

MAFISI TEA ESTATES LIMITED

FINANCIAL STATEMENTS

For the 7 month period ended

31 March 2015

MAFISI TEA ESTATES LIMITED

FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

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MAFISI TEA ESTATES LIMITED

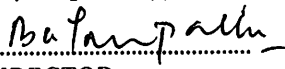
DIRECTORS' REPORT

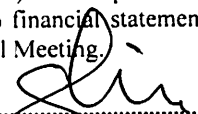
For the 7 month period ended 31 March 2015

The Directors have pleasure in submitting the report together with the audited financial statements for the 7 month period ended 31 March 2015.

- 1. Nature of the Business**
The company is a subsidiary of Group Developments Limited, a company incorporated in Malawi. The main business of the company is letting out its tea and macadamia plantations.
- 2. Incorporation and Registered Office**
Mafisi Tea Estates Limited is a company incorporated in Malawi under the Malawi Companies Act, and its registered office is at Naming'omba Tea Estate, P.O. Box 2, Thyolo, Malawi.
- 3. Financial performance**
The results and state of affairs of the company are set out in the accompanying statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows and the notes to the financial statements..
- 4. Takeover and Change in Management**
During the financial year 2014-15, Gillanders (Mauritius) Holdings Limited, Mauritius, a wholly owned subsidiary of Gillanders Arbuthnot and Company Limited, India, acquired 100% equity shares of GDL from O and G Investments Limited and its nominees. In the process of this acquisition, all liabilities which were due to NBS Bank were paid and the securities discharged.
- 5. Directors and secretary of the company:**
The directors and company secretary who served during the period are listed below:-

Mr. Digvijai Singh	Managing Director from 22.12.2014
Mr. Birendra Kumar Tripathi	Director from 22.12.2014
Mr. Barkley Chima	Director from 22.12.2014
Mr. Crispin Ngunde	Director from 22.12.2014
Ms. Gloria Mbendera	Director from 22.12.2014
Mr. E. Phakamea	Secretary
Mr. A. Chioko	Chairman up to 22.12.2014
Mr. L. Munkhondia	Director up to 22.12.2014
Mrs. K Phoya	Director up to 22.12.2014
Mr. A Suluma	Director up to 22.12.2014
- 6. Legal advisors**
Wilson and Morgan
P O Box 527
Blantyre
- 7. Auditors**
Messrs KPMG, Certified Public Accountants and Business Advisors (Malawi) have expressed their willingness to continue in office as auditors in respect of the Company's 31 March 2016 financial statements and a resolution proposing their appointment will be tabled at the forthcoming Annual General Meeting.


.....
DIRECTOR


.....
DIRECTOR

Date: 22nd May.....2015

MAFISI TEA ESTATES LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

For the 7 month period ended 31 March 2015

The directors are responsible for the preparation and fair presentation of the financial statements of Mafisi Tea Estates Limited, comprising the statement of financial position at 31 March 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 7 month period ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Malawi Companies Act, 1984.

The Act also requires directors to ensure the Company keeps proper accounting records which 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, 1984.

In preparing the financial statements, the directors accept responsibility for the following:

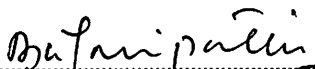
- maintenance of proper accounting records;
- selection of suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- compliance with applicable accounting standards, when preparing financial statements, subject to any material departures being disclosed and explained in the financial statements; and
- preparation of financial statements on a going concern bases unless it is inappropriate to presume that the company will continue in business.


The directors are responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material mis-statement, whether due to fraud or error and for maintain adequate accounting records and an effective system of risk management

The directors have made an assessment of the Company's ability to remain a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of their operating results, in accordance with International Financial Reporting Standards.

The financial statements were approved by the board of directors on 22nd May 2015 and are signed on its behalf by:


.....
DIRECTOR


.....
DIRECTOR

Date 22nd May 2015



2016000109

KPMG
Public Accountants and Business Advisors
MASM House, Lower Sclater Road
P.O. Box 508,
Blantyre, Malawi

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Fax : (265) 01 820 575
E-mail: mw-fminformation@kpmg.com
Website: www.kpmg.com/mw

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAFISI TEA ESTATES LIMITED

We have audited the accompanying financial statements of Mafisi Tea Estates Limited, which comprise the statement of financial position at 31 March 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes, set out from pages 4 to 19.

