agriculture Company signed an advance agreement with Salala Rubber Corporation in the amount of US\$ 4,500,000 (four million five hundred thousand United States Dollars) to facilitate the smooth and efficient operation of SRC. The principal amount of the agreement is US\$ 4,500,000.00 with an interest rate of 7.7% for the period of three years, starting 2019 to 2021. Of this amount, Liberian Agriculture Company have given Salala Rubber Corporation US\$1,950,000 in 2020. The principal amount of the advance shall be received by Liberian Agriculture Company by June 30, 2024.

Notes to the financial statements (continued)

The interest and commissions agreed to be received by LAC shall commence to accrue as of the date of the first disbursement by LAC of all, or any portion of the advance, subject of the agreement. All payment of interest and commissions shall be received through a deduction from the payment due by LAC on the raw rubber purchased from SRC.

Allowance for doubtful debts

The allowance for doubtful debts consists mainly of the provision made for local farmers, which were paid in advance to harvest rubber with the agreement that such harvests would have been sold to the company. Most of these farmers did not settle their obligation.

Intercompany receivable is a result of sales of rubber on account of the entity's sister company. The company makes sales of its produce to this company only. No allowance for doubtful debts is made for intercompany receivables.

In United States \$	2023	2022
10 Cash and bank balance		
Cash on hand	273,634	271,611
Bank balances	1,139,734	833,196
	<u>1,413,368</u>	<u>1,104,807</u>
11 Common Stock		
As at January 1 2023	31,105,561	31,105,561
As at December 31 2023	<u>31,105,561</u>	<u>31,105,561</u>
12 Retained earnings		
As at 1 January	29,711,832	26,034,938
Net profit for the year	(17,904,213)	3,676,894
As at 31 December	<u>11,807,619</u>	<u>29,711,832</u>
13 Corporate tax over paid		
Corporate income tax receivable	483,022	2,902,625
Deferred corporate tax liabilities	-	98,000
Validated tax credit (up to 2018)	3,761,886	-
	<u>4,244,908</u>	<u>3,000,625</u>

Corporate income tax receivable of US\$483,022 represents advance corporate taxes paid that has not been subject to tax audit. In 2023, based on the tax audit on the operations of the Liberian Agricultural Company for the years 2013 – 2018, the Liberia Revenue Authority granted the Liberian Agricultural Company a tax credit of US\$3,761,886 in respect of advance taxes paid.

13a. Corporate tax

Provision for income tax	-	629,000
Corporate taxes	-	<u>629,000</u>

Notes to the financial statements (continued)

In United States \$	2023	2022
14a. Trade and other payables		
Account payables -Trade	3,133,167	2,650,509
Salaries and wages payables	444,569	361,695
Withholding Taxes	236,291	744,391
Account Payables Staffs	143,091	119,391
Social security and other tax payables	65,743	63,029
LBDI Bridge loan	1,812,785	2,788,900
	5,835,646	6,727,915
14b.		
Socfinco FR	3,564,948	2,728,488
Salala Rubber Corporation	153,333	-
Sodimex FR SA	725,897	270,980
Socfinaf S.A	7,634,447	7,634,448
Induservices F.R. SA	30,527	5,875
Intercompany Payables balances	12,109,152	10,639,791
Total trade and other payables	17,944,796	17,367,706
15 Intercompany payable-long term		
Socfinaf S.A. long term loan	10,000,000	10,000,000
Shareholders' advance-Socfinaf	18,770,198	18,770,198
	28,770,198	28,770,198

In 2015, LAC obtained a loan amount of US\$10,000,000.00 from Socfinaf S.A. The interests have been accrued for the total amount of US\$4,573,304 as of December 31, 2022, and these interests will be paid when the treasury position of LAC will improve. The reimbursement of this loan should start in 2016 but this schedule can be amended.

Between 2016 and 2018, a total amount of US\$18,770,198 was advanced to the company by the shareholder. The interests have been accrued for the total amount of US\$3,061,144 as of December 31, 2022.

In June 12, 2022, Liberian Agricultural Company was granted a commercial loan in the amount of USD\$3,288,900. On October 1, 2021, LAC loan was restructured in the amount of USD\$3,288,900 and set for installment payment to mature on June 30, 2023. The interest shall be paid on a quarterly basis at a rate of 7.6%.