Directors' responsibility for the financial statements

Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the provisions of the Malawi Companies Act, 1984, and for such internal control as directors determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Qualification

The company carries its items of Property, plant and equipment at fair value using the revaluation model as described in note 2.5. International Financial Reporting Standards IAS 16: *Property, plant and equipment* requires that assets carried under the revaluation model be revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

As indicated in note 5, the Company's items of land and buildings were last revalued on 31 August 2011. In addition IAS 16 requires the disclosure of the carrying amount that would have been recognized had the assets been carried under the cost model. These disclosures have not been provided. It was impracticable for us to quantify the financial effects of this matter.

Qualified opinion

In our opinion, except for the effects of matter raised in the basis of qualified opinion paragraph, these financial statements give a true and fair view of the financial position of Mafisi Tea Estates Limited as at 31 March 2015, and of its financial performance and cash flows for the 7 month period then ended in accordance with International Financial Reporting Standards and in a manner required by the Malawi Companies Act, 1984.

Other matter

The financial statements for the previous year were audited by another auditor who expressed an unqualified opinion on these financial statements in their report dated 18 December 2014.

Certified Public Accountants and Business Advisors
Blantyre, Malawi

.....2015

MAFISI TEA ESTATES LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

In thousands of Malawi Kwacha

	<u>Note</u>	As at 31 March 2015	As at 31 August 2014
ASSETS			
Non-current assets			
Property, plant and equipment	5	116,051	116,090
Biological assets	6	<u>630,125</u>	<u>630,125</u>
		<u>746,176</u>	<u>746,215</u>
Current assets			
Amount due from related parties	7	<u>166,361</u>	<u>164,744</u>
Total assets		<u>912,537</u>	<u>910,959</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	8	1,500	1,500
Capital reserve	8	20,933	20,933
Property revaluation reserve	8	122,110	122,110
Biological assets revaluation reserve	8	426,725	426,725
Retained earnings		<u>139,091</u>	<u>137,931</u>
		<u>710,359</u>	<u>709,199</u>
Non-current liabilities			
Deferred tax liability	11	<u>197,917</u>	<u>197,917</u>
Current liabilities			
Related parties	7	2,688	-
Income tax payable	11	<u>1,573</u>	<u>3,843</u>
		<u>4,261</u>	<u>3,843</u>
Total liabilities		<u>202,178</u>	<u>201,760</u>
Total equity and liabilities		<u>912,537</u>	<u>910,959</u>

These financial statements were approved by the Company's Board of Directors on 22 May 2015 and were signed on its behalf by:


.....
DIRECTOR


.....
DIRECTOR

The financial statements are to be read in conjunction with the notes on pages 8 to 19.

The independent auditor's report is on page 3.

MAFISI TEA ESTATES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the 7 month period ended 31 March 2015

In thousands of Malawi Kwacha

	<u>Note</u>	7 month period ended 31 March 2015	12 month period ended 31 August 2014
Estate rent	9	1,617	12,810
Fair value adjustments		-	131,586
Administration charges	10	<u>(39)</u>	<u>(67)</u>
Profit before taxation		1,578	144,329
Income tax charge	11	<u>(418)</u>	<u>(43,319)</u>
Total comprehensive income for the year		<u>1,160</u>	<u>101,010</u>

The financial statements are to be read in conjunction with the notes on pages 8 to 19.

The independent auditor's report is on page 3.

MAFISI TEA ESTATES LIMITED

STATEMENT OF CHANGES IN EQUITY

For the 7 month period ended 31 March 2015

In thousands of Malawi Kwacha

	<u>Share capital</u>	<u>Capitalisation reserve</u>	<u>Revaluation reserve</u>	<u>Non Distributable earnings</u>	<u>Distributable retained earnings</u>	<u>Total</u>
2015						
Balance at 1 September 2014	1,500	20,933	122,110	426,725	137,931	709,199
Total comprehensive income						
Profit for the period	—	—	—	—	1,160	1,160
Total comprehensive income	—	—	—	—	1,160	1,160
Balance at 31 March 2015	<u>1,500</u>	<u>20,933</u>	<u>122,110</u>	<u>426,725</u>	<u>139,091</u>	<u>710,359</u>
2014						
Balance at 1 September 2013	1,500	20,933	122,110	334,615	129,031	608,189
Total comprehensive income						
Profit for the year	-	-	-	-	101,010	101,010
Other comprehensive income	—	—	—	92,110	(92,110)	—
Total comprehensive income	—	—	—	92,110	8,900	101,010
Balance at 31 August 2014	<u>1,500</u>	<u>20,933</u>	<u>122,110</u>	<u>426,725</u>	<u>137,931</u>	<u>709,199</u>

The financial statements are to be read in conjunction with the notes on pages 8 to 19.

The independent auditor's report is on page 3.

MAFISI TEA ESTATES LIMITED

STATEMENT OF CASH FLOWS

For the 7 month period ended 31 March 2015

In thousands of Malawi Kwacha

	<u>Note</u>	7 month period ended 31 March 2015	12 month period ended 31 <u>August 2014</u>
Operation activities			
Profit before taxation		1,578	144,329
<i>Adjusted for:</i>			
Depreciation	10	39	67
Fair value adjustment		—	(131,586)
Operating profit before working capital changes		1,617	12,810
Increase in amounts due from related parties		(1,617)	-
Increase in amount due to related parties	7	<u>(2,688)</u>	<u>(12,810)</u>
Net cash generated from operations		2,688	-
Tax paid	11.2	(2,688)	-
Movement in cash for the year			
Cash position at the beginning of the year		-	-
Cash position at the end of the year		—	—
		<u>—</u>	<u>—</u>
Movement in working capital as defined by legislation		<u>1,199</u>	<u>9,598</u>

The financial statements are to be read in conjunction with the notes on pages 8 to 19.

The independent auditor's report is on page 3.

MAFISI TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

1. General information

Mafisi Tea Estates Limited lets out tea and macadamia plantations to Group Development Limited, its holding company and fellow subsidiaries. The company is a limited liability company incorporated in Malawi.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in conformity with the requirements of the Malawi Companies Act, Cap. 46:03.

The company's reporting period is shorter than the normal one due to change in year end which has been necessitated to conform with the year end for the parent company. Accordingly the reported amounts are not comparable.

2.1.2 Basis of measurement

The financial statements have been prepared on the historical cost convention, except for financial instruments which are measured at fair value through the statement of profit or loss and other comprehensive income.

2.1.3 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have most significant effect on the amounts recognised in the financial statements can be found in the following notes:

- Note 19 - Recognition of deferred tax assets, availability of future taxable profit against which carry forward tax losses can be used.
- Note 5 - Review of useful asset lives and impairment testing.
- Note 6 - Key assumptions underlying in the biological asset model.
- Note 9 - Impairment test: assumptions underlying recoverable amounts.
- Note 14 - Recognition and measurement of provisions.

MAFISI TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

2. Summary of significant accounting policies (continued)

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates "the functional currency". The financial statements are presented in Malawi Kwacha (K) which is the company's functional and presentation currency.

2.2.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the statement of profit or loss within finance income or cost.

2.3 Revenue recognition

Rental income is determined based on the expected gross margins the company would earn on the lease of land for its tea and macadamia plantations.

2.4 Property, plant and equipment

Items of property and equipment are measured at revaluation less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gains or losses on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

Increase in the carrying amount arising on revaluation are recognized in other comprehensive income and accumulated in a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve. The revaluation reserve is realized on disposal. All other decreases are recognized in profit or loss.

Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group.

On going repairs and maintenance are expensed as incurred.

2.5 Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Freehold buildings and construction	-	2%
Plant and machinery	-	3.5% - 5%
Water schemes	-	3.5% - 10%

Economic lives and residual values are reassessed annually and adjusted where appropriate.