Notes to the financial statements *(continued)*

In United States \$	2023	2022
16 Revenue		
Processed rubber sales	37,852,639	42,581,599
	37,852,639	42,581,599
17 Cost of production		
Openning stock	3,779,144	2,712,812
Fuel and Lubricant	4,088,209	3,630,508
Depreciation	1,653,357	1,568,330
Pest, chemical & disease controls	49,021	36,657
Plantation road & drainage	208,440	330,449
Rubber freight & shipping cost	4,147,045	4,016,958
Salaries and wages	3,487,459	3,872,366
Spare parts	836,356	844,664
Subsidy to employees	517,441	485,866
Tapping and sundry materials	182,734	175,444
Tools and sundries	701,067	793,182
Rubber haulage	282,526	349,433
Purchases	5,802,732	8,804,873
Transportations	608,817	353,662
Consumable for rubber plant	1,535,262	1,230,089
Rented equipment	513,803	660,195
Closing Stock of processed rubber	(2,243,053)	(3,779,144)
Total cost of production	26,150,359	26,086,344

Notes to the financial statements (continued)

	In United States \$	2023	2022
18 General and Administrative Expenses			
Administrative and Management fees	449,769	694,475	
Auditors and Legal Remuneration	235,723	125,581	
Bad debts	18,441	3,621	
Bank charges	155,995	220,047	
Computer expenses	83,489	69,460	
Consumables & stationeries	257,694	55,147	
Dues & Donation	40,566	94,662	
Entertainment	127,908	52,909	
Head office reimbursement	568,627	258,961	
Licenses, permits & custom duties	123,721	105,315	
Mgmt. & senior staff salaries	1,438,281	1,183,780	
Other personnel cost	3,279,585	3,319,584	
Exchange loss/gain	93,392	(269,763)	
Insurance	139,690	169,531	
Medical expenses	381,574	790,558	
Promotions & communications	30,212	38,472	
Litigation	2,505	54,750	
Telephone & postage	201,868	179,079	
Training	43,154	46,194	
Transportations	495,015	637,149	
Travel-overseas	185,383	113,183	
Utilities	54,468	89,274	
Withholding, social security & sundry taxes	407,031	419,322	
Depreciation-tangible assets	2,298,127	2,139,763	
House & equipment rental	66,744	29,405	
Other administrative expenses	215,934	1,653,338	
	11,394,898	12,273,797	
19 Other Income			
Gain on sale of fixed assets	15,822	3,887	
Miscellaneous Income	179,863	38,242	
Sales of fixed assets	9,000	85,000	
	204,685	127,129	
20 Finance Cost			
Interest on loan	99,931	1,586	
Interest on bank overdraft	-	41,107	
	99,931	42,693	
21 Loss on disposal of investment			
Loss on investment	18,316,349	-	
	18,316,349	-	

During the year, LAC sold its investment of US\$18,316,350, representing 279 shares in SRC, to Socfinaf at the symbolic value of US\$1 in total. LAC incurred a loss of US\$ 18,316,349.

Notes to the financial statements (continued)

22. Contingent liability

There were no contingent liabilities as of December 31, 2023 (2021: Nil)

23. Prior Period Adjustments

As of December 31, 2023, there were no prior period adjustments made in the Retained Earnings.

24. Related Parties

During the year, LAC had several related parties' transactions, all of which are summarized in the table below. All related parties' transactions are carried out in the ordinary course of business and have been approved by the board.

Parent Company

The parent company of the Liberian Agricultural Company is **Socfinaf S.A.** During the year, LAC sold its investment of US\$18,316,350, representing 279 shares in SRC, to Socfinaf at the symbolic value of US\$1 in total.

Sister companies include:

Sogescol FR, Socfinco S. A., Socfinco FR, Socfinaf S. A., Salala Rubber Corporation, Sodimex S. A., Induservices S. A., Sodimex F.R.

Related party	Nature of transaction	2023	2022
Inter-company Debtors		Balances	Balances
Sogescol FR	Operating	3,849,617	1,351,368
Salala Rubber Corportaion	Loan	1,950,000	1,950,000
Salala Rubber Corportaion	Rubber sale	-	140,920
SOGB	Operating	19,169	5,733
Invoices / DN Socfinco pending	Operating	2,669	22,654
		5,821,456	3,470,676
Inter-company Creditors			
Socfinco F.R.	Operating	3,564,948	2,728,488
Sodimex FR	Operating	725,897	270,980
Socfinaf SA	Financing	7,634,447	7,634,448
SOCFINAF	Shareholder advance	18,770,198	18,770,198
SOCFINAF S.A.	Loan	10,000,000	10,000,000
Induservices F. R S. A		30,527	5,875
Salala Rubber Corporation	Operation	153,333	-
		40,879,350	39,409,989

Notes to the financial statements *(continued)*

25. Capital commitment

There was no capital commitment for the Company at the end of the year.

26. Events after the reporting period

Events subsequent to balance sheet date are disclosed only to the extent that they relate directly to the financial statements and the effect is material. There were no such events as at the date the financial statements were approved.