MAFISI TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

2. Summary of significant accounting policies (continued)

2.6 Biological assets

Tea, timber and macadamia and plantations are measured at fair value. The fair value of plantations is determined based on the present value of expected net cash flows from the plantations determined by discounting the expected net cash flows from the plantations using a determined pre-tax rate of cost of capital.

2.7 Trade and other receivables

Trade receivables are carried at fair value less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Bad debts are written off during the year in which they are identified. Impairment is calculated as the difference between carrying amount and present values of expected cash flow from customers.

2.8 Deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authority.

Deferred income tax is recognised, using the liability method, contemporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply whether related deferred income tax asset is realized or the deferred income tax liability is settled.

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

2.9 Equity

Ordinary shares, reserves and retained earnings are classified as equity.

MAFISI TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

2. Summary of significant accounting policies (continued)

2.10 New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not effective for the period ended 31 March 2015 and have not been applied in preparing these financial statements.

New or amended standards	Summary of requirements
IFRS 9 <i>Financial instruments</i>	<p>This replaces existing guidance in IAS 39 <i>Financial Instruments: Recognition and measurement</i></p> <p>This includes revised guidance on classification and measurements of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.</p> <p>IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.</p>
IFRS 15 <i>Revenue from contracts with customers</i>	<p>This establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 <i>Revenue</i>, IAS 11 <i>Construction contracts</i> and IFRIC 13 <i>Customer Loyalty Programmes</i>.</p> <p>IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017 with early adoption permitted.</p>
<i>Agriculture: Bearer Plants (Amendment to IAS 16 and IAS 41)</i>	<p>These amendments require bearer plants, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 <i>Property, Plant and Equipment</i>, instead of IAS 41 <i>Agriculture</i>.</p> <p>This is effective for annual reporting periods beginning 1 January 2016.</p>
IFRS 14 <i>Regulatory Deferral Accounts</i>	<p>This is an interim standard for first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances.</p> <p>This is effective for annual reporting periods beginning 1 January 2016.</p>

MAFISI TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the 7 month period ended 31 March 2015

2. Summary of significant accounting policies (continued)

2.10 New Standards and Interpretations not yet adopted (continued)

New or amended standards	Summary of requirements
<i>Equity Method in Separate Financial Statements (Amendments to IAS 27)</i>	<p>The amendment allows the use of equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.</p> <p>This is effective for annual reporting periods beginning 1 January 2016.</p>
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i>	<p>When a parent loses control of a subsidiary in a transaction with an associate or joint venture, there a conflict between the existing guidance on consolidation and equity accounting.</p> <p>The amendment addresses this conflict by creating new dividing lines.</p> <p>This is effective for annual reporting periods beginning 1 January 2016.</p>
<i>Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)</i>	<p>The amendment requires business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.</p> <p>This is effective for annual reporting periods beginning 1 January 2016.</p>
<i>Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)</i>	<p>This amendment introduces a rebuttable presumption that the use of revenue based amortization method for intangible assets is inappropriate.</p> <p>This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue.</p> <p>The amendments also explicitly state the revenue-based method of depreciation cannot be used for property, plant and equipment.</p> <p>This is effective for annual reporting periods beginning 1 January 2016.</p>
<i>Annual Improvements to IFRSs 2012–2014 Cycle – various standards</i>	<p>These annual improvements provide amendments to a collection of standards as follows:</p> <ul style="list-style-type: none">• <i>IFRS 5 Non-current Assets Held for Sale and Discontinued Operations</i><ul style="list-style-type: none">○ Changes in the method for disposal• <i>IFRS 7 Financial Instruments: Disclosures</i><ul style="list-style-type: none">○ Continuing involvement for servicing contracts○ Offsetting disclosures in condensed interim financial statements• <i>IAS 19 Employee Benefits</i><ul style="list-style-type: none">○ Discount rate in regional market sharing the same currency• <i>IAS 34 Interim Financial Reporting</i><ul style="list-style-type: none">○ Disclosure of information elsewhere in the interim financial report <p>These are effective for annual reporting periods beginning 1 January 2016.</p>

MAFISI TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

2.11 Determination of fair value and key sources of estimation uncertainty

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods disclosed below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

2.12 Non-derivative financial liabilities

Financial value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows based, discounted at the market rate of interest at the reporting date.

2.13 Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing seller and a willing buyer in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeable, prudently and without compulsion. The market value of items of equipment, fixtures and fittings is based on the quoted market prices for similar items.

2.14 Biological assets valuation

Included in the rate used to discount cash flows from macadamia, timber and tea is an agriculture risk factor representing risks associated with climate and environment and prevailing market prices that the company re-assesses each year. The discount rate also includes a time value for money factor.

In accordance with the company's strategic plans, tea plantations and macadamia trees are valued over a period of 40 years whereas timber plantations are valued over a period of 7 years.

The models assume no capacity constraints, sustained global market demand and continued positive market conditions and normal inflation levels.

Green leaf plucked and macadamia nuts in husk harvested have been determined using moving averages.

2.15 Income tax

Tax on the profit for the year comprises current tax and deferred tax. Current income tax, current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the reporting date, and any adjustments of tax payable for previous years. Deferred income tax, deferred tax is provided using the liability method on all temporary differences between the carrying amounts for the financial reporting purposes and the amounts used for taxation purposes.

Deferred taxes assets are accrued only to the extent that it is probable that the related tax liability will crystallise or tax benefit will be realised. Deferred tax asset is recognized only to the extent that there will be future profits to offset the asset.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using non-current liabilities.

MAFISI TEA ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 7 month period ended 31 March 2015

3. Financial risk management

Company management, in association with the company's senior management, are responsible for overall financial risk management. Risks are identified and monitored on a continuous basis as part of a programme to minimize the unpredictability of financial markets and to minimize potential adverse effects on the financial performance of the company.

The company's activities generally do not directly expose it to any significant financial risk.

The only significant exposure to credit risk is in respect of any amounts due from a fellow subsidiary company that purchases its agricultural harvests for production of finished goods.

3.1 Market risk

3.2 Foreign exchange risk

The company does not have foreign currency denominated assets and liabilities, and does not trade in foreign denominated transactions, except for the sale of Greenleaf and macadamia nuts, which are US dollar denominated but paid for in Malawi Kwacha and converted at year end rates. As such it is not directly exposed to foreign exchange risk, except to the extent noted herein.

3.3 Price risk

The company does not invest in any securities, and is not exposed to price risk of instruments traded on market such as The Malawi Stock Exchange.

3.4 Cash flows and fair value Interest rate risk

Changes in interest rates do not have a significant impact on the company's financial performances as it does not have interest bearing assets and liabilities.

3.5 Credit risk

Credit risk arises from receivables from related parties. These are under common control and ownership with the company and a low risk of default is attributable to those loans and receivables.

3.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and market able securities to meet the company's obligations as they fall due. The group centralizes treasury management and the company does not have a bank account.

3.7 Fair value estimation

The company did not have any loans and receivables nor any other financial assets as at 31 August 2014 for which fair value estimation would be required.

3.8 Capital risk management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and maintain an optional structure.

In order to maintain or adjust the capital structure, the company can adjust the amount of dividend paid to shareholders and use surplus cash resources for internal operations.

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4. Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. The resulting estimates will by definition rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

4.1 Estimated impairment of trade receivable

The company tests annually whether receivables have suffered any impairment and makes a provision for bad debts in accordance with the accounting policy stated in note 2.10. This assessment requires judgement.

4.2 Income taxes

The company is subject to income tax in Malawi and provision for income tax payable is made in the financial statements as at each financial year end. Subsequent to the year end a tax return is filed with the revenue authorities. Where the final tax assessed is different from the amounts that were initially provided, such differences will be accounted for as an income tax under/over provision in the statement of comprehensive income for the period when such determination is made.

Deferred tax asset is only recognized to the extent that there will be future taxable profits to offset the tax losses within the allowable period for carrying forward tax losses.

4.3 Biological assets valuation

Included in the rate used to discount the yields for macadamia and tea is a time value for money risk factor representing risks associated with the loss of value of money as a consequence of the passage of time.

In accordance with the company's strategic plans, tea, macadamia and timber plantations are assumed to have productive life of 40 years, 25 years and 7 years respectively.

The models assume no capacity constraints, sustained global market demand and continued positive market conditions.

Standard ratios for conversion of green leaf to made tea and shelling of macadamia to kernels are applied.

These models contain estimates of yields and future proceeds and these assumptions are reconsidered annually.

4.4 Assets' economic lives and residual values

Management uses its judgement, based on its understanding of the business, capital policy and the economic environment in which it operates, to assess the residual value, and the estimated useful life of assets. Changes in residual values, indexation and estimated useful lives result in changes in depreciable and annual depreciation charges for individual assets.

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5. Property plant and equipment <i>See accounting policy note 2.4</i>	<u>Freehold land and development</u>	<u>Freehold buildings and constructions</u>	<u>Water schemes</u>	<u>Total</u>
<u>Cost</u>				
2015				
As at 1 September 2014 and 31 March 2015	<u>108,595</u>	<u>52,525</u>	<u>6,658</u>	<u>167,778</u>
2014				
As at 1 September 2013 and 31 August 2014	<u>108,595</u>	<u>52,525</u>	<u>6,658</u>	<u>167,778</u>
<u>Depreciation</u>				
2015				
As at 1 September 2014	-	45,030	6,658	51,688
Charge for the year	<u>-</u>	<u>39</u>	<u>-</u>	<u>39</u>
As at 31 March 2015	<u>-</u>	<u>45,069</u>	<u>6,658</u>	<u>51,554</u>
2014				
As at 1 September 2013	-	44,963	6,658	51,621
Charge for the year	<u>-</u>	<u>67</u>	<u>-</u>	<u>67</u>
As at 31 August 2014	<u>-</u>	<u>45,030</u>	<u>6,658</u>	<u>51,727</u>
Net book value				
As at 31 March 2015	<u>108,595</u>	<u>7,456</u>	<u>-</u>	<u>116,051</u>
As at 31 August 2014	<u>108,595</u>	<u>7,495</u>	<u>-</u>	<u>116,090</u>

Freehold land and developments were revalued as at 31 August 2011 by the directors.

The information required by Section 16 of the third schedule of the Malawi Companies Act Cap. 46:03 is contained in a register which is open for inspection by the members or their duly authorised agents at the registered office of the company.

The company's land and buildings have been used as security for loan and facilities taken by Naming'omba Tea Estates Limited with FMB Bank Limited. The facilities include:-

- (a) Overdraft facility up to MK50,000,000 expiring 31.01.2016.
- (b) Overdraft facility up to \$1,150,000 expiring 31.01.2016.
- (c) A drawdown loan of up to \$750,000.
- (d) Letters of credit cum guarantee of up to \$500,000 expiring 31.01.2016.

6. Biological assets	7 month period ended 31 March <u>2015</u>	12 month period ended 31 August <u>2014</u>
<i>See accounting policy note 2.6</i>		
At 1 September	630,125	498,539
Fair value adjustment	<u>-</u>	<u>131,586</u>
Balance at period end	<u>630,125</u>	<u>630,125</u>

The biological assets were last revalued at 31 August 2014. In view of the short passage of time to the reporting period, the directors consider that the valuation at 31 March 2015 could not be materially different from the fair value reported as at 31 August 2014.

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		7 month period ended 31 March <u>2015</u>	12 month period ended 31 August <u>2014</u>
7.	Related party balances		
	<i>See accounting policy note 2.7</i>		
	Amount due from related party		
	Naming`omba Tea Estates Limited	<u>166,361</u>	<u>164,744</u>
	Related party transactions		
	During the year, the following transactions were carried out with related parties		
	Naming`omba Tea Estates Limited		
	Payments of taxes	<u>2,688</u>	<u>—</u>
		<u>2,688</u>	<u>—</u>
	All transactions with related parties are done at an arms length basis		
8.	Share capital		
	<i>See accounting policy note 2.8</i>		
	Authorised:		
	1,500,000 ordinary shares of K1 each	<u>1,500</u>	<u>1,500</u>
	Issued and fully paid:		
	1,500,000 ordinary shares of K1 each	<u>1,500</u>	<u>1,500</u>
	There were no shares which remained unissued.		
	The holders of ordinary share capital are entitled to dividend as declared in the annual general meeting.		
8.1	Capital reserve	<u>20,933</u>	<u>20,933</u>
	Capital reserve arose following injection of additional capital by the shareholders to settle liabilities directly with creditors. It is not available for distribution.		
8.2	Property revaluation reserve	<u>122,110</u>	<u>122,110</u>
	<i>See accounting policy note 2.13</i>		
	Property revaluation reserve represents the increase in value of property arising from revaluation of property from time to time. It is not available for distribution to shareholders.		
8.3	Biological assets revaluation reserve	<u>426,725</u>	<u>426,725</u>
	<i>See accounting policy note 2.14</i>		
	Biological assets revaluation reserve represents the increase in fair value of the biological assets following revaluations of the biological assets to their fair value less deferred income tax. The revaluation reserve is not available for distribution to the shareholders.		
9.	Other income		
	<i>See accounting policy note 2.3</i>		
	Estate rent	<u>1,617</u>	<u>12,810</u>
10.	Administration expenses		
	Depreciation	<u>39</u>	<u>67</u>

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For the 7 month period ended 31 March 2015
In thousands of Malawi Kwacha

	7 month period ended 31 March 2015	12 month period ended 31 August 2014
11. Tax expenses		
<i>See accounting policy note 2.6 and 2.14</i>		
11.1 Income statement charge		
Current income tax	418	3,843
Deferred tax	<u>-</u>	<u>39,476</u>
	418	43,319

Deferred income tax

	<u>2015</u>			<u>2014</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Opening balance	-	197,917	197,917	-	-	-
Other timing differences	-	-	-	-	7,967	7,967
Property, Plant & Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,950</u>	<u>189,950</u>
	<u>-</u>	<u>197,917</u>	<u>197,917</u>	<u>-</u>	<u>197,917</u>	<u>197,917</u>

The movement in deferred tax is analysed as follows:-

	Balance at 1 September 2014	Recognised in profit or loss	Balance at 31 March 2015
Other timing differences	7,967	-	7,967
Property, plant and equipment	<u>189,950</u>	<u>-</u>	<u>189,950</u>
	<u>197,917</u>	<u>-</u>	<u>197,917</u>

	7 month period ended 31 March 2015	12 month period ended 31 August 2014
11.2 Tax liability		
Balance at 1 September	3,843	35,524
Paid during the year	(2,688)	(35,524)
Current year charge	<u>418</u>	<u>3,843</u>
	<u>1,573</u>	<u>3,843</u>

12. Contingent liabilities

The company has an ESCROW arrangement with NBS Bank Limited whereby any liabilities that are discovered subsequent to take over and which were not disclosed to the new shareholders would be paid from the ESCROW account. At the reporting period the company had contingent liabilities of MK42.6 million which would be settled under the ESCROW arrangement.

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13. Exchange and inflation rates

The average of the year end selling rates of major foreign currencies affecting the performance of the Company are stated below, together with the increase in the National Consumer Price Index, which represents an official measure of inflation.

	31 March <u>2015</u>	31 August <u>2014</u>
Exchange rates		
Kwacha/GBP	756	748.00
Kwacha/Rand	43	45.00
Kwacha/US Dollar	490	450.00
Inflation rate %	<u>23.7%</u>	<u>22.9%</u>

At the time of approval of these financial statements, the exchange rates had moved to:

Kwacha/GBP	717.39
Kwacha/Rand	40.6
Kwacha/US Dollar	468.52

14. Capital commitments

There were no capital commitments as at **31 March 2015** (2014: Knil)

15. Subsequent events

Subsequent to the reporting date, no significant events have occurred necessitating adjustments to our disclosures in the financial statements.